

City of Delray Beach, Florida

Comprehensive Annual Financial Report
for Year Ended September 30, 2014



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2014
with Report of Independent Certified Public Accountants

Comprehensive Annual Financial Report

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with Report of Independent Certified Public Accountants

Prepared by the
Finance Department

City of Delray Beach, Florida
 Comprehensive Annual Financial Report
 Year Ended September 30, 2014

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Introductory Section



March 25, 2015

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

Ladies and Gentlemen:

State law requires that every local government entity publish a complete set of audited financial statements within nine months of the close of each fiscal year. This Comprehensive Annual Financial Report (“CAFR”) is published to fulfill that requirement for the fiscal year ended September 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Caler, Donten, Levine, Cohen, Porter & Veil, P.A., Certified Public Accountants, have issued an unmodified opinion on the financial statements of the City of Delray Beach for the year ended September 30, 2014. The independent auditor’s report is located at the front of the financial section of this CAFR.

Management Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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 64,600 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 three (3) years who presides over four (4) Commissioners who are elected at large on a non-partisan basis for three (3) year terms in alternating years. The City Commission sets policy, approves legislation, adopts the Annual Budget, and sets rates

and fees. The City Commission appoints the City Manager, who is the chief administrative 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 by either Civil Service regulations or union agreements.

Services Provided

The City of Delray Beach provides a full range of community services including public safety (police, fire protection and rescue services); parks and recreation (beaches, pools, marina, boat ramps, parks and multiple recreation centers); and public works (essential traffic, street maintenance and parking). Other recreational amenities of the City include 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, inspections, code enforcement, garbage and trash services, and administers the City's Community Development Block Grants. The City also provides general administrative services and financial support services. The City provides water, fire protection, emergency medical services, police dispatch services, building inspection and permitting, and limited sewer services to the Town of Gulfstream. Fire protection and emergency medical services, and limited water services are provided to the Town of Highland Beach. Both towns are serviced on a contractual basis.

The Delray Beach Municipal Marina is 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 is one of 283 designated Clean Marinas in the state.

Delray Beach is known nationally and internationally for its trendy downtown, scenic vistas and vibrant arts district. Hundreds of thousands of visitors flock to this Village by the Sea each year to enjoy spectacular events such as the 100-foot Christmas Tree Lighting, First Night New Year's Eve celebration, St. Patrick's Day parade and Fourth of July festivities. Home to major tennis events, the City is also a popular venue for outdoor arts & crafts festivals, musical and theatre performances, unique street fairs and holiday parades.

The City of Delray Beach is the recipient of the National Civic League's All-America City Award, the only municipality in Florida to receive this distinguished honor twice (1993, 2001). In 2014, the Florida Chapter of the Congress for the New Urbanism acknowledged the City's outstanding achievements in urban growth and development with the prestigious John Nolen Award. Delray Beach is also proud that its Marina Historic District has been listed on the National Register of Historic Places. The City continues to be a desirable community to live, work and play while preserving its rich history, cultural diversity and unique small town charm.

The City of Delray Beach celebrated its 35 year Sister City Program relationship with Miyazu, Japan, and its 15 year relationship with Moshi, Tanzania, Africa. The Sister City Program promotes friendship and understanding by encouraging cultural, youth, athletic and economic exchanges.

Reporting Entity

This report includes all funds of the primary government (City of Delray Beach) and all organizations and component units for which the City is financially accountable, including the Community Redevelopment Agency ("CRA"), Downtown Development Authority ("DDA"), 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.

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 (purchase order) to acquire goods or services which have not been paid for at a particular point in time. For operating purposes, outstanding encumbrances lapse at fiscal year-end and are then reappropriated as part of the new year budget. Blanket purchase orders are closed at fiscal year-end and are not reappropriated.

For fiscal year 2016, the City is instituting a planning and budgeting process based on a three-year City business plan, in response to City Commission established goals. The fiscal year 2016 business plan and budget will be developed consistent with the multi-year plan.

Economic Conditions and Outlook

The City maintained a good financial condition based on planning and fiscal controls during the recent national economic downturn. The decrease in taxable assessed values has reversed, with significant growth beginning in 2012. The current year tax roll (2014) had an increase of 12%, which reflects stabilization in the real estate market. Building permit activity in 2014 was up compared to last year. We expect these positive economic trends to continue, as discussed below.

CURRENT MAJOR INITIATIVES

World Class Beach

In 2009, the City of Delray Beach, in cooperation with Delray Beach Community Redevelopment Agency and the Beach Property Owners Association, 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 rebuilt pavilion includes new landscaping, updated showers, signage and trash containers.

Phase II, tentatively scheduled for 2015, will include the replacement of existing parking meters, dual paths for walkers and ocean viewing, and welcoming pergolas at each end of the public beach.

Economic Development

During the past year, the City of Delray Beach's Economic Development team focused on the attraction, expansion, and retention of companies while promoting Delray Beach for private sector investment. Additionally, numerous small businesses were assisted through business grants and incentives.

Currently, there are more than ten new private development projects planned and underway for a total of 2.1 million sq. ft. of new residential/office/retail/hotel space in the Downtown area, while larger companies continue to choose a Congress Avenue location. Two special project teams were formed in 2014 – one focused on the beautification, redevelopment and new development opportunities along Congress Avenue; and the other studying the City's downtown public assets (Library, Tennis Center, Tennis Stadium, Community Center and City Hall) and how they might be reimagined to drive innovative learning, entrepreneurship and recreation for the next 20-25 years.

Education Initiatives

One of the keys to economic development is quality schools. The City has a long term relationship with the School District of Palm Beach County to improve schools located within the City. 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.

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 the City and provides reasonable assurance of the proper recording of financial transactions.

Single Audit

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

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

The results of the City's single audit for the fiscal year ended September 30, 2014 disclosed no instances of material weaknesses in the internal control structure and disclosed no significant violation of applicable laws and regulations.

AWARDS AND ACKNOWLEDGMENTS

Financial Statement Awards

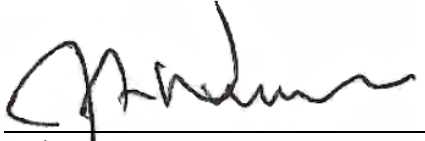
The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Delray Beach, Florida, for its CAFR for the fiscal year ended September 30, 2013. This was the 31st consecutive year the City received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 commitment of the entire Finance Department, coordinated by the City's Chief Accounting Officer. Their technical expertise and concerted efforts were truly evident in the audit process. Their assistance and cooperation have allowed us to prepare, on a timely basis, a report which gives its readers a comprehensive view of the City's financial and economic position.

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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack Warner", written over a horizontal line.

Jack Warner
Chief Financial Officer



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, 2013

Executive Director/CEO

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2014

CITY COMMISSION

Mayor Cary Glickstein

Vice-Mayor Shelly Petrolia

Deputy Vice-Mayor Jordana L. Jarjura

Commissioner Al Jacquet

Commissioner Adam Frankel

CITY STAFF

Interim City Manager Terrance Stewart

Assistant City Manager Francine Ramaglia

City Attorney Noel Pfeffer

City Clerk Chevelle D. Nubin

Community Improvement Director Lula C. Butler

Environmental Services Director Randal L. Krejcarek

Chief Financial Officer Jack Warner

Fire Chief Danielle Connor

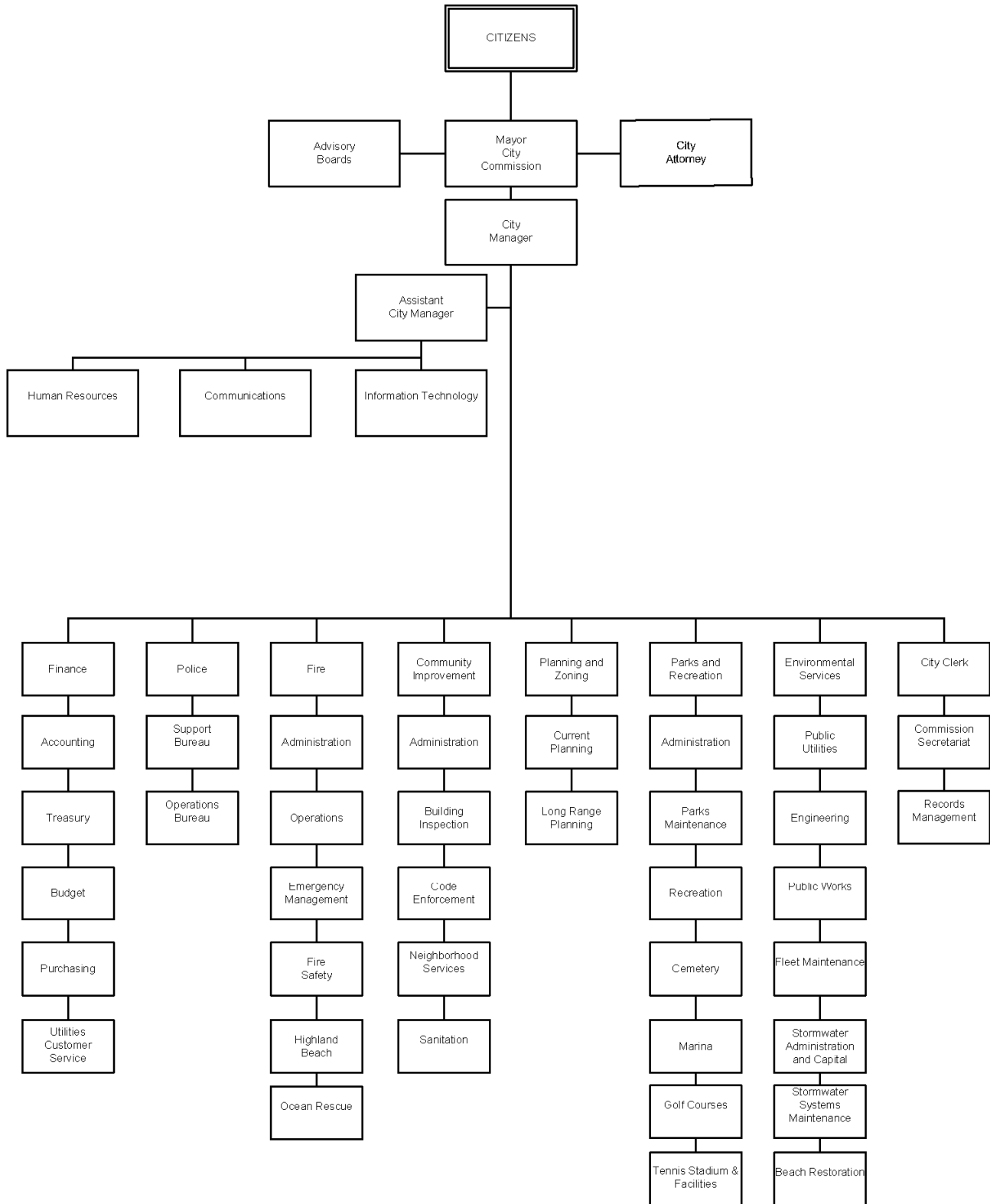
Human Resources Director Shirley McKennon

Parks and Recreation Director Suzanne F. Davis

Planning and Zoning Director Dana Little

Police Chief Anthony Strianese

City Organizational Chart



Financial Section



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K CALER, JR, CPA
LOUIS M COHEN, CPA
JOHN C COURTNEY, CPA, JD
DAVID S DONTEN, CPA
JAMES B HUTCHISON, CPA
JOEL H LEVINE, CPA
JAMES F MULLEN, IV, CPA
THOMAS A PENCE, JR, CPA
SCOTT L PORTER, CPA
MARK D VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

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 (the "City"), as of and for the year ended September 30, 2014, 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 51%, 53% and 41%, 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%, .4% and 5.3%, 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 from 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, 2014, 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 16 and the budgetary comparison schedule, pension information and other postemployment benefits information on pages 74 through 83 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 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*.

The combining and individual fund financial statements and schedules, the other supplementary information, and the Schedule of Expenditures of Federal Awards 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 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 March 25, 2015, 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.

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

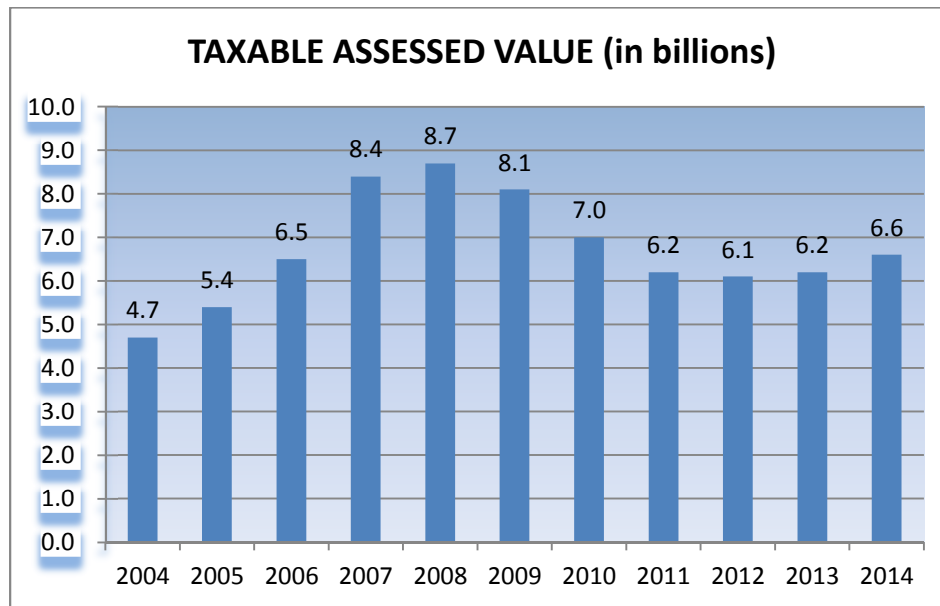
West Palm Beach, Florida
March 25, 2015

Management's Discussion and Analysis

This section of the comprehensive annual financial report provides a narrative overview and analysis of the financial activities of the City of Delray Beach, Florida ("City") for the fiscal year ended September 30, 2014. This information is to be considered alongside that in the letter of transmittal and the City's basic financial statements and notes to the financial statements. The financial analysis within the Management's Discussion and Analysis includes the City's primary government operations and joint venture for the South Central Regional Wastewater Treatment and Disposal Board. The operations of the City's two discretely presented component units; the Community Redevelopment Agency (CRA) and Downtown Development Authority (DDA), are excluded. The joint venture and component units issue separate audit reports that are available from each entity.

Financial Highlights

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



- 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 2014 increased from \$6.2 billion to \$6.6 billion, or 6.5%, in taxable assessed value.
- The assets of the City (Primary Government) exceeded its liabilities at September 30, 2014, by \$259,914,182 (Total Net Position). Of this amount, \$100,889,284 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets, excluding the City's discretely presented component units, increased by \$13,836,703. Of this amount, governmental activities increased by \$7,657,361 and business-type activities increased by \$6,179,342. The

increase in the governmental activities is attributable to both an increase in revenues and a reduction in expenses. The increase in the business-type activities is approximately the same as the prior year due to generally stable revenues and expenses.

- The total net position of the City (Primary Government) increased by \$13,836,703 comprised of an increase of \$7,657,361 in the governmental activities and an increase of \$6,179,342 in the business-type activities. The change in net position is shown on the table entitled Statement of Activities.
- At September 30, 2014, the City's governmental funds reported combined ending fund balances of \$53,405,235 which increased \$9,396,328 from the prior year. The increase is due primarily to increased revenues from improved economic activity and a beach renourishment grant. A total of \$46,136,885 or 86% of the combined ending fund balance is available for spending (Unassigned Fund Balance and Assigned Fund Balance). Of this amount, \$24,073,895 is in the General Fund, \$17,765,390 is in Capital Projects Funds and \$4,297,600 is in Special Revenue Funds.
- At September 30, 2014, Unassigned Fund Balance for the General Fund was \$23,700,352 or 24.6% of total General Fund expenditures of \$96,249,387. This is an increase of \$835,665 from the prior year or 3.7%. The General Fund had a good year, with revenue increasing by 3.4% and expenditures increasing by .1%. 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 each 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, and 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 the legally separate CRA and DDA for which the City is financially accountable (known as component units). Financial information for these component units are reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, reconciliations are provided between the fund financial statements and government-wide financial statements to understand the long-term impact of short-term financing decisions.

The City maintains 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 its budget. Required supplementary information can be found on pages 74 through 83 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 84 of this report.

Government-Wide Financial Analysis

The net position of the City is presented in detail on page 17 and summarized in Table A-1 below.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 79.0	\$ 69.4	\$ 56.1	\$ 61.6	\$ 135.1	\$ 131.0
Capital assets	136.1	135.5	100.4	99.8	236.5	235.3
Total Assets	215.1	204.9	156.5	161.4	371.6	366.3
Deferred outflows	0.2	0.1	0.0	0.1	0.2	0.2
Liabilities:						
Current liabilities	9.2	8.1	2.5	5.9	11.7	14.2
Noncurrent liabilities	82.9	81.3	17.3	25.1	100.2	106.2
Total Liabilities	92.1	89.4	19.8	31.0	111.9	120.4
Net Position:						
Net investment in capital assets	70.0	70.1	85.1	79.2	155.1	149.3
Restricted	1.7	1.6	2.2	4.5	3.9	6.1
Unrestricted	51.5	43.9	49.4	46.8	100.9	90.7
Total Net Position	\$ 123.2	\$ 115.6	\$ 136.7	\$ 130.5	\$ 259.9	\$ 246.1

Net position over time may serve as a useful indicator of the City's financial position. During the current year, the total net position of the City increased by \$13.8 million or approximately 5.6% from \$246.1 million to \$259.9 million. The increase in net position was a result of operations in both the governmental activities (\$7.6 million) and the business-type activities (\$6.2 million). Accordingly, based on this measure, the overall financial condition of the City improved in 2014.

A significant portion of the City's net position (\$155.1 million or 60% of the Total Net Position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) net of any related debt that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1.5%) represents resources that are subject to restrictions on how they may be used. The balance in restricted position reflects a decrease of \$2,200,000 from the prior year. The decrease is primarily due to a reduction in debt service in business-type 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 2014 balance increased \$10.2 million primarily due to results of operations in the governmental activities.

The changes in net position of the City are reported in the Statement of Activities on page 18 and are summarized in Table A-2 below.

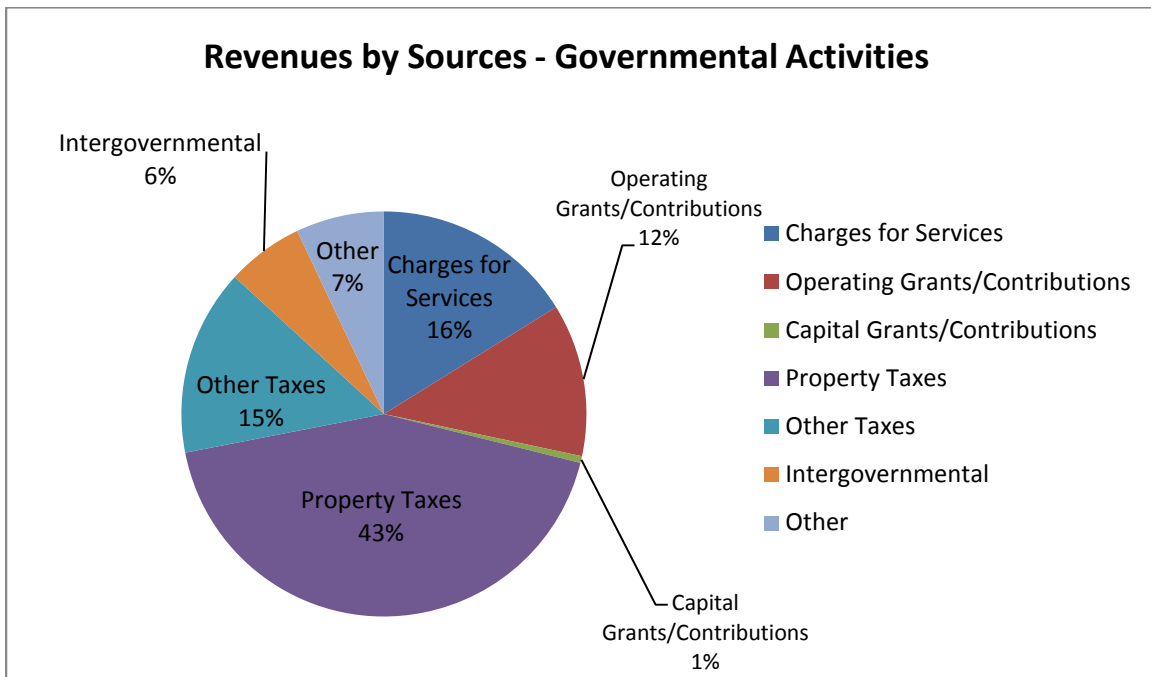
Table A-2
Changes in Net Position
Condensed Statement of Activities (\$ in millions)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 17.9	\$ 17.1	\$ 42.6	\$ 41.9	\$ 60.5	\$ 59.0
Operating grants, contributions	13.5	7.2	0.6	0.9	14.1	8.1
Capital grants, contributions	0.6	4.1	0.9	1.9	1.5	6.0
General Revenues:						
Property Taxes	47.7	47.0	0.0	0.0	47.7	47.0
Other taxes	16.5	15.7	0.0	0.0	16.5	15.7
Intergovernmental	6.8	6.3	0.0	0.0	6.8	6.3
Other	7.8	10.3	0.1	0.1	7.9	10.4
Total Revenues	110.8	107.7	44.2	44.8	155.0	152.5
Expenses						
General government	23.0	18.5	0.0	0.0	23.0	18.5
Public safety	58.4	57.2	0.0	0.0	58.4	57.2
Physical environment	8.0	8.1	0.0	0.0	8.0	8.1
Parks and recreation	15.4	24.4	0.0	0.0	15.4	24.4
Interest on long-term debt	2.1	2.4	0.0	0.0	2.1	2.4
Water and sewer	0.0	0.0	24.4	24.8	24.4	24.8
Municipal golf course	0.0	0.0	3.1	3.0	3.1	3.0
Lakeview golf course	0.0	0.0	0.6	0.6	0.6	0.6
City marina	0.0	0.0	0.1	0.1	0.1	0.1
Sanitation	0.0	0.0	4.7	4.7	4.7	4.7
Stormwater utility	0.0	0.0	1.4	1.7	1.4	1.7
Total Expenses	106.9	110.6	34.3	34.9	141.2	145.5
Change in Net Position Before Transfers	3.9	(2.9)	9.9	9.9	13.8	7.0
Transfers	3.7	3.7	(3.7)	(3.7)	(0.0)	0.0
Increase in Net Position	7.6	0.8	6.2	6.2	13.8	7.0
Beginning Net Position, as Originally Reported	115.6	115.2	130.5	124.4	246.1	239.6
Restatement for implementation of GASB Statements	0.0	(0.4)	0.0	(0.1)	0.0	(0.5)
Beginning Net Position, as Restated	115.6	114.8	130.5	124.3	246.1	239.1
Ending Net Position	\$ 123.2	\$ 115.6	\$ 136.7	\$ 130.5	\$ 259.9	\$ 246.1

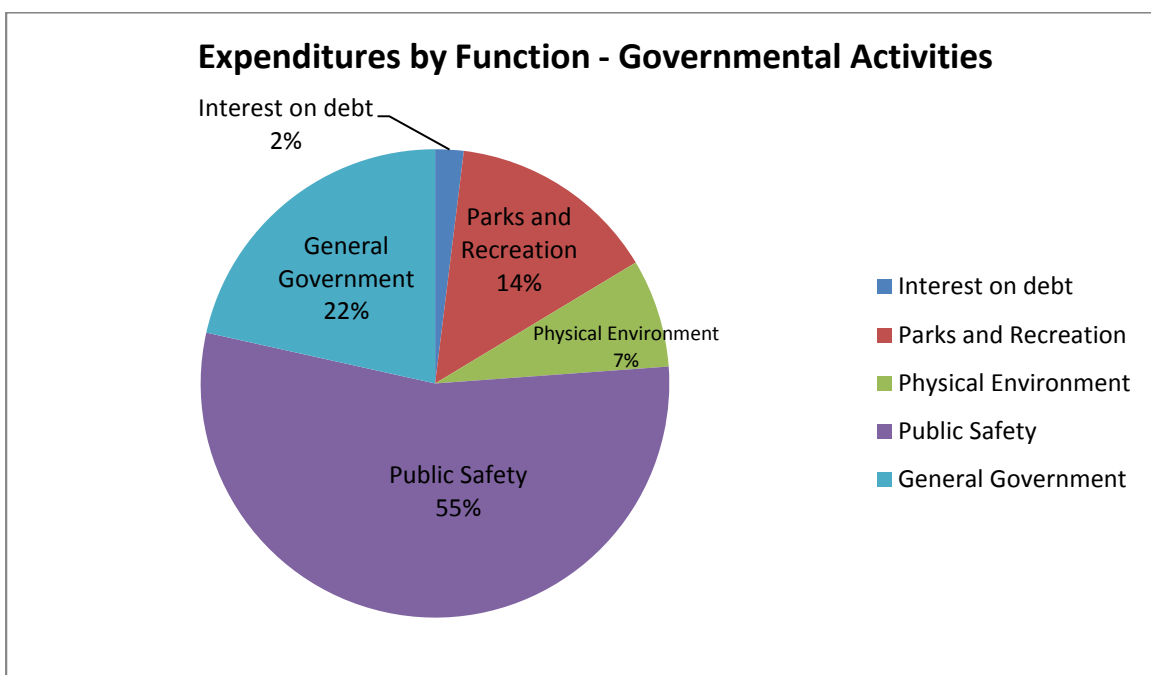
Governmental activities increased the City's net position by \$7.6 million, which was primarily due to the Beach Renourishment grant. Parks and Recreation expenses decreased by \$9.0 million primarily as a result of the completion of the beach restoration project.

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 2014 are summarized as follows:



Expenditures by function for 2014 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	2014	2013
Revenues	\$ 96.7	\$ 93.6
Expenditures	(96.2)	(95.6)
Other financing sources	0.5	3.5
Increase in Fund Balance	\$ 1.0	\$ 1.5

General Fund

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$96,780,437 in total revenues offset with \$96,249,387 in expenditures and \$466,563 in net other financing sources. This resulted in an increase in fund balance of \$997,613. The Fund Balance increased from \$28,048,174 in 2013 to \$29,045,787 in 2014. Of this amount, \$23,700,352 is in Unassigned Fund Balance which represents 24.6% of our present expenditure levels. 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</u> <u>(Loss)</u>		<u>Change in Net</u> <u>Position</u>	
	2014	2013	2014	2013
Enterprise Funds				
Water/Sewer	\$ 9.9	\$ 9.2	\$ 5.6	\$ 5.6
Municipal Golf Course	0.0	0.0	0.0	0.0
Lakeview Golf Course	0.1	0.0	0.1	0.0
City Marina	0.2	0.1	0.1	0.1
Sanitation	0.4	0.6	0.2	0.5
Stormwater Utility	0.7	0.6	0.4	0.2
Internal Service Funds				
Insurance	(0.5)	(1.2)	(0.5)	(1.2)
Central Garage	0.0	0.1	0.1	0.9

Water and Sewer Fund

Operating revenues were approximately \$550,000 more than 2013 and operating expenses were approximately \$150,000 less than 2013. However, lower capital contributions resulted in virtually similar changes in net position in 2014 and 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 \$41,029 compared to \$40,520 last year.

The **Lakeview Golf Course** has an operating income of \$80,597 versus \$40,525 last fiscal year. This is an executive golf course, which is not as sensitive to the economy as the municipal golf course.

The **City Marina Fund** has an operating income this year of \$151,647 compared to \$130,913 last year.

The **Sanitation Fund** generated an operating income of \$365,387 this year compared to \$594,638 last year. The decrease is due to an ordinance amendment that eliminated cart fees and reduced franchise fees for residential customers effective October 1, 2013.

The **Stormwater Utility Fund** has an operating income this year of \$739,041 compared to \$585,970 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 \$5,163,785 to \$5,350,412 for property, health and worker's compensation claims. All required reserves are determined by outside actuaries. The Insurance Fund has \$2,096,964 in Unrestricted Net Assets.

The **Central Garage Fund** has an operating loss of (\$25,720) compared to income of \$126,278 last year. The increase in operating expenses is due primarily to an increase in depreciation expense for the current year.

General Fund Budgetary Highlights

The difference between the original and final amended budget for 2014 was an increase of \$8,947,719. There was a positive variance between the final adopted budget and actual results of operations of \$833,742. Actual revenues and other financing sources exceeded the final budget by approximately \$489,000 and actual expenditures and other financing uses were less than final budget by approximately \$345,000. Primarily the increase in current year revenues was attributable to an increase in building permits and fees. All revenue categories exceeded their budget except for shared revenue from local units. Most expenditure categories were under budget except for the City Attorney department, miscellaneous and contingency, Catherine Strong Park, bond issue costs, payment to bond escrow agent, and an unbudgeted transfer to close the ARRA economic stimulus fund.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2014, the City had \$236.5 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net increase of \$1.2 million from the previous fiscal year. Additional information can be found in Note 9 Capital Assets on page 44. Capital asset activity for 2014 is summarized below:

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

	Beginning Balance 10/01/2013	Increases	Decreases	Ending Balance 9/30/2014
Governmental Activities:				
Land	\$ 38.7	\$ 0.4	\$.0	\$ 39.1
Construction in Progress	3.3	5.3	(0.2)	8.4
Non-Depreciable Assets	42.0	5.7	(0.2)	47.5
Buildings	39.6	0.0	(0.1)	39.5
Improvements Other	120.6	1.5	(0.3)	121.8
Equipment	43.2	2.1	(1.7)	43.6
Less: Accumulated Depreciation	(109.9)	(8.4)	2.0	(116.3)
Depreciable Assets- Net	93.5	(4.8)	(0.1)	88.6
Capital Assets- Governmental	135.5	0.9	(0.3)	136.1
Business-Type Activities:				
Land	5.7	0.0	0.0	5.7
Construction in Progress	3.1	1.8	(2.8)	2.1
Non-Depreciable Assets	8.8	1.8	(2.8)	7.8
Buildings	13.8	0.0	0.0	13.8
Improvements Other	164.3	5.2	0.0	169.5
Equipment	14.6	0.2	(0.2)	14.6
Less: Accumulated Depreciation	(101.7)	(3.8)	0.2	(105.3)
Depreciable Assets- Net	91.0	1.6	(0.0)	92.6
Capital Assets- Business-Type	\$ 99.8	\$ 3.4	\$ (2.8)	\$ 100.4

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

Major capital assets changes during the fiscal year 2014 were primarily for Construction in Progress in the General Construction Fund for federal highway and other beautification projects, as well as improvements in the Water and Sewer Fund for reclaimed water distribution lines.

Debt Administration

As of September 30, 2014, the City had total debt outstanding of \$95,088,467 compared to \$105,570,115 as of September 30, 2013. Of this \$95.1 million amount, and gross of any related unamortized premium or discounts:

- \$32.1 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,
- \$15.2 million is a bond anticipation note that is expected to be refinanced with revenue bonds secured by other governmental revenue sources,
- \$18.0 million is general obligation bond debt which is debt backed by the full faith and credit of the City,
- \$15.4 million is revenue bonds that are backed by a pledge of the water and sewer system net revenues,
- \$8.0 million is for compensated absences,
- \$5.4 million is for insurance claims reserves, and
- \$.5 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 2014 is summarized below:

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

	Beginning Balance 10/01/2013	Increases	Decreases	Ending Balance 9/30/2014
Governmental Activities:				
Revenue Bonds	\$ 33.2	\$ 0.0	\$ (1.1)	\$ 32.1
Bond Anticipation Note	11.8	6.2	(2.8)	15.2
General Obligation Bonds	19.3	8.8	(10.1)	18.0
Unamortized Premium	.6	0.0	(0.1)	0.5
Total Bonds Payable	64.9	15.0	(14.1)	65.8
Installment Agreements	.6	0.0	(0.1)	0.5
Compensated Absences	7.2	0.7	(1.0)	6.9
Insurance Claims Payable	5.2	8.2	(8.0)	5.4
Governmental Activities	\$ 77.9	\$ 23.9	\$ (23.2)	\$ 78.6
Business-Type Activities:				
Revenue Bonds	\$ 20.6	\$ 0.0	\$ (5.2)	\$ 15.4
Accrued interest on capital appreciation bonds	6.0	0.2	(6.2)	0.0
Compensated Absences	1.0	0.1	0.0	1.1
Business Type Activities	27.6	0.3	(11.4)	16.5
Total Debt Outstanding	\$ 105.5	\$ 24.2	\$ (34.6)	\$ 95.1

The City issued \$8,810,000 General Obligation Bonds on November 21, 2013, (Series 2013) to redeem/retire and defease General Obligation Bonds, Series 2004. All other long-term debt activity for 2014 was related to repayments of bonds, installment agreements and amortization of bond premiums.

In October 2013, the general obligation bonds of the City were upgraded to a rating of AAA from Standard & Poor's, which is their highest available rating. For more detailed information regarding the City's debt and debt financing activity, refer to Note 12 - Noncurrent Liabilities beginning on page 48.

Economic Factors and FY 2014-15 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 decreased from 7.8033 mills to 7.5064 mills. The operations portion remained unchanged at 7.1611 mills and the debt service portion decreased 42.8% to 0.3453 mills.
- ❖ The governmental funds budget decreased slightly from the prior year, primarily due to the near completion of the Beach Restoration project. The Capital Improvement budget decreased by 44% to \$21,756,160.

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 Chief Financial Officer
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, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
ASSETS					
Cash and cash equivalents	\$ 36,639,104	\$ 107,578	\$ 36,746,682	\$ 10,412,286	\$ 58,280
Investments	28,374,970	18,573,215	46,948,185	-	-
Receivables:					
Accounts, net	1,593,013	3,153,733	4,746,746	14,288	21,770
Unbilled accounts	-	777,950	777,950	-	-
Notes receivable	2,378,990	-	2,378,990	1,138,607	-
Notes receivable from component unit	5,686,971	-	5,686,971	-	-
Interest receivable	44,532	32,275	76,807	-	-
Due from component unit	721,546	-	721,546	-	-
Due from primary government	-	-	-	310,775	-
Due from other governments	9,327,803	-	9,327,803	-	-
Internal balances	(7,551,699)	7,551,699	-	-	-
Inventories	133,811	366,624	500,435	-	-
Prepaid expenses	1,186,149	60,180	1,246,329	22,833	21,107
Assets acquired for sale	460,316	-	460,316	-	-
Deposits	-	-	-	19,491	-
Restricted assets	-	2,258,155	2,258,155	-	-
Investment in regional plant (joint venture)	-	23,186,009	23,186,009	-	-
Capital assets:					
Non-depreciable capital assets	47,588,636	7,868,463	55,457,099	28,663,731	-
Depreciable capital assets, net	88,560,014	92,555,286	181,115,300	2,879,081	-
Total Assets	215,144,156	156,491,167	371,635,323	43,461,092	101,157
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refundings	170,971	59,232	230,203	-	-
LIABILITIES					
Accounts payable and accrued expenses	4,238,052	1,262,066	5,500,118	913,489	3,076
Contracts payable and retainages	-	17,084	17,084	37,963	-
Deposits payable	1,210,105	1,208,027	2,418,132	5,723	-
Unearned revenue	3,294,348	45,810	3,340,158	7,438	-
Accrued interest on long-term debt	194,267	45,013	239,280	-	-
Due to component unit	310,775	-	310,775	-	-
Due to primary government	-	-	-	721,546	-
Noncurrent liabilities:					
Due within one year					
Bonds and note payable	2,682,000	638,000	3,320,000	1,874,032	-
Installment agreements	117,232	-	117,232	-	-
Compensated absences	769,498	39,512	809,010	-	-
Insurance claims payable	1,569,412	-	1,569,412	-	-
Due in more than one year					
Bonds and note payable	63,163,872	14,758,205	77,922,077	12,522,164	-
Installment agreements	386,674	-	386,674	-	-
Compensated absences	6,096,120	1,086,942	7,183,062	-	-
Insurance claims payable	3,781,000	-	3,781,000	-	-
Net pension obligation	95,843	82,055	177,898	-	-
Net OPEB obligation	4,193,974	665,458	4,859,432	-	-
Total Liabilities	92,103,172	19,848,172	111,951,344	16,082,355	3,076
NET POSITION					
Net investment in capital assets	69,969,843	85,086,776	155,056,619	20,760,806	-
Restricted for:					
Debt service	519,593	580,000	1,099,593	-	-
Law enforcement	946,004	-	946,004	-	-
Capital improvements	280,288	1,642,394	1,922,682	-	-
Unrestricted	51,496,227	49,393,057	100,889,284	6,617,931	98,081
Total Net Position	\$ 123,211,955	\$ 136,702,227	\$ 259,914,182	\$ 27,378,737	\$ 98,081

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, 2014

	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	\$ 23,014,006	\$ 6,104,202	\$ 4,031,439	\$ 435,039	\$ (12,443,326)	\$ -	\$ (12,443,326)	\$ -	\$ -
Public Safety	58,417,444	7,971,996	2,162,469	-	(48,282,979)	-	(48,282,979)	-	-
Physical Environment	7,984,163	1,985,081	-	120,248	(5,878,834)	-	(5,878,834)	-	-
Parks and Recreation	15,370,063	1,860,432	7,334,572	-	(6,175,059)	-	(6,175,059)	-	-
Interest on Long-term Debt	2,090,947	-	-	-	(2,090,947)	-	(2,090,947)	-	-
Total Governmental Activities	106,876,623	17,921,711	13,528,480	555,287	(74,871,145)	-	(74,871,145)	-	-
Business-type Activities:									
Water and Sewer	24,462,318	31,571,968	343,532	877,588	-	8,330,770	8,330,770	-	-
Municipal Golf Course	3,073,076	3,005,811	60,962	-	-	(6,303)	(6,303)	-	-
Lakeview Golf Course	575,059	635,489	4,612	-	-	65,042	65,042	-	-
City Marina	93,963	243,234	2,570	-	-	151,841	151,841	-	-
Sanitation	4,677,510	4,969,127	207,656	-	-	499,273	499,273	-	-
Stormwater Utility	1,476,036	2,128,772	12,334	48,442	-	713,512	713,512	-	-
Total Business-type Activities	34,357,962	42,554,401	631,666	926,030	-	9,754,135	9,754,135	-	-
Total Primary Government	\$ 141,234,585	\$ 60,476,112	\$ 14,160,146	\$ 1,481,317	(74,871,145)	9,754,135	(65,117,010)	-	-
COMPONENT UNITS									
Community Redevelopment Agency (CRA)	\$ 9,521,257	\$ 214,595	\$ 195,577	\$ -				(9,111,085)	-
Downtown Development Authority (DDA)	657,688	-	75,250	-				-	(582,438)
Total Component Units	\$ 10,178,945	\$ 214,595	\$ 270,827	\$ -				(9,111,085)	(582,438)
General Revenues:									
Taxes:									
Property Taxes					47,695,425	-	47,695,425	11,575,821	570,990
Franchise Fees					5,134,527	-	5,134,527	-	-
Utility Service Taxes					9,307,370	-	9,307,370	-	-
Sales Taxes					1,341,267	-	1,341,267	-	-
Local Business Tax					737,231	-	737,231	-	-
Intergovernmental Not Restricted to Specific Programs					6,795,748	-	6,795,748	-	-
Investment Earnings					258,802	132,999	391,801	24,779	451
Gain on disposal of capital assets					-	16,958	16,958	-	-
Miscellaneous					7,533,386	-	7,533,386	-	25,838
Transfers					3,724,750	(3,724,750)	-	-	-
Total General Revenues and Transfers					82,528,506	(3,574,793)	78,953,713	11,600,600	597,279
Change in Net Position					7,657,361	6,179,342	13,836,703	2,489,515	14,841
Net Position - October 1, 2013					115,554,594	130,522,885	246,077,479	24,889,222	83,240
Net Position - September 30, 2014					\$ 123,211,955	\$ 136,702,227	\$ 259,914,182	\$ 27,378,737	\$ 98,081

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 35,823,813	\$ 611,810	\$ 36,435,623
Investments	14,405,188	6,175,858	20,581,046
Accounts receivable, net	1,490,701	84,460	1,575,161
Notes receivable	40,500	2,338,490	2,378,990
Notes receivable from component unit	5,686,971	-	5,686,971
Interest receivable	22,360	9,745	32,105
Due from other governments	883,023	8,444,780	9,327,803
Due from other funds	-	11,118,873	11,118,873
Due from component unit	571,117	150,429	721,546
Inventories	22,270	-	22,270
Prepaid items	803,979	-	803,979
Assets acquired for sale	-	460,316	460,316
Total Assets	<u>\$ 59,749,922</u>	<u>\$ 29,394,761</u>	<u>\$ 89,144,683</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued items	\$ 1,915,353	\$ 1,944,467	\$ 3,859,820
Deposits payable	1,206,455	3,650	1,210,105
Due to other funds	20,903,754	163,106	21,066,860
Due to component unit	23,474	287,301	310,775
Total Liabilities	<u>24,049,036</u>	<u>2,398,524</u>	<u>26,447,560</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	6,655,099	2,636,789	9,291,888
FUND BALANCES			
Nonspendable:			
Inventories	22,270	-	22,270
Prepaid items	803,979	-	803,979
Long-term notes receivable	3,139,659	-	3,139,659
Restricted for:			
Debt service	-	519,593	519,593
Law enforcement	-	946,004	946,004
Capital improvements	5,984	274,304	280,288
Community development	-	556,557	556,557
Committed for:			
Economic development	1,000,000	-	1,000,000
Assigned to:			
General government	14,965	-	14,965
Public safety	277,200	127,523	404,723
Physical environment	58,734	-	58,734
Parks and recreation	22,644	1,404,962	1,427,606
Capital improvements	-	20,530,505	20,530,505
Unassigned	23,700,352	-	23,700,352
Total Fund Balances	<u>29,045,787</u>	<u>24,359,448</u>	<u>53,405,235</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 59,749,922</u>	<u>\$ 29,394,761</u>	<u>\$ 89,144,683</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, 2014

Total Fund Balances - Governmental Funds \$ 53,405,235

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	\$ 229,834,348	
Less accumulated depreciation	<u>(100,730,136)</u>	129,104,212

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

Rent receivable	100,000	
Long-term receivables	210,569	
Notes receivable from component unit	<u>5,686,971</u>	5,997,540

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	170,971	
Bond premium	<u>(557,130)</u>	(386,159)

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	(194,267)	
Bonds and installment agreements payable	(65,792,648)	
Compensated absences	(6,739,464)	
Net pension obligation	(84,548)	
Net OPEB obligation	<u>(4,110,792)</u>	(76,921,719)

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	12,981,343	
Less amount allocated to business-type activities	<u>(968,497)</u>	<u>12,012,846</u>

Total Net Position - Governmental Activities \$ 123,211,955

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, 2014

	<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	\$ 59,081,293	\$ -	\$ 59,081,293
Licenses and permits	10,431,335	-	10,431,335
Intergovernmental	9,072,999	11,251,229	20,324,228
Charges for services	10,841,897	515,954	11,357,851
Fines and forfeitures	1,028,905	238,147	1,267,052
Miscellaneous	6,324,008	1,576,370	7,900,378
Total Revenues	<u>96,780,437</u>	<u>13,581,700</u>	<u>110,362,137</u>
EXPENDITURES			
Current:			
General government	19,404,118	1,777,462	21,181,580
Public safety	56,370,438	108,845	56,479,283
Physical environment	4,415,970	1,058,312	5,474,282
Parks and recreation	12,359,467	583,509	12,942,976
Capital outlay	130,920	7,053,299	7,184,219
Debt service:			
Principal retirement	2,667,085	2,822,763	5,489,848
Interest and fiscal charges	859,359	1,269,048	2,128,407
Bond issuance costs	42,030	-	42,030
Total Expenditures	<u>96,249,387</u>	<u>14,673,238</u>	<u>110,922,625</u>
Excess of revenues over (under) expenditures	531,050	(1,091,538)	(560,488)
OTHER FINANCING SOURCES (USES)			
Refunding revenue bond proceeds	8,810,000	-	8,810,000
Bond anticipation note proceeds	-	6,190,036	6,190,036
Payment to refunded bond escrow agent	(8,767,970)	-	(8,767,970)
Transfers in	3,733,317	3,362,864	7,096,181
Transfers out	(3,308,784)	(62,647)	(3,371,431)
Total Other Financing Sources (Uses)	<u>466,563</u>	<u>9,490,253</u>	<u>9,956,816</u>
Net change in fund balances	997,613	8,398,715	9,396,328
Fund balances - October 1, 2013	28,048,174	15,960,733	44,008,907
Fund balances - September 30, 2014	<u>\$ 29,045,787</u>	<u>\$ 24,359,448</u>	<u>\$ 53,405,235</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 9,396,328

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	\$ 7,184,219	
Depreciation expense	<u>(6,464,906)</u>	719,313

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. (103,373)

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	546,753	
Change in note receivable from component unit	(198,089)	
Change in long-term receivables	<u>(1,022,777)</u>	(674,113)

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	(108,175)	
Change in net OPEB obligation	(943,334)	
Compensated absences	374,771	
Change in accrued interest payable	<u>78,434</u>	(598,304)

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	(6,190,036)	
General obligation bonds	<u>(8,810,000)</u>	(15,000,036)
Debt Retirement		
Principal paid	5,489,848	
Payment to escrow agent	8,767,970	
Amortization of debt premiums and deferred charges on refundings	<u>1,056</u>	14,258,874

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	(435,192)	
Less allocation to business type activities	<u>93,864</u>	(341,328)

Change in Net Position of Governmental Activities \$ 7,657,361

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, 2014

	Business-Type Activities			Governmental Activities
	Major Fund	Non-Major	Total	Internal
	Water and Sewer Fund	Enterprise Funds	Enterprise Funds	Service Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 87,822	\$ 19,756	\$ 107,578	\$ 203,481
Investments	11,515,959	7,057,256	18,573,215	7,793,924
Accounts receivable, net	2,399,512	754,221	3,153,733	17,852
Unbilled accounts receivable	777,950	-	777,950	-
Interest receivable	20,765	11,510	32,275	12,427
Due from other funds	7,311,549	2,164,797	9,476,346	3,364,785
Inventories	292,604	74,020	366,624	111,541
Prepaid expenses	-	60,180	60,180	382,170
Restricted assets:				
Cash and cash equivalents	-	615,761	615,761	-
Investments	1,642,394	-	1,642,394	-
Total Current Assets	<u>24,048,555</u>	<u>10,757,501</u>	<u>34,806,056</u>	<u>11,886,180</u>
Noncurrent Assets				
Property, land and equipment:				
Land	974,755	4,694,069	5,668,824	-
Buildings	9,419,364	4,354,984	13,774,348	88,185
Improvements other than buildings	152,856,377	16,667,913	169,524,290	-
Equipment	11,977,160	2,669,361	14,646,521	22,541,907
Construction in progress	1,497,103	702,536	2,199,639	-
Accumulated depreciation	(93,554,653)	(11,835,220)	(105,389,873)	(15,585,654)
Other assets:				
Investment in regional plant joint venture	23,186,009	-	23,186,009	-
Total Noncurrent Assets	<u>106,356,115</u>	<u>17,253,643</u>	<u>123,609,758</u>	<u>7,044,438</u>
Total Assets	<u>130,404,670</u>	<u>28,011,144</u>	<u>158,415,814</u>	<u>18,930,618</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refundings	-	59,232	59,232	-
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	801,968	460,098	1,262,066	378,232
Contracts payable and retainages	17,084	-	17,084	-
Unearned revenue	15,435	30,375	45,810	-
Compensated absences payable	39,512	-	39,512	-
Insurance claims payable	-	-	-	1,569,412
Due to other funds	-	2,893,144	2,893,144	-
Refundable deposits payable	1,052,938	155,089	1,208,027	-
Total Current Liabilities	<u>1,926,937</u>	<u>3,538,706</u>	<u>5,465,643</u>	<u>1,947,644</u>
Current Liabilities Payable from Restricted Assets				
Accrued interest on long-term debt	9,252	35,761	45,013	-
Current maturities of revenue bonds	110,000	528,000	638,000	-
Total Current Liabilities	<u>119,252</u>	<u>563,761</u>	<u>683,013</u>	<u>-</u>
Total Current Liabilities	<u>2,046,189</u>	<u>4,102,467</u>	<u>6,148,656</u>	<u>1,947,644</u>
Noncurrent Liabilities				
Net pension obligation	75,712	6,343	82,055	11,295
Net other postemployment benefits obligation	610,003	55,455	665,458	83,182
Long-term portion of compensated absences payable	1,024,404	62,538	1,086,942	126,154
Long-term portion of insurance claims payable	-	-	-	3,781,000
Revenue bonds payable, net	12,919,000	1,839,205	14,758,205	-
Total Noncurrent Liabilities	<u>14,629,119</u>	<u>1,963,541</u>	<u>16,592,660</u>	<u>4,001,631</u>
Total Liabilities	<u>16,675,308</u>	<u>6,066,008</u>	<u>22,741,316</u>	<u>5,949,275</u>
NET POSITION				
Net investment in capital assets	70,141,106	14,945,670	85,086,776	7,044,438
Restricted for:				
Debt service	-	580,000	580,000	-
Renewal and replacement	1,642,394	-	1,642,394	-
Unrestricted	41,945,862	6,478,698	48,424,560	5,936,905
Total Net Position	<u>\$ 113,729,362</u>	<u>\$ 22,004,368</u>	<u>135,733,730</u>	<u>\$ 12,981,343</u>
Adjustment for the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds			1,062,361	
Cummulative prior year adjustments			(93,864)	
Current year adjustment			-	
Net Assets of Business-Type Activities, Statement of Net Position			<u>\$ 136,702,227</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, 2014

	Business-Type Activities			Governmental
	Major Fund			Activities
	Water and Sewer Fund	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for services				
Water sales	\$ 13,863,722	\$ -	\$ 13,863,722	\$ -
Sewer and stormwater fees	17,708,246	2,128,772	19,837,018	-
Golf fees	-	3,641,300	3,641,300	-
Marina fees	-	243,234	243,234	-
Sanitation fees	-	4,969,127	4,969,127	-
Risk management	-	-	-	12,558,514
Fleet management	-	-	-	3,061,748
Other operating revenue	343,532	128,140	471,672	2,237,711
Total Operating Revenues	<u>31,915,500</u>	<u>11,110,573</u>	<u>43,026,073</u>	<u>17,857,973</u>
OPERATING EXPENSES				
Personal services	7,615,371	662,410	8,277,781	1,207,929
Other operating expenses	11,216,354	8,479,167	19,695,521	15,263,658
Depreciation	3,244,332	591,295	3,835,627	1,938,529
Total Operating Expenses	<u>22,076,057</u>	<u>9,732,872</u>	<u>31,808,929</u>	<u>18,410,116</u>
Operating Income (Loss)	9,839,443	1,377,701	11,217,144	(552,143)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	87,073	45,926	132,999	48,193
Rent revenue	-	159,994	159,994	-
Share of regional plant joint venture net loss	(1,688,447)	-	(1,688,447)	-
Interest expense	(605,814)	(151,729)	(757,543)	-
Gain on disposal of equipment	-	16,958	16,958	60,225
Investment expense	(9,179)	-	(9,179)	-
Total Nonoperating Revenues (Expenses)	<u>(2,216,367)</u>	<u>71,149</u>	<u>(2,145,218)</u>	<u>108,418</u>
Income (Loss) Before Capital Contributions and Transfers	7,623,076	1,448,850	9,071,926	(443,725)
Capital contributions	877,588	48,442	926,030	8,533
Transfers in	112,000	-	112,000	-
Transfers out	(3,031,090)	(805,660)	(3,836,750)	-
Change In Net Position	5,581,574	691,632	6,273,206	(435,192)
Net Position - October 1, 2013	108,147,788	21,312,736		13,416,535
Net Position - September 30, 2014	<u>\$ 113,729,362</u>	<u>\$ 22,004,368</u>		<u>\$ 12,981,343</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds			(93,864)	
Change In Net Position as reported on the Statement of Activities for Business-type Activities			<u>\$ 6,179,342</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, 2014

	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	\$ 29,172,482	\$ 11,273,809	\$ 40,446,291	\$ 18,553,713
Receipts from others	549,477	159,994	709,471	-
Payments to suppliers	(11,133,741)	(8,239,395)	(19,373,136)	(16,043,790)
Payments to employees	(7,360,212)	(641,332)	(8,001,544)	(1,183,931)
Net cash provided by operating activities	<u>11,228,006</u>	<u>2,553,076</u>	<u>13,781,082</u>	<u>1,325,992</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	112,000	-	112,000	-
Transfers to other funds	(3,031,090)	(805,660)	(3,836,750)	-
Net cash used in noncapital financing activities	<u>(2,919,090)</u>	<u>(805,660)</u>	<u>(3,724,750)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(3,574,580)	(923,641)	(4,498,221)	(1,454,039)
Proceeds from the sale of capital assets	-	16,958	16,958	113,190
Capital contributions	877,588	-	877,588	-
Principal paid on capital debt	(4,704,585)	(512,183)	(5,216,768)	-
Interest paid on capital debt	(6,775,537)	(134,700)	(6,910,237)	-
Net cash used in capital and related financing activities	<u>(14,177,114)</u>	<u>(1,553,566)</u>	<u>(15,730,680)</u>	<u>(1,340,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(167,739)	(451,697)	(619,436)	(94,071)
Sale of investments	-	186,875	186,875	-
Interest on investments	165,875	89,583	255,458	94,870
Net cash provided by (used in) investing activities	<u>(1,864)</u>	<u>(175,239)</u>	<u>(177,103)</u>	<u>799</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,870,062)</u>	<u>18,611</u>	<u>(5,851,451)</u>	<u>(14,058)</u>
Cash and cash equivalents - October 1, 2013	5,957,884	616,906	6,574,790	217,539
Cash and cash equivalents - September 30, 2014	<u>\$ 87,822</u>	<u>\$ 635,517</u>	<u>\$ 723,339</u>	<u>\$ 203,481</u>
Reconciliation of cash and cash equivalents to statement of net position:				
Unrestricted cash and cash equivalents	\$ 87,822	\$ 19,756	\$ 107,578	\$ 203,481
Restricted cash and cash equivalents	-	615,761	615,761	-
Cash and cash equivalents - September 30, 2014	<u>\$ 87,822</u>	<u>\$ 635,517</u>	<u>\$ 723,339</u>	<u>\$ 203,481</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 9,839,443	1,377,701	\$ 11,217,144	\$ (552,143)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	3,244,332	591,295	3,835,627	1,938,529
Provision for doubtful accounts	124,149	-	124,149	-
Miscellaneous revenue	-	159,994	159,994	-
Change in assets and liabilities:				
Accounts receivable	222,628	164,223	386,851	121,726
Due from other governments	205,945	-	205,945	-
Due from other funds	(2,761,923)	-	(2,761,923)	574,014
Inventories	30,257	16,637	46,894	(63,621)
Prepaid expenses	-	(1,308)	(1,308)	53,978
Accounts payable and accrued expenses	52,356	(42,958)	9,398	(957,116)
Unearned revenue	-	(36,860)	(36,860)	-
Compensated absences payable	80,282	6,569	86,851	4,977
Net pension obligation	36,743	2,746	39,489	5,746
Net OPEB obligation	138,134	11,763	149,897	13,275
Insurance claims payable	-	-	-	186,627
Due to other funds	-	284,038	284,038	-
Refundable deposits payable	15,660	19,236	34,896	-
Total adjustments	<u>1,388,563</u>	<u>1,175,375</u>	<u>2,563,938</u>	<u>1,878,135</u>
Net cash provided by operating activities	<u>\$ 11,228,006</u>	<u>\$ 2,553,076</u>	<u>\$ 13,781,082</u>	<u>\$ 1,325,992</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	\$ -
Contributions of capital assets	\$ -	\$ 48,442	\$ 48,442	\$ 8,533
Realized and unrealized losses on investments	<u>\$ (50,132)</u>	<u>\$ (27,788)</u>	<u>\$ (77,920)</u>	<u>\$ (29,695)</u>

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, 2014

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 6,394,246
Investments:	
U.S. Government securities	12,600,928
U.S. Government Agency securities	12,512,610
Municipal obligations	250,406
Domestic and international fixed income investment funds	14,048,720
Domestic and international corporate bonds	34,566,138
Domestic and international equity securities	85,342,114
Domestic and international equity investment funds	31,692,698
Alternative investments	67,152,556
DROP participant directed mutual funds	18,904,334
Interest and dividends receivable	559,198
Due from broker for securities sold	167,002
Employee contributions receivable	57,423
State contributions receivable	39,180
Prepaid expenses	10,035
Total Assets	284,297,588
 LIABILITIES	
Accounts payable	195,506
Due to broker for securities purchased	610,158
Total Liabilities	805,664
 NET POSITION	
Restricted for pension benefits	\$ 283,491,924

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, 2014

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 11,141,085
State	1,951,084
Plan members	<u>2,720,766</u>
Total contributions	15,812,935
Investment earnings	
Net appreciation in fair value of investments	23,526,129
Interest and dividends	<u>4,382,041</u>
	27,908,170
Less investment expenses - custodian fees	<u>978,206</u>
Net investment earnings	26,929,964
Other income	
Total additions	<u>197,385</u> 42,940,284
DEDUCTIONS	
Benefits	16,488,030
Refunds of contributions	223,865
Administrative expenses	<u>311,386</u>
Total deductions	<u>17,023,281</u>
Change In Plan Net Position	25,917,003
Net Position Restricted for Pension Benefits - October 1, 2013	<u>257,574,921</u>
Net Position Restricted for Pension Benefits - September 30, 2014	<u>\$ 283,491,924</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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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. The City Commission assigns fund balance by adopting a resolution giving direction to the City Manager. 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 \$1,745,885 restricted for debt service, law enforcement and capital improvements and business-type activities net position of \$2,222,394 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, 2014

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, 2014, 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 (2012/2013) 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, 2014, the City adopted an operating millage rate of 7.1611 and a debt service millage of 0.3453. This millage rate resulted in a gross tax levy of \$54,077,708 for 2014, representing an increase of approximately 13.58% from the property tax levy for 2013, net of discounts. 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 \$373,543 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 \$1,951,084 for the fiscal year ended September 30, 2014.

Implementation of GASB Statements

The City implemented the following GASB Statements during the fiscal year ended September 30, 2014:

- GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. This statement removed the provision that limited fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also modified the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the 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 had no impact on the City's financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. This statement provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

2. Significant Accounting Policies (Continued)

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement No. 70 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 City has no financial guarantees, and accordingly, this statement has no effect on the City.

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. 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. 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, 2014, including unrestricted and restricted assets, are summarized as follows:

	Primary Government	Fiduciary Funds Pension Trust	Total
Deposits with financial institutions and cash on hand	\$ 37,362,443	\$ 317,218	\$ 37,679,661
Money market mutual funds and investments	48,590,579	283,147,532	331,738,111
Total cash, cash equivalents and investments	<u>\$ 85,953,022</u>	<u>\$ 283,464,750</u>	<u>\$ 369,417,772</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

3. Cash, Cash Equivalents and Investments (Continued)

	Primary Government	Fiduciary Funds Pension Trust	Total
Cash and cash equivalents	\$ 36,746,682	\$ 6,394,246	\$ 43,140,928
Investments	46,948,185	277,070,504	324,018,689
Restricted cash and cash equivalents	615,761	-	615,761
Restricted investments	1,642,394	-	1,642,394
Total cash, cash equivalents and investments	<u>\$ 85,953,022</u>	<u>\$ 283,464,750</u>	<u>\$ 369,417,772</u>

Cash and cash equivalents included deposits with financial institutions of \$37,344,343 and petty cash of \$18,100. At September 30, 2014, 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 consists of the following at September 30, 2014:

	Primary Government	Fiduciary Funds Pension Trust	Total
Cash equivalents - money market mutual funds	\$ 145,423	\$ 6,077,028	\$ 6,222,451
Investments			
U.S. Government securities	30,895,080	12,600,928	43,496,008
U.S. Government Agency securities	5,784,430	12,512,610	18,297,040
Municipal obligations	1,196,604	250,406	1,447,010
Domestic and international fixed income investment funds	-	14,048,720	14,048,720
Domestic and international corporate bonds	7,822,010	34,566,138	42,388,148
Commercial paper	2,747,032	-	2,747,032
Domestic and international equity securities	-	85,342,114	85,342,114
Domestic and international equity investment funds	-	31,692,698	31,692,698
Alternative investments	-	67,152,556	67,152,556
DROP participant directed mutual funds	-	18,904,334	18,904,334
Total investments	<u>48,445,156</u>	<u>277,070,504</u>	<u>325,515,660</u>
Total money market mutual funds and investments	<u>\$ 48,590,579</u>	<u>\$ 283,147,532</u>	<u>\$ 331,738,111</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

3. Cash, Cash Equivalents and Investments (Continued)

At September 30, 2014, approximately 24% of City pension fund investments were invested in alternative investments. These alternative investments consist of pooled funds and investments 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, 2014, the rating for the City's investment portfolio ranged from A to AAA. Pension investments in debt securities must be rated investment grade by a NRSRO. The NRSRO ratings for the fixed income investments of the primary government and pension funds are summarized as follows at September 30, 2014.

	NRSRO Rating	Fair Value
Primary Government		
Money market mutual funds	Unrated	\$ 145,423
U.S. Government and Agency securities	AAA	36,679,510
Municipal obligations	AAA	1,196,604
Corporate bonds	AA – A	7,822,010
Commercial paper	A	2,747,032
Pension Trust Funds		
Money market mutual funds	Unrated	6,077,028
U.S. Government and Agency securities	AAA – AA	25,113,538
Municipal obligations	AAA – BBB	250,406
Domestic and international fixed income investment funds	Unrated	14,048,720
Domestic and international corporate bonds	AA – BB	34,566,138
Alternative investment fixed income fund	Unrated	54,402,540

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, 2014 all investments were held in independent custodial safekeeping accounts, except money market mutual funds, mutual funds and alternative investments, which are *unclassified* pursuant to GASB Statement No. 3.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

3. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy requires diversification of investments to minimize potential losses on individual securities. In the City pension funds, securities of a single issuer are limited to no more than 5% of the plan's net 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	2.1	\$ 30,895,080
U.S. Government Agency securities	2.3	5,784,430
Municipal obligations	1.8	1,196,604
Corporate bonds	1.6	7,822,010
Commercial paper	0.1	2,747,032
Pension Trust Funds		
U.S. Government securities	3.2	12,600,928
U.S. Government Agency securities	15.2	12,512,610
Municipal obligations	6.1	250,406
Domestic and international fixed income investment funds	Not Available	14,048,720
Domestic and international corporate bonds	10.9	34,566,138
Alternative investment fixed income fund	Not Available	54,402,540

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, 2014

3. Cash, Cash Equivalents and Investments (Continued)

Discretely Presented Component Units

Cash: The CRA's cash at September 30, 2014, includes deposits with financial institutions with a bank balance of \$10,413,435, a book balance of \$10,412,036 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, 2014, includes deposits with financial institutions that were fully covered by federal depository insurance.

4. Receivables

Current receivables and the allowance for doubtful accounts were as follows at September 30, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes receivable:		
General Fund	\$ 1,462,980	\$ -
Stormwater Utility Fund	-	25,693
Accounts receivable:		
General Fund	1,841,799	-
Water and Sewer Fund	-	4,195,466
Non-Major Funds	84,460	752,341
Internal Service Funds	17,852	-
Allowance for doubtful accounts	(1,814,078)	(1,041,817)
	<u>\$ 1,593,013</u>	<u>\$ 3,931,683</u>

5. Notes Receivable

Notes receivable consist of the following at September 30, 2014:

General Fund:

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. \$ 10,500

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

Total General Fund 40,500

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.

Total Governmental Activities 2,338,490
\$ 2,378,990

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

5. Notes Receivable (Continued)

In 1990 the City received a grant of approximately \$4 million through the Urban Development Action Grant Program (UDAG) for the purpose of constructing a low-income housing project within the City. In connection with this grant, the City approved three loans to the developer. As part of the first loan, 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 secured by a lien on the property. The second loan to the developer was for \$3,840,000 from the UDAG monies and was payable annually over a 50 year term with 3% interest that was deferred until maturity in accordance with the repayment provisions of the UDAG funding. The third loan to the developer was for \$768,000 from City funds and was payable annually over a 25 year term with zero interest. The loans for \$720,000 and \$768,000 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 note receivable from the developer has an outstanding balance of \$4,139,683 at September 30, 2014, including principal of \$3,042,891 and deferred interest of \$1,096,792.

On January 7, 2015, the developer filed for voluntary Chapter 11 bankruptcy. In March 2015, the City paid a \$25,000 deposit for an option to purchase the largest creditor's loan. While the ultimate outcome of the bankruptcy proceeding cannot be determined at this time, the City's management, in consultation with legal counsel, believes the collectability of the outstanding balance of \$4,139,683 of the note receivable from the developer may be doubtful and has recorded an allowance for the full amount of the note and interest as of September 30, 2014.

Component Unit Notes Receivable

The City's outstanding notes receivable from the CRA at September 30, 2014, 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 planned 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, 2014.

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 \$2,072,781 as of September 30, 2014.

Discretely Presented Component Units

The CRA's outstanding notes receivable at September 30, 2014 consist of the following:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

5. Notes Receivable (Continued)

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, 2014, 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, 2014.

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%, beginning April 1, 2014, through maturity. 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 \$243,854 as of September 30, 2014.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

5. Notes Receivable (Continued)

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, 2014, the amount of the individual second mortgages originated in 2008 through 2014, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. The loans receivable totaled \$453,504 as of September 30, 2014.

6. Due from Other Governments

The total amount due from other governments of \$9,327,803 at September 30, 2014, represents the amount due from federal and state sources for intergovernmental revenues and grant reimbursements within various funds.

7. Due from/Due to Component Units

The amounts due from / due to component units consist of the following amounts due from the Delray Beach Community Redevelopment Agency at September 30, 2014:

Due from Component Units

<u>General Fund</u>	
Clean and Safe Program	\$ 356,592
Project management	22,541
Parking management	27,500
Parking garage rent	100,000
Trolley service	58,748
Physical environment improvements	5,736
<u>Developers Land Contribution Fund</u>	
Neighborhood planner	23,300
<u>Neighborhood Services Fund</u>	
Housing rehabilitation	9,642
Neighborhood planner	9,898
<u>Capital Improvement Fund</u>	
Atlantic Avenue Gateway project	41,964
Other projects	65,625
Total Due from Component Units	<u>\$ 721,546</u>

Due to Component Units

<u>General Fund</u>	
Shared employees	\$ 23,474
<u>Special Projects Fund</u>	
Eagle Nest project	95,841
<u>Capital Improvement Fund</u>	
FDOT Grant project	191,460
Total Due to Component Units	<u>\$ 310,775</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

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, 2014, have been met for outstanding bond issues. The City's policy is to first apply restricted resources when expenses are incurred for purposes for which both restricted and unrestricted net position is available. Net position of the Enterprise Funds is restricted to the extent that restricted assets exceed liabilities payable from restricted assets at September 30, 2014. Restricted assets, liabilities payable from restricted assets and restricted net position of the Enterprise Funds are summarized as follows at September 30, 2014:

Restricted Assets	Restricted for		
	Debt Service	Renewal and Replacement	Total
Water and Sewer Fund:			
Investments	\$ -	\$ 1,642,394	\$ 1,642,394
Non-Major Enterprise Funds:			
Cash and cash equivalents	615,761	-	615,761
Total Restricted Assets	615,761	1,642,394	2,258,155
Liabilities Payable from Restricted Assets			
Non-Major Enterprise Funds	35,761	-	35,761
Total Liabilities Payable from Restricted Assets	35,761	-	35,761
Restricted Net Position	\$ 580,000	\$ 1,642,394	\$ 2,222,394

9. Capital Assets

The major components of capital assets for the City are summarized as follows at September 30, 2014:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets:</u>				
Land	\$ 38,729,388	\$ 426,506	\$ -	\$ 39,155,894
Construction in Progress	3,302,955	5,303,882	(174,095)	8,432,742
Total Non-depreciable Assets	42,032,343	5,730,388	(174,095)	47,588,636
<u>Depreciable Assets:</u>				
Buildings	39,564,012	7,824	(119,387)	39,452,449
Improvements Other Than Buildings	120,575,328	1,506,260	(320,641)	121,760,947
Equipment	43,218,506	2,123,170	(1,679,268)	43,662,408
Total Depreciable Assets	203,357,846	3,637,254	(2,119,296)	204,875,804
<u>Less Accumulated Depreciation for:</u>				
Buildings	(17,509,905)	(1,248,317)	63,090	(18,695,132)
Improvements Other Than Buildings	(61,876,393)	(4,040,758)	320,641	(65,596,510)
Equipment	(30,489,013)	(3,114,360)	1,579,225	(32,024,148)
Total Accumulated Depreciation	(109,875,311)	(8,403,435)	1,962,956	(116,315,790)
Total Depreciable Assets, net	93,482,535	(4,766,181)	(156,340)	88,560,014
Governmental Activities				
Capital Assets, net	\$ 135,514,878	\$ 964,207	\$ (330,435)	\$ 136,148,650

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

9. Capital Assets (Continued)

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets:</u>				
Land	\$ 5,668,824	\$ -	\$ -	\$ 5,668,824
Construction in Progress	3,151,211	1,835,186	(2,786,758)	2,199,639
Total Non-depreciable Assets	<u>8,820,035</u>	<u>1,835,186</u>	<u>(2,786,758)</u>	<u>7,868,463</u>
<u>Depreciable Assets:</u>				
Buildings	13,774,348	-	-	13,774,348
Improvements Other Than Buildings	164,358,941	5,165,349	-	169,524,290
Equipment	14,626,295	270,597	(250,371)	14,646,521
Total Depreciable Assets	<u>192,759,584</u>	<u>5,435,946</u>	<u>(250,371)</u>	<u>197,945,159</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	(8,752,355)	(263,590)	-	(9,015,945)
Improvements Other Than Buildings	(80,867,339)	(3,070,882)	-	(83,938,221)
Equipment	(12,184,923)	(501,155)	250,371	(12,435,707)
Total Accumulated Depreciation	<u>(101,804,617)</u>	<u>(3,835,627)</u>	<u>250,371</u>	<u>(105,389,873)</u>
Total Depreciable Assets, net	<u>90,954,967</u>	<u>1,600,319</u>	<u>-</u>	<u>92,555,286</u>
Business-Type Activities				
Capital Assets, net	<u>\$ 99,775,002</u>	<u>\$ 3,435,505</u>	<u>\$ (2,786,758)</u>	<u>\$ 100,423,749</u>

Depreciation expense for the fiscal year ended September 30, 2014, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 634,779
Public Safety	1,204,050
Physical Environment	2,481,464
Parks and Recreation	2,144,613
Internal Service Funds	1,938,529
Total depreciation expense - Governmental Activities	<u>\$ 8,403,435</u>
Business-Type Activities:	
Water and Sewer	\$ 3,244,332
Municipal Golf Course	156,481
Lakeview Golf Course	43,674
City Marina	9,179
Sanitation	381
Stormwater Utility	381,580
Total depreciation expense - Business-Type Activities	<u>\$ 3,835,627</u>

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

Changes in capital assets of the Delray Beach Community Redevelopment Agency are summarized as follows for the fiscal year ended September 30, 2014:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

9. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets:</u>				
Land and Land Improvements	\$ 26,774,624	\$ 2,487,723	\$ (598,616)	\$ 28,663,731
Total Non-depreciable Assets	26,774,624	2,487,723	(598,616)	28,663,731
<u>Depreciable Assets:</u>				
Buildings and Improvements	3,808,566	-	-	3,808,566
Equipment, Furniture, and Fixtures	122,754	3,055	-	125,809
Total Depreciable Assets	3,931,320	3,055	-	3,934,375
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements	(803,362)	(132,899)	-	(936,261)
Equipment, Furniture, and Fixtures	(114,981)	(4,052)	-	(119,033)
Total Accumulated Depreciation	(918,343)	(136,951)	-	(1,055,294)
Total Depreciable Assets, net	3,012,977	(133,896)	-	2,879,081
Capital Assets, net	\$ 29,787,601	\$ 2,353,827	\$ (598,616)	\$ 31,542,812

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, 2014, accounts receivable of the Water and Sewer Fund and business-type activities included \$234,307 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities included \$280,064 due to the Board. For the year ended September 30, 2014, the City paid \$3,243,855 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 City accounts for its investment in the Board as a joint venture recorded on the equity method of accounting. At September 30, 2014, the City's 50% equity interest in the net position of the Board totaled \$23,186,009 and has been reported as "Investment in regional plant joint venture" in the City's financial statements.

The Board enters into contracts for capital projects as an agent for the cities. All costs associated with such contracts are reimbursed by the cities. At September 30, 2014, commitments totaling approximately \$140,000 were remaining on such contracts.

The Board issues separate financial statements audited by other accountants. Those financial statements may be obtained from the Board at 1801 N. Congress Avenue, Delray Beach, FL 33445. Financial information summarized from the financial statements of the Board as of and for the year ended September 30, 2014, is as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

10. Investment in Regional Plant Joint Venture (Continued)

Net Position		
Current and other assets		\$ 4,363,114
Capital assets, net		43,328,021
	Total assets	47,691,135
Current liabilities		1,164,924
Noncurrent liabilities		129,791
	Total liabilities	1,294,715
Deferred inflows of resources		24,401
	Net position	<u>\$ 46,372,019</u>
Change in Net Position		
Charges for services		\$ 8,872,451
Capital grants and contributions		86,224
	Total program revenues	8,958,675
Program expenses		11,855,353
	Net program expenses	(2,896,678)
Investment income		986
Miscellaneous		112,559
Loss on disposal of capital assets		(22,419)
Transfers to joint venture participants		(571,341)
	Change in net position	<u>\$ (3,376,893)</u>

11. Interfund Transactions and Balances

Total interfund receivables/payables and transfers were as follows as of and for the year ended September 30, 2014:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Fund				
General Fund	\$ -	\$ 20,903,754	\$ 3,733,317	\$ 3,308,784
Non-Major Governmental Funds				
Special Revenue Funds:				
Law Enforcement Trust	387,029	-	-	-
Developers Land Contribution	661,273	-	-	2,850
ARRA Economic Stimulus	-	-	11,483	-
Neighborhood Services	82,030	-	149,430	-
Beautification	646,785	-	936,773	-
Special Projects	-	70,889	67,738	12,000
Cemetery Perpetual Care	515,022	-	-	-
Debt Service Fund:				
Utilities Tax	-	92,217	1,241,440	1,757
Capital Projects Funds:				
Capital Improvement	6,099,957	-	500,000	46,040
2004 GO Bond	274,304	-	-	-
Beach Restoration	2,452,473	-	456,000	-
Total Governmental Funds	<u>11,118,873</u>	<u>21,066,860</u>	<u>7,096,181</u>	<u>3,371,431</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

11. Interfund Transactions and Balances (Continued)

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Proprietary Fund				
Water and Sewer Fund	\$ 7,311,549	\$ -	\$ 112,000	\$ 3,031,090
Non-Major Proprietary Funds				
Municipal Golf Course	-	1,682,064	-	34,000
Lakeview Golf Course	-	1,211,080	-	6,000
City Marina	352,437	-	-	49,200
Sanitation	1,812,360	-	-	332,690
Stormwater Utility	-	-	-	383,770
Internal Service Funds:				
Insurance	2,198,474	-	-	-
Central Garage	1,166,311	-	-	-
Total Proprietary Funds	<u>12,841,131</u>	<u>2,893,144</u>	<u>112,000</u>	<u>3,836,750</u>
Total Primary Government	<u>\$ 23,960,004</u>	<u>\$ 23,960,004</u>	<u>\$ 7,208,181</u>	<u>\$ 7,208,181</u>

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

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

12. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 33,173,683	\$ -	\$ (1,088,683)	\$ 32,085,000	\$ 1,147,000
Bond anticipation note	11,799,612	6,190,036	(2,755,906)	15,233,742	-
General obligation bonds	19,285,000	8,810,000	(10,125,000)	17,970,000	1,535,000
Unamortized bond premium	636,267	-	(79,137)	557,130	-
Total bonds payable, net	<u>64,894,562</u>	<u>15,000,036</u>	<u>(14,048,726)</u>	<u>65,845,872</u>	<u>2,682,000</u>
Installment agreements	619,165	-	(115,259)	503,906	117,232
Compensated absences	7,235,412	673,535	(1,043,329)	6,865,618	769,498
Insurance claims payable	5,163,785	8,204,000	(8,017,373)	5,350,412	1,569,412
Total Governmental Activities	<u>\$ 77,912,924</u>	<u>\$ 23,877,571</u>	<u>\$ (23,224,687)</u>	<u>\$ 78,565,808</u>	<u>\$ 5,138,142</u>

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2014

12. Noncurrent Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Revenue bonds	\$ 20,595,768	\$ -	\$ (5,216,768)	\$ 15,379,000	\$ 638,000
Unamortized bond premium	27,039	-	(9,834)	17,205	-
Total bonds payable, net	20,622,807	-	(5,226,602)	15,396,205	638,000
Accrued interest on capital appreciation bonds	5,994,781	249,769	(6,244,550)	-	-
Compensated absences	1,039,603	99,836	(12,985)	1,126,454	39,512
Total Business-Type Activities	<u>\$ 27,657,191</u>	<u>\$ 349,605</u>	<u>\$(11,484,137)</u>	<u>\$ 16,522,659</u>	<u>\$ 677,512</u>

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 net revenues of the applicable proprietary fund for business-type activities. Noncurrent liabilities, including current maturities, at September 30, 2014, consisted of the following:

Revenue Bonds and Note:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000), due in principal amounts of \$580,000 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.	\$ 2,044,000	\$ 756,000
\$15,020,000 Utility Tax Revenue Bonds issued December 19, 2002 (Series 2002), due in principal amounts of \$440,000 to \$460,000 through June 1, 2016, with semi-annual interest payments at 4.10% to 4.20%, due June 1 and December 1, through June 1, 2016. The bonds were issued to currently 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, currently refund the Utility Tax Revenue Bonds, Subordinate Series 1996 and currently refund the Utility Tax Revenue Bonds, Subordinate Series 1998.	-	900,000
\$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003) due in principal amounts of \$695,000 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.	3,935,000	230,000

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2014

12. Noncurrent Liabilities (Continued)

Revenue Bonds and Note (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>\$2,350,000 Water and Sewer Revenue Bonds issued November 17, 2006 (Series 2006B), with principal amounts of \$165,000 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>	\$ -	\$ 1,300,000
<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>	23,477,000	993,000
<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>	-	3,890,000
<p>\$8,160,000 Water and Sewer Refunding Revenue Bonds issued October 18, 2011 (Series 2011B), with principal amounts of \$980,000 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>	-	7,310,000
<p>\$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 (0.78% at September 30, 2014). Principal is due at maturity on June 1, 2016. The note is collateralized by a pledge of certain revenues as defined in the agreement.</p>	15,233,742	-

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2014

12. Noncurrent Liabilities (Continued)

Revenue Bonds and Note (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$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 (0.78% at September 30, 2014). 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	47,318,742	15,379,000
Unamortized bond premium	557,130	17,205
Total Revenue Bonds and Note, Net	<u>47,875,872</u>	<u>15,396,205</u>
 General Obligation Bonds:		
\$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.	9,280,000	-
\$8,810,000 General Obligation Bonds issued November 21, 2013 (Series 2013), due in annual principal installments of \$785,000 to \$960,000 starting February 1, 2014 through February 1, 2024, with semi-annual interest payments at 2.17%, due February 1 and August 1 through February 1, 2024. The bonds were issued for the purpose of defeasing the Series 2004 GO Bonds which were used for the acquisition of land, equipping of new parks and recreation centers.	8,690,000	-
Total General Obligation Bonds	<u>17,970,000</u>	-
 Other Noncurrent Liabilities:		
Installment agreement for equipment, 2.85% interest maturing in 2019	503,906	-
Compensated absences payable	6,865,618	1,126,454
Insurance claims payable (see Note 15)	5,350,412	-
Total Noncurrent Liabilities, including current portion	<u>\$ 78,565,808</u>	<u>\$ 16,522,659</u>

Governmental Activities

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

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

12. Noncurrent Liabilities (Continued)

The installment agreement financed the purchase of equipment used in governmental activities. At September 30, 2014, the amount of the equipment held under these agreements was \$825,000 and the accumulated amortization totaled \$321,094. 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, 2014, are as follows:

Fiscal year ending September 30:		
2015	\$	125,764
2016		125,764
2017		125,763
2018		125,764
2019		21,754
Total minimum payments		524,809
Less amount representing interest		(20,903)
Outstanding balance at September 30, 2014	\$	<u>503,906</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, 2014, is \$40,857,580. Principal and interest paid during the current year was \$490,000 and \$1,279,060, 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, 2014, is \$7,886,678. Non-ad valorem revenues received for the current year were approximately \$60.4 million. Principal and interest paid for the current year was \$1,220,000 and \$352,542, respectively.

Debt Extinguishment: On November 21, 2013, the City issued \$8,810,000 of General Obligation Refunding Bonds, Series 2013 to advance refund the outstanding balance of the \$14,000,000 General Obligation Bonds, Series 2004. The net proceeds of \$8,767,970 were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the Series 2004 Bonds. Accordingly, the Series 2004 Bonds were considered defeased and the liability for the outstanding bonds of \$8,595,000 at September 30, 2014 was removed from the City's financial statements. The refunding reduced the City's debt service payments by \$908,228 and resulted in an economic gain of \$811,110. The difference between the reacquisition price and net carrying amount of the Series 2004 Bonds of \$137,520 is reported as deferred outflow of resources on the statement of net position and amortized to operations over 10 years.

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 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

12. Noncurrent Liabilities (Continued)

Interest Expense: Total interest costs incurred and paid on governmental activities debt for the year ended September 30, 2014 were \$2,090,947 and \$2,128,407, respectively, all of which was expensed.

Debt Maturities: The annual requirements to pay principal and interest to maturity on the governmental activities bonds outstanding are as follows as of September 30, 2014:

Fiscal Year Ending September 30	Revenue Bonds and Note		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2015	\$ 1,147,000	\$ 1,563,397	\$ 1,535,000	\$ 549,614	\$ 4,795,011
2016	19,076,742	1,511,885	1,590,000	500,511	22,679,138
2017	1,197,000	1,324,460	1,640,000	449,576	4,611,036
2018	1,247,000	1,274,548	1,700,000	396,705	4,618,253
2019	1,308,000	1,222,456	1,750,000	341,898	4,622,354
2020-2024	7,282,000	5,146,080	9,755,000	809,593	22,992,673
2025-2029	9,297,000	3,132,480	-	-	12,429,480
2030-2033	6,764,000	687,840	-	-	7,451,840
Total	\$ 47,318,742	\$ 15,863,146	\$ 17,970,000	\$ 3,047,897	\$ 84,199,785

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 \$17,429,629. Principal and interest paid and utility net revenues for the current year were \$4,704,585 and \$6,775,537, respectively.

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

12. Noncurrent Liabilities (Continued)

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, 2014, are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2015	\$ 638,000	\$ 284,670	\$ 922,670
2016	2,306,000	386,605	2,692,605
2017	1,893,000	318,059	2,211,059
2018	1,943,000	267,436	2,210,436
2019	1,987,000	215,360	2,202,360
2020-2024	5,933,000	419,319	6,352,319
2025-2029	393,000	130,520	523,520
2030-2034	286,000	28,660	314,660
Total	\$ 15,379,000	\$ 2,050,629	\$ 17,429,629

Interest Expense: Total interest costs incurred and paid on business-type activities debt for the year ended September 30, 2014, were \$757,543 and \$6,910,237, respectively, 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, 2014, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 10,459,225	\$ -	\$ (1,750,000)	\$ 8,709,225	\$ 1,420,000
Loans Payable to the City	5,885,060	-	(198,089)	5,686,971	454,032
Total Noncurrent Liabilities	\$ 16,344,285	\$ -	\$ (1,948,089)	\$ 14,396,196	\$ 1,874,032

The CRA's outstanding revenue bonds at September 30, 2014, consist of the following:

4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019.	\$ 1,640,000
4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019.	390,000
5.9095% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bonds (Series 2004B Taxable), maturity date September 1, 2016.	4,060,000

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

12. Noncurrent Liabilities (Continued)

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 1st and October 1st, commencing April 1, 2015 and continuing through maturity on October 1, 2017

	\$ 2,619,225
Total Revenue Bonds	\$ 8,709,225

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City by the CRA at September 30, 2014, consisted of the following (also see Note 5 – 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.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
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	509,640	116,773	626,413
2020-2024	2,559,548	328,175	2,887,723
2025-2026	724,190	24,328	748,518
	\$ 5,686,971	\$ 1,089,972	\$ 6,776,943

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

12. Noncurrent Liabilities (Continued)

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, 2014, was \$9,502,573, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,155,824 and \$11,575,821, respectively.

Interest Expense: Total interest costs incurred and paid on all CRA debt for the year ended September 30, 2014, were \$507,414 and \$482,950, 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, 2014, 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
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	1,699,640	169,477	1,869,117
2020-2024	2,559,548	328,175	2,887,723
2025-2026	724,190	24,328	748,518
	\$ 11,776,971	\$ 1,883,320	\$ 13,660,291

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

The City's Code of Ordinances 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, which consists of a chairperson and four additional members; all of whom are appointed by the City Commission.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

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 DROP. When entering DROP, the employee continues employment with the City, but will cease accruing a pension benefit, and the monthly benefit under the 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. The balance of amounts held pursuant to DROP was \$4,736,415 at September 30, 2014.

Employee Contributions—Ordinance No. 33-10 effective October 5, 2010, changed the contribution amount from 2.5% of the employee's basic annual compensation to 3.05%. If the employee chooses the 3% multiplier, there is an additional contribution of 3.45% for a total of 6.5%. If an employee leaves covered employment or dies before five years of credited service, accumulated employee contributions are refunded to the employee or the designated beneficiary.

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

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

The City's Code of Ordinances provides, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations and income from investment of accumulated funds. Florida Statutes provide 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 System 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, two members of each department elected by the membership and the Mayor of the City or the Mayor's designee.

Vesting—Benefits fully vest after 10 years of service.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

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. The balance of amounts held pursuant to DROP was \$18,904,334 at September 30, 2014.

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.

Membership

Membership data of the City’s pension plans as of October 1, 2013, the date of the most recent actuarial valuations, is summarized as follows:

	General Employees’ Pension Plan	Police and Firefighters’ Retirement System
Retirees and beneficiaries receiving benefits	234	233
Terminated employees entitled to benefits but not receiving them	49	3
Active members	359	246

Summary of Significant Accounting Policies

The financial statements of each Plan are prepared using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. Investment income is recognized as revenue when earned. Investments are reported at fair value and are managed by third party money managers. The

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

City's independent custodians and money managers determine the fair value of securities, which is generally based upon quoted prices on a national or international stock exchange or for securities not listed, the mean of the most recent bid and ask prices of each instrument using various third party pricing sources. The net appreciation/ (depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. Investment earnings are reduced for investment related expenses, such as management fees, portfolio evaluation and custodial services.

Investments

Investment Policy: The policy in regard to the allocation of invested assets is established and may be amended by a majority vote of the Board of each pension plan. It is the policy of each pension plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the investment portfolio across a broad selection of distinct asset classes. The investment policy of each pension plan discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The asset allocation policy adopted by each pension plans' Board at September 30, 2014 was as follows:

Asset Class	General Employees' Pension Plan	Police and Firefighters' Retirement System
Fixed income	40.0%	27.5%
Domestic equity	55.0	35.0
International equity	5.0	15.0
Real estate	-	10.0
Alternatives	-	7.5
Timber	-	5.0
Total	100.0%	100.0%

Rate of Return: The annual money-weighted rate of return on pension investments, net of pension investment expense, for the General Employees' Pension Plan and the Police and Firefighters' Retirement System, was 12.26% and 9.32%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net Pension Liability

The components of the net pension liability for the City's pension plans as of October 1, 2013, the date of the most recent actuarial valuations, were as follows:

	General Employees' Pension Plan	Police and Firefighters' Retirement System
Total pension liability	\$ 113,002,682	\$ 249,508,093
Plan fiduciary net position	110,281,605	173,210,319
Net pension liability	\$ 2,721,077	\$ 76,297,774
Plan fiduciary net position as a percentage of the total pension liability	97.6%	69.4%

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

Actuarial Assumptions: The total pension liability for the City's pension plans was determined by actuarial valuations, using the following actuarial assumptions:

	General Employees' Pension Plan	Police and Firefighters' Retirement System
Valuation date	October 1, 2013	October 1, 2013
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	29 years
Asset valuation method	5 year Smoothed Market	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 the next year)	6.25%
Cost of living increases	None	1.00%
* Includes inflation rate	3.00%	3.00%

The long-term expected rate of return on investments of the pension plans was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target allocation as of September 30, 2014 (see the discussion of each pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	
	General Employees' Pension Plan	Police and Firefighters' Retirement System
Fixed income	2.5%	2.5%
Domestic equity	7.0	7.0
International equity	7.5	7.5
Real estate	-	4.5
Alternatives	-	2.5
Timber	-	2.5

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

Discount Rate: The discount rates used to measure the total pension liability of the General Employees Pension Plan and the Police and Firefighters' Retirement System were 7.25% and 8.0%, respectively. The discount rate was based on the expected rate of return on investments of each pension plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments of the pension plans was applied to all periods of projected benefit payments to determine the projected total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following table presents the net pension liability of the General Employees Pension Plan and the Police and Firefighters' Retirement System, calculated using the current discount rates of 7.25% and 8.0%, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	General Employees' Pension Plan	Police and Firefighters' Retirement System
One percentage point lower than current discount rate	\$ 10,562,871	\$ 102,404,105
Current discount rate	2,721,077	76,297,774
One percentage point higher than current discount rate	(12,661,990)	54,668,350

Annual Pension Cost and Net Pension Obligation

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	\$ 2,294,953	\$ 7,558,079	\$ 9,853,032
Interest on net pension obligation (asset)	11,347	(10,561)	786
Adjustment to annual required contribution	(20,878)	7,215	(13,663)
Annual pension cost	2,285,422	7,554,733	9,840,155
Contributions made	(2,128,666)	(7,558,079)	(9,686,745)
Change in net pension obligation (asset)	156,756	(3,346)	153,410
Net pension obligation (asset) at October 1, 2013	156,506	(132,018)	24,488
Net pension obligation (asset) at September 30, 2014	\$ 313,262	\$ (135,364)	\$ 177,898

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

Trend Information

Annual pension cost 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			
2014	\$ 2,285,422	93.1%	\$ 313,262
2013	2,522,126	93.8	156,506
2012	2,365,620	100.0	-
Police and Firefighters' Retirement System Fund			
2014	\$ 7,554,733	100.0%	\$ (135,364)
2013	6,599,523	100.0	(132,018)
2012	7,968,408	100.0	(128,704)

Funded Status and Funding Progress

Actuarial valuations of defined benefit pension plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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. Although the valuation results are based on values the actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future investment earnings, salary increases, inflation rates and cost of living adjustments, could result in actual costs being greater or less than estimated.

The funded status of the plans as of October 1, 2013, 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'	10/1/2013	\$ 99,910,051	\$103,950,532	\$ 4,040,481	96.1%	\$ 16,527,919	24.4%
Police and Firefighters'	10/1/2013	132,741,368	221,897,687	89,156,319	59.8%	\$ 17,577,480	507.2%

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

Pension Plan Financial Statements

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. 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, 2014, are as follows:

Statement of Fiduciary Net Position	
ASSETS	
Cash and cash equivalents	\$ 1,245,817
Investments	
U.S. Government securities	5,478,961
U.S. Government Agency securities	2,006,374
Domestic and international corporate bonds	16,242,427
Domestic and international equity securities	30,935,592
Alternative investments	54,402,540
Interest and dividends receivable	204,253
Employee contributions receivable	14,038
Total assets	<u>110,530,002</u>
LIABILITIES	
Accounts payable	47,961
Due to broker	200,436
Total liabilities	<u>248,397</u>
NET POSITION restricted for pension benefits	<u>\$ 110,281,605</u>
Statement of Changes in Fiduciary Net Position	
ADDITIONS	
Contributions:	
Employer	\$ 2,084,010
Plan members	1,126,054
Total contributions	<u>3,210,064</u>
Investment earnings	
Net appreciation in fair value of investments	11,200,447
Interest and dividends	1,255,456
	<u>12,455,903</u>
Less investment expenses – custodian fees	264,842
Net investment earnings	12,191,061
Other income	5,387
Total additions	<u>15,406,512</u>
DEDUCTIONS	
Benefits	5,355,711
Refunds of contributions	80,592
Administrative expenses	79,024
Total deductions	<u>5,515,327</u>
Net increase in fiduciary net position	9,891,185
Net position restricted for pension benefits at October 1, 2013	<u>100,390,420</u>
Net position restricted for pension benefits at September 30, 2014	<u>\$ 110,281,605</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

13. Pension Plans (Continued)

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, 2014, is summarized as follows:

Balance at October 1, 2013	\$ 774,748
Employer contributions	23,117
Employee contributions	23,117
Investment gain	64,747
Distributions	(36,686)
Balance at September 30, 2014	<u>\$ 849,043</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.

Other Employee Benefit Plans

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, 2014, is summarized as follows:

Balance at October 1, 2013	\$ 451,137
Net investment gains	37,832
Service fees	(1,722)
Distributions	(12,410)
Balance at September 30, 2014	<u>\$ 474,837</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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

14. Other Postemployment Benefits (OPEB) (Continued)

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 \$543 to a maximum of \$1,142 for medical/prescription coverage and at a rate of \$.18 per \$1,000 of the face value for life insurance coverage.

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

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

Actuarial Methods and Significant Assumptions

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

	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

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2014

14. Other Postemployment Benefits (OPEB) (Continued)

	OPEB Plan	Retiree Benefit Fund
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.

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			
2014	\$ 1,447,355	32%	\$ 4,508,479
2013	1,383,330	30	3,569,827
2012	1,283,914	47	2,605,995
Retiree Benefit Fund			
2014	\$ 684,128	49%	\$ 350,953
2013	684,128	67	183,098
2012	684,128	115	(42,626)

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

14. Other Postemployment Benefits (OPEB) (Continued)

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, 2014 were as follows:

	OPEB Plan	Retiree Benefit Fund	Total
Annual required contribution	\$ 1,432,403	\$ 689,143	\$ 2,121,546
Interest on net OPEB obligation	160,642	(21,468)	139,174
Adjustment to annual required contribution	(145,690)	16,453	(129,237)
Annual OPEB cost	1,447,355	684,128	2,131,483
Contributions made	(508,703)	(516,273)	(1,024,976)
Change in net OPEB obligation	938,652	167,855	1,106,507
Net OPEB obligation (asset) at October 1, 2013	3,569,827	183,098	3,752,925
Net OPEB obligation at September 30, 2014	<u>\$ 4,508,479</u>	<u>\$ 350,953</u>	<u>\$ 4,859,432</u>

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	9,974,714	6,819,129	31.6%	20,647,352	33.0%

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

15. Risk Management (Continued)

\$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, 2014, charges of \$12,558,514 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 \$5,350,412 (\$1,569,412 current and \$3,781,000 noncurrent) at September 30, 2014, which is an increase of approximately \$186,000 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 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, 2012	\$ 4,159,088
Claims incurred	9,083,574
Claims paid	(8,078,877)
Balance at September 30, 2013	5,163,785
Claims incurred	8,204,000
Claims paid	(8,017,373)
Balance at September 30, 2014	<u>\$ 5,350,412</u>

The claims liability at September 30, 2014 and 2013, is summarized as follows:

	<u>2014</u>	<u>2013</u>
Current	\$ 1,569,412	\$ 1,451,785
Noncurrent	3,781,000	3,712,000
	<u>\$ 5,350,412</u>	<u>\$ 5,163,785</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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

16. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2014, the CRA's tax increment revenues include \$6,946,429 received from the City. CRA expenditures for the year ended September 30, 2014, include charges of \$1,969,601 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$856,209 for construction services related to redevelopment projects, \$193,347 for the downtown shuttle, and \$550,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$135,000 in reimbursements from the City for various projects.

At September 30, 2014, the City had a payable to the CRA of \$310,775 and the City had a receivable of \$721,546 for reimbursement of certain administrative and redevelopment expenditures, and notes receivable from the CRA of \$5,686,971 (see Note 5 - Notes Receivable).

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.

17. Commitments and Contingencies

Contract Commitments

The City has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2014, were as follows:

Capital Projects Funds	\$ 8,433,579
Water and Sewer Fund	2,487,294
Stormwater Utility Fund	2,030,204
	<u>\$ 12,951,077</u>

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

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.

Debt Service Reserve Surety Bond

The City's Utility Tax Revenue Bonds (Series 2002 and 2007), 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 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, 2014, 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, 2014. The Bonds outstanding at September 30, 2014, 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, 2014

17. Commitments and Contingencies (Continued)

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.

Litigation, Claims and Assessments

The City is involved in certain lawsuits and other legal matters occurring in the normal course of operations. Although the ultimate outcome of the lawsuits and other matters cannot be determined at the present time, the management of the City in consultation with legal counsel, believes that all significant claims are fully accrued, covered by insurance or limited under sovereign immunity and does not expect the outcome of any pending lawsuits or claims to material affect the City's financial condition.

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

CRA Contract Commitments: At September 30, 2014, the CRA had outstanding construction commitments consisting of the following:

	Total Project Authorization	Expended Through September 30, 2014	Retainage Payable at September 30, 2014	Remaining Commitment at September 30, 2014
Arts Warehouse Project	\$ 232,500	\$ -	\$ -	\$ 232,500
SW 9 th Avenue, Pocket Park	<u>148,354</u>	<u>-</u>	<u>-</u>	<u>148,354</u>
Total contract commitment	<u>\$ 380,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,854</u>

The CRA also entered into an interlocal agreement with the City to provide funding for certain construction projects and related professional services totaling approximately \$6,100,000 for the year ending September 30, 2015.

CRA Lease Commitments: The CRA had the following lease commitments as lessor at September 30, 2014:

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 in March 2014, the sublease was extended 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.

Factual Multi Services, LLC - The CRA entered into an agreement to lease the property located at 135 NW 5th Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment per month for a three year period commencing January 10, 2014, with an option to extend the lease for additional one year terms. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was \$98,125 at September 30, 2014.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

17. Commitments and Contingencies (Continued)

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 ending December 15, 2014. In January 2015 the lease was extended through December 15, 2015. The carrying value of the leased property was \$1,895,000 at September 30, 2014.

La Bon Gout - The CRA was assigned the rights to a lease with La Bon Gout in conjunction with the purchase of the property at 700 West Atlantic Avenue. The original terms of the lease commenced January 1, 2012 for a five year term with a one year renewal option. The lease was assigned to the CRA on October 29, 2013. Under the lease agreement, La Bon Gout, Inc. leases the space for \$1,600 per month. The carrying value of the leased property was \$1,968,409 at September 30, 2014.

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 and the SW 12th Avenue Duplexes. 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 each agreement 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 \$5,580,000 at September 30, 2014.

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, 2014 was approximately \$2,418,000.

The carrying value of leased property listed above totaled \$11,959,534 at September 30, 2014. No depreciation expense was recorded on these redevelopment properties, as they are currently held for sale. Rental income for 2014 totaled \$154,439. Future annual minimum rental income is as follows: 2015 - \$62,129; 2016 - \$37,153; and, 2017 - \$12,488.

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, 2014, 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 - 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 eligible project costs up to \$431,619. The CRA will reimburse the developer in equal annual installments over a ten year period, provided that the annual payment shall not exceed 50% of the actual tax increment revenues attributable to the project for that year. Payments will be made by the CRA on February 1st of each year. The first payment of \$43,162 was made during the fiscal year ended September 30, 2014.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

17. Commitments and Contingencies (Continued)

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.

Cloud Computing Concepts, LLC - 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 thirteen qualifying jobs, up to a maximum annual grant of \$7,605 and \$38,024 over a five year period commencing no later than December 9, 2015.

CRA Loan Commitments: The CRA entered into three loan commitments to provide future financing for economic redevelopment projects in the CRA district. The loan commitments of the CRA at September 30, 2014, 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"). A promissory note was executed on July 17, 2014 and is 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 CRA will not disburse any funds under the promissory note until Village Square has received all moneys from the Tax-Exempt Bonds and Equity Account of the Project Fund for the acquisition and construction of the project. There were no draws on the promissory note through September 30, 2014.

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.

Eagle Nest Project 3 - The CRA entered into an interlocal agreement and multiparty agreement with the City of Delray Beach and the School Board of Palm Beach County on January 15, 2014 to loan an amount not to exceed \$150,000 to the City of Delray Beach to be disbursed by the City of Delray Beach to the School District for the Eagle Nest program. At the time of the closing on the sale of the Eagle Nest house, the CRA will be repaid without interest. At September 30, 2014, there were no amounts drawn on the loan.

CRA Property Purchase and Sale Commitments: The CRA had entered into two contracts for the sale of property at September 30, 2014 as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2014

17. Commitments and Contingencies (Continued)

Delray Beach Holdings, LLC - During 2014, the CRA entered into a purchase and sale agreement with Delray Beach Holdings, LLC for the sale of certain property for \$3,600,000 in accordance with their redevelopment proposal for a 5-story mixed use facility that will include an iPic Theater, Class A office space, retail space and a multi-level parking garage. The agreement is subject to certain conditions precedent to closing, including the documentation of financial commitment and a letter of credit or performance bond by the purchaser. The CRA also has the right to approve the architectural design and site plan for the project. Closing shall occur no later than thirty days after the permit date. The CRA has a right to repurchase the property for the same purchase price in the event the purchaser fails to commence construction of the project within sixty days of the closing or permit date or fails to commence the installation of the concrete foundation within one hundred eighty days following the later of the commencement of construction or the issuance of the building permits. The carrying value of the property under contract at September 30, 2014 is \$3,364,258.

Equity Enterprises USA, Inc. - During 2014, the CRA entered into a purchase and sale agreement with Equity Enterprises USA, Inc. for the sale of certain property for \$1,000,000 in accordance with their redevelopment proposal for three mixed use buildings fronting West Atlantic Avenue with retail space, Class A office space and multifamily residential units. Earnest money of \$100,000 was paid upon approval of the agreement. At closing, an additional \$100,000 will be paid to the CRA, and the \$800,000 balance of the purchase price will be a purchase money mortgage to the CRA, secured by a lien on the property. The mortgage will be for a term of 5 years with interest accruing at a fixed rate of four percent per annum with a maturity date of five years from the closing date. Interest will not accrue for the first twenty-four months subsequent to the closing date. Payments of principal and interest will commence on the twenty-fifth month anniversary of the closing date and will be payable every month thereafter through maturity. The carrying value of the property under the contract at September 30, 2014 is \$7,052,962.

The CRA also contracted to purchase redevelopment property for \$84,000 at September 30, 2014.

CRA Operating Grant Commitments: The CRA entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2015:

City of Delray Beach – International Tennis Championships	\$	550,000
City of Delray Beach – Downtown Roundabout Trolleys		300,000
City of Delray Beach – Irrigation and Landscape Maintenance		36,000
Delray Beach Community Land Trust, Inc.		175,000
Delray Beach Public Library Association, Inc.		308,000
Creative City Collaborative		275,000
Delray Beach Center for the Arts, Inc.		285,000
EPOCH, Inc.		<u>59,640</u>
Total Grant Commitments	\$	<u>1,988,640</u>

18. Subsequent Events

The City has authorized the issuance of not more than \$44,000,000 in Delray Beach Utilities Tax Revenue Refunding and Improvement Bonds, Series 2015 (the “Series 2015 Bonds”), for the purpose of refunding certain outstanding bonds and financing certain capital projects within the City. Approximately \$27 million of the proceeds will be used to advance refund \$24.33 million of the City’s Utilities Tax Revenue Bonds, Series 2007; approximately \$6.1 million will be used to refund the City’s Bond Anticipation Revenue Improvement Notes, Series 2013; approximately \$6 million will be used to finance construction of a replacement facility for the City’s existing Fire Station No. 3; and, approximately \$3 million will be used to finance projects identified in the City’s Beach Area Master Plan. The City expects to issue the Series 2015 Bonds in late March or early April 2015.

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 58,674,690	\$ 58,974,690	\$ 59,081,293	\$ 106,603
Fees and permits	8,991,630	9,224,580	10,431,335	1,206,755
Intergovernmental	6,599,600	6,820,006	7,121,915	301,909
Charges for services	10,517,540	10,639,900	10,841,897	201,997
Fines and forfeitures	998,500	958,000	1,028,905	70,905
Miscellaneous	5,916,510	6,231,555	6,324,008	92,453
Transfers in	4,553,240	3,718,360	3,733,317	14,957
Debt proceeds	-	8,810,000	8,810,000	-
Prior year surplus	1,684,190	1,506,528	-	(1,506,528)
Total Revenues	<u>97,935,900</u>	<u>106,883,619</u>	<u>107,372,670</u>	<u>489,051</u>
EXPENDITURES				
General government				
City commission	227,650	262,802	203,378	59,424
City manager	494,200	474,882	451,220	23,662
Economic development	250,000	265,315	109,854	155,461
Human resources	534,270	499,270	458,527	40,743
Public information office	73,360	71,482	71,220	262
City clerk	566,570	574,619	548,227	26,392
Finance	1,672,040	1,725,130	1,724,553	577
Information technology	1,676,200	1,689,610	1,567,577	122,033
City attorney	867,630	1,106,060	1,146,421	(40,361)
Administrative services administration	644,890	748,610	672,518	76,092
Clean and Safe	203,580	202,740	185,480	17,260
Cemetery	361,180	365,240	347,429	17,811
Nondepartmental	1,938,460	2,154,602	4,935,246	(2,780,644)
Transfers to component units	6,957,610	6,946,429	6,946,429	-
Public safety				
Law enforcement	29,201,050	28,852,927	27,639,095	1,213,832
Fire control	23,328,070	23,279,542	22,885,744	393,798
Community improvement administration	525,270	524,770	474,002	50,768
Planning and zoning	1,262,520	1,238,324	1,155,729	82,595
Building inspection	1,334,090	1,445,652	1,445,421	231
Code compliance	1,112,850	1,110,350	1,042,620	67,730
Physical environment				
Engineering	718,470	693,145	644,552	48,593
Parking facilities	1,301,360	1,321,190	1,047,828	273,362
Public works	2,875,010	2,899,711	2,789,803	109,908
Parks and recreation	12,595,710	12,650,725	12,400,827	249,898
Debt service	3,996,990	3,888,190	3,568,474	319,716
Payment to bond escrow agent	-	8,595,000	8,767,970	(172,970)
Transfers out	3,216,870	3,297,302	3,308,784	(11,482)
Total Expenditures	<u>97,935,900</u>	<u>106,883,619</u>	<u>106,538,928</u>	<u>344,691</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>833,742</u>	<u>\$ 833,742</u>
Fund balance - October 1, 2013			28,048,174	
Difference between GAAP and budgetary basis			163,871	
Fund balance - September 30, 2014			<u>\$ 29,045,787</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, 2014

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 \$8,947,719 during the year ended September 30, 2014, which increased the original General Fund appropriations (expenditures and transfers out) from \$97,935,900 to a revised total of \$106,883,619.

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:

	Revenues	Expenditures
Current year encumbrances outstanding at year end	\$ -	\$ 373,543
Prior year encumbrances paid in the current year	-	(209,672)
Net encumbered expenditures	-	163,871
Transfers	3,733,317	3,308,784
On-behalf payments for pension benefits	(1,951,084)	(1,951,084)
Revenue bond proceeds	8,810,000	-
Payment to bond escrow agent	-	8,767,970
Net differences - GAAP and budgetary basis	10,592,233	10,289,541
GAAP basis	96,780,437	96,249,387
Budgetary basis	\$ 107,372,670	\$ 106,538,928

City of Delray Beach, Florida

Required Supplementary Information—General Employees' Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios

September 30, 2014

	<u>Fiscal Year</u> <u>2014</u>
Total Pension Liability	
Service cost	\$ 2,249,595
Interest	7,820,828
Changes of benefit terms	-
Differences between expected and actual experience	(163,785)
Changes of assumptions	-
Benefit payments, including refunds	(5,055,720)
Net change in total pension liability	4,850,918
Total pension liability, beginning of fiscal year	108,151,764
Total pension liability, end of fiscal year (a)	\$ 113,002,682
 Plan Fiduciary Net Position	
Contributions	
Employer	\$ 2,084,010
Plan members	1,126,054
Net investment income	12,191,061
Other income	5,387
Benefit payments, including refunds	(5,436,303)
Administration expense	(79,024)
Net change in plan fiduciary net position	9,891,185
Plan fiduciary net position, beginning of fiscal year	100,390,420
Plan fiduciary net position, end of fiscal year (b)	\$ 110,281,605
 Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 2,721,077
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.6%
 Covered Employee Payroll	\$ 16,527,919
 Net Pension Liability as a Percentage of Covered Employee Payroll	16.5%

Notes to Schedule:

Information prior to adoption of GASB Statement No. 67 in fiscal year 2014 is not available.

City of Delray Beach, Florida

Required Supplementary Information—Police and Firefighters' Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios

September 30, 2014

	<u>Fiscal Year</u> <u>2014</u>
Total Pension Liability	
Service cost	\$ 4,215,639
Interest	18,144,343
Changes of benefit terms	1,406,983
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds	(11,258,891)
Net change in total pension liability	12,508,074
Total pension liability, beginning of fiscal year	237,000,019
Total pension liability, end of fiscal year (a)	\$ 249,508,093
 Plan Fiduciary Net Position	
Contributions	
Employer	\$ 9,057,075
State	1,951,084
Plan members	1,594,712
Net investment income	14,738,903
Other income	191,998
Benefit payments, including refunds	(11,275,592)
Administration expense	(232,362)
Net change in plan fiduciary net position	16,025,818
Plan fiduciary net position, beginning of fiscal year	157,184,501
Plan fiduciary net position, end of fiscal year (b)	\$ 173,210,319
 Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 76,297,774
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.4%
 Covered Employee Payroll	\$ 16,474,658
 Net Pension Liability as a Percentage of Covered Employee Payroll	463.1%

Notes to Schedule:

Information prior to adoption of GASB Statement No. 67 in fiscal year 2014 is not available.

City of Delray Beach, Florida
 Required Supplementary Information—Pension Funds
 Schedules of Net Pension Liability

September 30, 2014

General Employees' Pension Plan						
Fiscal Year Ended September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2014	\$ 113,002,682	\$ 110,281,605	\$ 2,721,077	97.6%	\$ 16,527,919	16.5%

Police and Firefighters' Retirement System						
Fiscal Year Ended September 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2014	\$ 249,508,093	\$ 173,210,319	\$ 76,297,774	69.4%	\$ 16,474,658	463.1%

Notes to Schedule:

Information prior to adoption of GASB Statement No. 67 in fiscal year 2014 is not available.

City of Delray Beach, Florida

Required Supplementary Information—Pension Funds
Schedules of City Contributions

September 30, 2014

	Fiscal Year
	2014
General Employees Pension Plan	
Actuarially determined contribution	\$ 2,093,769
Contributions in relation to actuarially determined contribution	2,084,010
Contribution deficiency (excess)	\$ 9,759
Covered employee payroll	\$ 16,527,919
Contributions as a percentage of covered employee payroll	12.6%
Police and Firefighters' Retirement System	
Actuarially determined contribution	\$ 9,395,497
Contributions in relation to actuarially determined contribution	9,517,297
Contribution deficiency (excess)	\$ (121,800)
Covered employee payroll	\$ 16,474,658
Contributions as a percentage of covered employee payroll	57.8%

Notes to Schedule	General Employees	Police and Firefighters
Asset valuation date	10/1/2013	10/1/2013
Actuarially determined contribution rates are calculated at October 1, one year prior to the end of the fiscal year in which the contributions are reported.		
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Closed	Level Percent, Closed
Remaining amortization period	25 years	29 years
Asset valuation method	5-Year Smoothed	4-Year Smoothed
Inflation	3.0% / year	3.0% / year
Salary increases (with inflation)	4.4% - 7.2% / year	6.25% / year for first 10 years, 5.0% thereafter
Investment rate of return (net of expenses, with inflation)	7.25% / year	8.0% / year
Cost of living adjustments	None	1.0%
Retirement age	Experienced-based table of rates	25% retire on normal retirement date, 10% each next two years
Mortality	RP-2000 Combined Healthy Participant Mortality Table using Scale AA	RP-2000 Combined Healthy Participant Mortality Table using with no projection

Information prior to adoption of GASB Statement No. 67 in fiscal year 2014 is not available.

City of Delray Beach, Florida
 Required Supplementary Information—
 Schedules of Employer and State Pension Contributions
 For the Fiscal Year Ended September 30, 2014

General Employees' Pension Fund

Fiscal Year Ended September 30,	Annual Required Employer Contribution	Percentage Contribution
2009	\$ 2,398,379	100.0 %
2010	2,502,936	100.0
2011	2,996,262	100.0
2012	2,305,292	100.0
2013	2,522,126	93.8
2014	2,294,953	92.8

Police and Firefighters' Retirement System Fund

Fiscal Year Ended September 30,	Annual State Contribution	Annual Required Employer Contribution	Total Annual Required Contribution	Percentage Contribution
2009	\$ 504,922	\$ 5,608,475	\$ 6,113,397	100.0 %
2010	504,922	5,381,809	6,900,364	100.0
2011	504,922	7,061,730	7,566,652	101.1
2012	504,922	7,963,318	8,468,240	100.0
2013	504,922	6,602,837	7,107,759	100.0
2014	504,922	7,558,079	8,063,001	100.0

City of Delray Beach, Florida
Required Supplementary Information—Pension Funds
Schedules of Investment Returns

September 30, 2014

	<u>Fiscal Year</u> <u>2014</u>
Annual money-weighted rate of return, net of investment expenses	
General Employees Pension Plan	<u>12.26%</u>
Police and Firefighters' Retirement System	<u>9.32%</u>

Notes to Schedule:

Information prior to adoption of GASB Statement No. 67 in fiscal year 2014 is not available.

City of Delray Beach, Florida
Required Supplementary Information—
Schedules of Pension Funding Progress
September 30, 2014

General Employees' Pension Plan								
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded		Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b-a)/c]		
		Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)					
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	87,232,667	2,756,027	96.8	19,359,146	14.2		
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	94,643,819	98,323,171	3,679,352	96.3	16,937,526	21.7		
10/1/2013	99,910,051	103,950,532	4,040,481	96.1	16,527,919	24.4		

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	Unfunded		Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b-a)/c]		
		Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)					
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		
10/1/2013	132,741,368	221,897,687	89,156,319	59.8	17,577,480	507.2		

City of Delray Beach, Florida

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

September 30, 2014

OPEB Plan								
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded 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	-	15,636,209	15,636,209	0.0	39,412,194	39.7		

Retiree Benefit Fund								
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded 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.

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. The 2004 GO bonds were redeemed and retired in November 2013.

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, 2014

	Special Revenue								Debt Service	Capital Projects			Total Non-Major Governmental Funds
	Law Enforcement Trust	Developers Land Contribution	ARRA Economic Stimulus	Neighbor-hood Services	SHIP	Beautification	Special Projects	Cemetery Perpetual Care	Utilities Tax	Capital Improvement	2004 GO Bond	Beach Restoration	
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 611,810	\$ -	\$ -	\$ -	\$ 611,810
Investments	-	-	-	-	-	-	2,531,567	607,382	-	3,036,909	-	-	6,175,858
Accounts receivable, net	-	-	-	-	-	-	66,907	17,553	-	-	-	-	84,460
Notes receivable	-	-	-	1,702,336	636,154	-	-	-	-	-	-	-	2,338,490
Interest receivable	-	-	-	-	-	-	3,995	958	-	4,792	-	-	9,745
Due from other governments	1,543	-	-	109,908	-	-	-	-	-	2,914,242	-	5,419,087	8,444,780
Due from other funds	387,029	661,273	-	82,030	-	646,785	-	515,022	-	6,099,957	274,304	2,452,473	11,118,873
Due from component unit	-	23,300	-	19,540	-	-	-	-	-	107,589	-	-	150,429
Assets acquired for sale	-	-	-	460,316	-	-	-	-	-	-	-	-	460,316
Total Assets	\$ 388,572	\$ 684,573	\$ -	\$ 2,374,130	\$ 636,154	\$ 646,785	\$ 2,602,469	\$ 1,140,915	\$ 611,810	\$ 12,163,489	\$ 274,304	\$ 7,871,560	\$ 29,394,761
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES													
LIABILITIES													
Accounts payable and accrued items	\$ -	\$ -	\$ -	\$ 11,893	\$ -	\$ 30,077	\$ 7,328	\$ 250	\$ -	\$ 1,871,972	\$ -	\$ 22,947	\$ 1,944,467
Due to other funds	-	-	-	-	-	-	70,889	-	92,217	-	-	-	163,106
Deposits payable	-	-	-	-	-	-	3,650	-	-	-	-	-	3,650
Due to component unit	-	-	-	-	-	-	95,841	-	-	191,460	-	-	287,301
Total Liabilities	-	-	-	11,893	-	30,077	177,708	250	92,217	2,063,432	-	22,947	2,398,524
DEFERRED INFLOWS OF RESOURCES													
Unavailable revenue	-	-	-	1,805,680	636,154	-	11,675	-	-	183,280	-	-	2,636,789
FUND BALANCES													
Restricted for:													
Debt service	-	-	-	-	-	-	-	-	519,593	-	-	-	519,593
Law enforcement	388,572	-	-	-	-	-	557,432	-	-	-	-	-	946,004
Capital improvements	-	-	-	-	-	-	-	-	-	-	274,304	-	274,304
Community development	-	-	-	556,557	-	-	-	-	-	-	-	-	556,557
Assigned to:													
Public safety	-	-	-	-	-	-	127,523	-	-	-	-	-	127,523
Parks and recreation	-	-	-	-	-	-	264,297	1,140,665	-	-	-	-	1,404,962
Capital improvements	-	684,573	-	-	-	616,708	1,463,834	-	-	9,916,777	-	7,848,613	20,530,505
Total Fund Balances	388,572	684,573	-	556,557	-	616,708	2,413,086	1,140,665	519,593	9,916,777	274,304	7,848,613	24,359,448
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 388,572	\$ 684,573	\$ -	\$ 2,374,130	\$ 636,154	\$ 646,785	\$ 2,602,469	\$ 1,140,915	\$ 611,810	\$ 12,163,489	\$ 274,304	\$ 7,871,560	\$ 29,394,761

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, 2014

	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	\$ -	\$ -	\$ -	\$ 588,010	\$ 17,281	\$ -	\$ 86	\$ -	\$ -	\$ 3,386,280	\$ -	\$ 7,259,572	\$ 11,251,229
Charges for services	-	-	-	-	-	-	514,904	1,050	-	-	-	-	515,954
Fines and forfeitures	147,073	-	-	-	-	-	91,074	-	-	-	-	-	238,147
Miscellaneous	-	208,800	-	181,925	267	11,987	85,497	103,671	1,757	982,466	-	-	1,576,370
Total Revenues	147,073	208,800	-	769,935	17,548	11,987	691,561	104,721	1,757	4,368,746	-	7,259,572	13,581,700
EXPENDITURES													
Current:													
General government	-	-	-	1,046,615	17,548	-	98,673	1,105	-	613,521	-	-	1,777,462
Public safety	54,938	-	-	-	-	-	12,805	-	-	41,102	-	-	108,845
Physical environment	-	-	-	-	-	806,854	46,800	-	-	204,658	-	-	1,058,312
Parks and recreation	-	-	-	-	-	-	317,849	-	-	69,117	2,500	194,043	583,509
Capital outlay	30,971	282,705	-	49,726	-	562	42,784	-	-	6,646,551	-	-	7,053,299
Debt service:													
Principal retirement	-	-	-	-	-	-	-	-	66,857	53,663	-	2,702,243	2,822,763
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,175,904	22,574	-	70,570	1,269,048
Total Expenditures	85,909	282,705	-	1,096,341	17,548	807,416	518,911	1,105	1,242,761	7,651,186	2,500	2,966,856	14,673,238
Excess of revenues over (under) expenditures	61,164	(73,905)	-	(326,406)	-	(795,429)	172,650	103,616	(1,241,004)	(3,282,440)	(2,500)	4,292,716	(1,091,538)
OTHER FINANCING SOURCES (USES)													
Bond anticipation note proceeds	-	-	-	-	-	-	-	-	-	6,140,036	-	50,000	6,190,036
Transfers in	-	-	11,483	149,430	-	936,773	67,738	-	1,241,440	500,000	-	456,000	3,362,864
Transfers out	-	(2,850)	-	-	-	-	(12,000)	-	(1,757)	(46,040)	-	-	(62,647)
Total Other Financing Sources (Uses)	-	(2,850)	11,483	149,430	-	936,773	55,738	-	1,239,683	6,593,996	-	506,000	9,490,253
Net change in fund balance	61,164	(76,755)	11,483	(176,976)	-	141,344	228,388	103,616	(1,321)	3,311,556	(2,500)	4,798,716	8,398,715
Fund balances (deficit) - October 1, 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
Fund balances - September 30, 2014	\$ 388,572	\$ 684,573	\$ -	\$ 556,557	\$ -	\$ 616,708	\$ 2,413,086	\$ 1,140,665	\$ 519,593	\$ 9,916,777	\$ 274,304	\$ 7,848,613	\$ 24,359,448

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, 2014

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 17,952	\$ 1,804	\$ -	\$ -	\$ -	\$ 19,756
Investments	-	-	913,502	2,026,226	4,117,528	7,057,256
Accounts receivable, net	2,852	210	-	749,279	1,880	754,221
Interest receivable	-	-	1,442	3,198	6,870	11,510
Due from other funds	-	-	352,437	1,812,360	-	2,164,797
Inventories	61,753	12,267	-	-	-	74,020
Prepaid expenses	47,731	12,449	-	-	-	60,180
Restricted assets						
Cash and cash equivalents	459,135	86,366	-	-	70,260	615,761
Total Current Assets	<u>589,423</u>	<u>113,096</u>	<u>1,267,381</u>	<u>4,591,063</u>	<u>4,196,538</u>	<u>10,757,501</u>
Noncurrent Assets:						
Property, land and equipment						
Land	1,415,482	1,963,894	42,840	-	1,271,853	4,694,069
Buildings	2,309,544	140,718	-	-	1,904,722	4,354,984
Improvements other than buildings	1,200,973	899,663	1,134,822	11,958	13,420,497	16,667,913
Equipment	1,453,375	336,919	84,453	22,125	772,489	2,669,361
Construction in progress	-	-	-	-	702,536	702,536
Accumulated depreciation	(3,281,786)	(812,467)	(1,134,425)	(32,676)	(6,573,866)	(11,835,220)
Total Noncurrent Assets	<u>3,097,588</u>	<u>2,528,727</u>	<u>127,690</u>	<u>1,407</u>	<u>11,498,231</u>	<u>17,253,643</u>
Total Assets	<u>3,687,011</u>	<u>2,641,823</u>	<u>1,395,071</u>	<u>4,592,470</u>	<u>15,694,769</u>	<u>28,011,144</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refundings	43,488	15,744	-	-	-	59,232
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	64,080	4,680	733	333,634	56,971	460,098
Unearned revenue	-	-	30,375	-	-	30,375
Due to other funds	1,682,064	1,211,080	-	-	-	2,893,144
Refundable deposits payable	137,017	-	18,072	-	-	155,089
	<u>1,883,161</u>	<u>1,215,760</u>	<u>49,180</u>	<u>333,634</u>	<u>56,971</u>	<u>3,538,706</u>
Current Liabilities Payable from Restricted Assets:						
Accrued interest on long-term debt	13,135	2,366	-	-	20,260	35,761
Current maturities of revenue bonds	394,000	84,000	-	-	50,000	528,000
	<u>407,135</u>	<u>86,366</u>	<u>-</u>	<u>-</u>	<u>70,260</u>	<u>563,761</u>
Total Current Liabilities	<u>2,290,296</u>	<u>1,302,126</u>	<u>49,180</u>	<u>333,634</u>	<u>127,231</u>	<u>4,102,467</u>
Noncurrent Liabilities:						
Net pension obligation	-	-	-	3,028	3,315	6,343
Net OPEB obligation	-	-	-	22,182	33,273	55,455
Compensated absences payable	-	-	-	32,328	30,210	62,538
Revenue bonds payable, net	575,674	93,531	-	-	1,170,000	1,839,205
Total Noncurrent Liabilities	<u>575,674</u>	<u>93,531</u>	<u>-</u>	<u>57,538</u>	<u>1,236,798</u>	<u>1,963,541</u>
Total Liabilities	<u>2,865,970</u>	<u>1,395,657</u>	<u>49,180</u>	<u>391,172</u>	<u>1,364,029</u>	<u>6,066,008</u>
NET POSITION						
Net investment in capital assets	2,171,402	2,366,940	127,690	1,407	10,278,231	14,945,670
Restricted for debt service	446,000	84,000	-	-	50,000	580,000
Unrestricted (deficit)	(1,752,873)	(1,189,030)	1,218,201	4,199,891	4,002,509	6,478,698
Total Net Position	<u>\$ 864,529</u>	<u>\$ 1,261,910</u>	<u>\$ 1,345,891</u>	<u>\$ 4,201,298</u>	<u>\$ 14,330,740</u>	<u>\$ 22,004,368</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, 2014

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Stormwater Utility	Total Non-Major Enterprise Funds
OPERATING REVENUES						
Charges for services	\$ 3,005,811	\$ 635,489	\$ 243,234	\$ 4,969,127	\$ 2,128,772	\$ 10,982,433
Other operating revenue	35,048	4,612	2,376	73,770	12,334	128,140
Total Operating Revenues	<u>3,040,859</u>	<u>640,101</u>	<u>245,610</u>	<u>5,042,897</u>	<u>2,141,106</u>	<u>11,110,573</u>
OPERATING EXPENSES						
Personal services	-	-	-	259,290	403,120	662,410
Other operating expenses	2,843,349	515,830	84,784	4,417,839	617,365	8,479,167
Depreciation	156,481	43,674	9,179	381	381,580	591,295
Total Operating Expenses	<u>2,999,830</u>	<u>559,504</u>	<u>93,963</u>	<u>4,677,510</u>	<u>1,402,065</u>	<u>9,732,872</u>
Operating Income	41,029	80,597	151,647	365,387	739,041	1,377,701
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	-	-	5,659	12,536	27,731	45,926
Rent revenue	25,914	-	194	133,886	-	159,994
Interest expense	(73,246)	(15,555)	-	-	(62,928)	(151,729)
Gain on disposal of equipment	16,958	-	-	-	-	16,958
Total Nonoperating Revenues (Expenses)	<u>(30,374)</u>	<u>(15,555)</u>	<u>5,853</u>	<u>146,422</u>	<u>(35,197)</u>	<u>71,149</u>
Income Before Capital Contributions and Transfers	10,655	65,042	157,500	511,809	703,844	1,448,850
Capital contributions	-	-	-	-	48,442	48,442
Transfers out	(34,000)	(6,000)	(49,200)	(332,690)	(383,770)	(805,660)
Change In Net Position	(23,345)	59,042	108,300	179,119	368,516	691,632
Net Position - October 1, 2013	887,874	1,202,868	1,237,591	4,022,179	13,962,224	21,312,736
Net Position - September 30, 2014	<u>\$ 864,529</u>	<u>\$ 1,261,910</u>	<u>\$ 1,345,891</u>	<u>\$ 4,201,298</u>	<u>\$ 14,330,740</u>	<u>\$ 22,004,368</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2014

	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	\$ 3,088,701	\$ 639,631	\$ 207,253	\$ 5,198,998	\$ 2,139,226	\$ 11,273,809
Receipts from others	25,914	-	194	133,886	-	159,994
Payments to suppliers	(2,742,026)	(401,439)	(84,273)	(4,410,716)	(600,941)	(8,239,395)
Payments to employees	-	-	-	(247,537)	(393,795)	(641,332)
Net cash provided by operating activities	<u>372,589</u>	<u>238,192</u>	<u>123,174</u>	<u>674,631</u>	<u>1,144,490</u>	<u>2,553,076</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY						
Transfers to other funds	(34,000)	(6,000)	(49,200)	(332,690)	(383,770)	(805,660)
Net cash used in noncapital financing activity	<u>(34,000)</u>	<u>(6,000)</u>	<u>(49,200)</u>	<u>(332,690)</u>	<u>(383,770)</u>	<u>(805,660)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(42,734)	(1,973)	-	-	(878,934)	(923,641)
Proceeds from the sale of capital assets	16,958	-	-	-	-	16,958
Principal paid on capital debt	(177,145)	(282,855)	-	-	(52,183)	(512,183)
Interest paid on capital debt	(56,481)	(14,151)	-	-	(64,068)	(134,700)
Net cash used in capital and related financing activities	<u>(259,402)</u>	<u>(298,979)</u>	<u>-</u>	<u>-</u>	<u>(995,185)</u>	<u>(1,553,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	(85,093)	(366,604)	-	(451,697)
Sale of investments	-	-	-	-	186,875	186,875
Interest on investments	-	-	11,119	24,663	53,801	89,583
Net cash provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>(73,974)</u>	<u>(341,941)</u>	<u>240,676</u>	<u>(175,239)</u>
Net change in cash and cash equivalents	79,187	(66,787)	-	-	6,211	18,611
Cash and cash equivalents - October 1, 2013	397,900	154,957	-	-	64,049	616,906
Cash and cash equivalents - September 30, 2014	<u>\$ 477,087</u>	<u>\$ 88,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,260</u>	<u>\$ 635,517</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 41,029	\$ 80,597	\$ 151,647	\$ 365,387	\$ 739,041	\$ 1,377,701
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	156,481	43,674	9,179	381	381,580	591,295
Rent revenue	25,914	-	194	133,886	-	159,994
Change in assets and liabilities:						
Accounts receivable	8,828	(170)	1,344	156,101	(1,880)	164,223
Inventories	16,937	(300)	-	-	-	16,637
Prepaid expenses	(1,571)	263	-	-	-	(1,308)
Accounts payable and accrued expenses	(64,290)	(2,726)	511	7,123	16,424	(42,958)
Unearned revenue	-	-	(36,860)	-	-	(36,860)
Compensated absences payable	-	-	-	5,632	937	6,569
Net pension obligation	-	-	-	1,416	1,330	2,746
Net OPEB obligation	-	-	-	4,705	7,058	11,763
Due to other funds	167,184	116,854	-	-	-	284,038
Refundable deposits payable	22,077	-	(2,841)	-	-	19,236
Total adjustments	<u>331,560</u>	<u>157,595</u>	<u>(28,473)</u>	<u>309,244</u>	<u>405,449</u>	<u>1,175,375</u>
Net cash provided by operating activities	<u>\$ 372,589</u>	<u>\$ 238,192</u>	<u>\$ 123,174</u>	<u>\$ 674,631</u>	<u>\$ 1,144,490</u>	<u>\$ 2,553,076</u>
Non-cash capital and related financing and investing activities						
Amortization of bond premiums	\$ (6,099)	\$ (3,735)	\$ -	\$ -	\$ -	\$ (9,834)
Amortization of deferred charges on refundings	\$ 24,849	\$ 9,000	\$ -	\$ -	\$ -	\$ 33,849
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ 48,442	\$ 48,442
Realized and unrealized losses on investments	\$ -	\$ -	\$ (3,480)	\$ (7,720)	\$ (16,588)	\$ (27,788)

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, 2014

	Insurance	Central Garage	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 203,381	\$ 100	\$ 203,481
Investments	4,961,095	2,832,829	7,793,924
Accounts receivable, net	17,852	-	17,852
Interest receivable	7,957	4,470	12,427
Due from other funds	2,198,474	1,166,311	3,364,785
Inventories	-	111,541	111,541
Prepaid expenses	382,170	-	382,170
Total Current Assets	<u>7,770,929</u>	<u>4,115,251</u>	<u>11,886,180</u>
Noncurrent Assets:			
Property, land and equipment			
Buildings	-	88,185	88,185
Equipment	134,993	22,406,914	22,541,907
Accumulated depreciation	(81,372)	(15,504,282)	(15,585,654)
Total Noncurrent Assets	<u>53,621</u>	<u>6,990,817</u>	<u>7,044,438</u>
Total Assets	<u>7,824,550</u>	<u>11,106,068</u>	<u>18,930,618</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	267,049	111,183	378,232
Insurance claims payable	1,569,412	-	1,569,412
Total Current Liabilities	<u>1,836,461</u>	<u>111,183</u>	<u>1,947,644</u>
Noncurrent Liabilities:			
Net pension obligation	3,011	8,284	11,295
Net OPEB obligation	22,182	61,000	83,182
Long-term portion of compensated absences payable	31,311	94,843	126,154
Long-term portion of insurance claims payable	3,781,000	-	3,781,000
Total Noncurrent Liabilities	<u>3,837,504</u>	<u>164,127</u>	<u>4,001,631</u>
Total Liabilities	<u>5,673,965</u>	<u>275,310</u>	<u>5,949,275</u>
NET POSITION			
Net investment in capital assets	53,621	6,990,817	7,044,438
Unrestricted	2,096,964	3,839,941	5,936,905
Total Net Position	<u>\$ 2,150,585</u>	<u>\$ 10,830,758</u>	<u>\$ 12,981,343</u>

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, 2014

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 12,558,514	\$ 3,061,748	\$ 15,620,262
Other operating revenue	252,465	1,985,246	2,237,711
Total Operating Revenues	<u>12,810,979</u>	<u>5,046,994</u>	<u>17,857,973</u>
OPERATING EXPENSES			
Personal services	336,218	871,711	1,207,929
Other operating expenses	12,985,427	2,278,231	15,263,658
Depreciation	15,757	1,922,772	1,938,529
Total Operating Expenses	<u>13,337,402</u>	<u>5,072,714</u>	<u>18,410,116</u>
Operating Loss	(526,423)	(25,720)	(552,143)
NONOPERATING REVENUES			
Interest revenue	30,681	17,512	48,193
Gain on disposal of equipment	-	60,225	60,225
Total Nonoperating Revenues	<u>30,681</u>	<u>77,737</u>	<u>108,418</u>
Income (Loss) Before Capital Contributions and Transfers	(495,742)	52,017	(443,725)
Capital contributions	-	8,533	8,533
Change In Net Position	(495,742)	60,550	(435,192)
Net Position - October 1, 2013	2,646,327	10,770,208	13,416,535
Net Position - September 30, 2014	<u>\$ 2,150,585</u>	<u>\$ 10,830,758</u>	<u>\$ 12,981,343</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2014

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 13,949,889	\$ 4,603,824	\$ 18,553,713
Payments to suppliers	(13,639,368)	(2,404,422)	(16,043,790)
Payments to employees	(323,773)	(860,158)	(1,183,931)
Net cash provided by (used in) operating activities	<u>(13,252)</u>	<u>1,339,244</u>	<u>1,325,992</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(1,454,039)	(1,454,039)
Proceeds from the sale of capital assets	-	113,190	113,190
Net cash used in capital and related financing activities	<u>-</u>	<u>(1,340,849)</u>	<u>(1,340,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(61,193)	(32,878)	(94,071)
Interest on investments	60,387	34,483	94,870
Net cash provided by (used in) investing activities	<u>(806)</u>	<u>1,605</u>	<u>799</u>
Net change in cash and cash equivalents	(14,058)	-	(14,058)
Cash and cash equivalents - October 1, 2013	217,439	100	217,539
Cash and cash equivalents - September 30, 2014	<u>\$ 203,381</u>	<u>\$ 100</u>	<u>\$ 203,481</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (526,423)	\$ (25,720)	\$ (552,143)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	15,757	1,922,772	1,938,529
Change in assets and liabilities:			
Accounts receivable	121,726	-	121,726
Due from other funds	1,017,184	(443,170)	574,014
Inventories	-	(63,621)	(63,621)
Prepaid expenses	53,978	-	53,978
Accounts payable and accrued expenses	(894,546)	(62,570)	(957,116)
Compensated absences payable	6,080	(1,103)	4,977
Net pension obligation	1,660	4,086	5,746
Net OPEB obligation	4,705	8,570	13,275
Insurance claims payable	186,627	-	186,627
Total adjustments	<u>513,171</u>	<u>1,364,964</u>	<u>1,878,135</u>
Net cash provided by (used in) operating activities:	<u>\$ (13,252)</u>	<u>\$ 1,339,244</u>	<u>\$ 1,325,992</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY			
Equipment contributed from governmental capital asset:	\$ -	\$ 8,533	\$ 8,533
Realized and unrealized losses on investments	<u>\$ (18,902)</u>	<u>\$ (10,793)</u>	<u>\$ (29,695)</u>

Fiduciary Funds

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

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

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

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF PLAN NET POSITION
 PENSION TRUST FUNDS
 September 30, 2014

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and cash equivalents	\$ 1,245,817	\$ 5,148,429	\$ 6,394,246
Investments:			
U.S. Government securities	5,478,961	7,121,967	12,600,928
U.S. Government Agency securities	2,006,374	10,506,236	12,512,610
Municipal obligations	-	250,406	250,406
Domestic and international fixed income investment funds	-	14,048,720	14,048,720
Domestic and international corporate bonds	16,242,427	18,323,711	34,566,138
Domestic and international equity securities	30,935,592	54,406,522	85,342,114
Domestic and international equity investment funds	-	31,692,698	31,692,698
Alternative investments	54,402,540	12,750,016	67,152,556
DROP participant directed mutual funds	-	18,904,334	18,904,334
Interest and dividends receivable	204,253	354,945	559,198
Due from broker for securities sold	-	167,002	167,002
Employee contributions receivable	14,038	43,385	57,423
State contributions receivable	-	39,180	39,180
Prepaid expenses	-	10,035	10,035
Total Assets	<u>110,530,002</u>	<u>173,767,586</u>	<u>284,297,588</u>
LIABILITIES			
Accounts payable	47,961	147,545	195,506
Due to broker for securities purchased	200,436	409,722	610,158
Total Liabilities	<u>248,397</u>	<u>557,267</u>	<u>805,664</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 110,281,605</u>	<u>\$ 173,210,319</u>	<u>\$ 283,491,924</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2014

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 2,084,010	\$ 9,057,075	\$ 11,141,085
State	-	1,951,084	1,951,084
Plan members	1,126,054	1,594,712	2,720,766
Total contributions	<u>3,210,064</u>	<u>12,602,871</u>	<u>15,812,935</u>
Investment earnings			
Net appreciation in fair value of investments	11,200,447	12,325,682	23,526,129
Interest and dividends	1,255,456	3,126,585	4,382,041
	<u>12,455,903</u>	<u>15,452,267</u>	<u>27,908,170</u>
Less investment expenses - custodian fees	264,842	713,364	978,206
Net investment earnings	<u>12,191,061</u>	<u>14,738,903</u>	<u>26,929,964</u>
Other income	5,387	191,998	197,385
Total additions	<u>15,406,512</u>	<u>27,533,772</u>	<u>42,940,284</u>
DEDUCTIONS			
Benefits	5,355,711	11,132,319	16,488,030
Refunds of contributions	80,592	143,273	223,865
Administrative expenses	79,024	232,362	311,386
Total deductions	<u>5,515,327</u>	<u>11,507,954</u>	<u>17,023,281</u>
Change In Plan Net Position	9,891,185	16,025,818	25,917,003
Net Position Restricted for Pension Benefits - October 1, 2013	100,390,420	157,184,501	257,574,921
Net Position Restricted for Pension Benefits - September 30, 2014	<u>\$ 110,281,605</u>	<u>\$ 173,210,319</u>	<u>\$ 283,491,924</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, 2014

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Ad valorem	\$ 47,960,690	\$ 47,695,425	\$ (265,265)
Sales and use	1,315,000	1,341,267	26,267
Utility	5,635,000	6,016,563	381,563
Communications Services Tax	3,325,000	3,290,807	(34,193)
Business tax receipts	739,000	737,231	(1,769)
Total taxes	58,974,690	59,081,293	106,603
Fees and permits:			
Building permits	3,075,000	3,623,715	548,715
Franchise fees	4,764,180	5,134,527	370,347
Miscellaneous	1,270,400	1,532,512	262,112
License fees	115,000	140,581	25,581
Total fees and permits	9,224,580	10,431,335	1,206,755
Intergovernmental:			
Federal shared revenue:			
Hazmat Sustainment	26,770	18,585	(8,185)
Highway Safety Grant	57,808	58,085	277
SAFER Grant	-	30,323	30,323
Bulletproof Vest Grant	20,000	-	(20,000)
Justice Assistance Grants	39,868	39,868	-
Total federal shared revenue	144,446	146,861	2,415
State shared revenue:			
State revenue sharing	1,640,000	1,816,787	176,787
Local government sales tax	4,425,000	4,498,108	73,108
Alcoholic beverage licenses tax	75,000	84,041	9,041
Municipal fuel tax refund	45,000	54,425	9,425
Mobile home licenses tax	400	277	(123)
Fire incentive	60,000	66,204	6,204
State grants	240,160	275,906	35,746
Total state shared revenue	6,485,560	6,795,748	310,188
Shared revenue from local units:			
County occupational licenses	115,000	104,306	(10,694)
PBC Grants	75,000	75,000	-
Total shared revenue from local units	190,000	179,306	(10,694)
Total intergovernmental	6,820,006	7,121,915	301,909

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, 2014

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):			
Charges for services:			
General government	\$ 790,480	\$ 807,394	\$ 16,914
Public safety	6,754,820	6,704,944	(49,876)
Physical environment	102,000	153,173	51,173
Parking	1,759,600	1,830,858	71,258
Culture and recreation	1,233,000	1,345,528	112,528
Total charges for services	<u>10,639,900</u>	<u>10,841,897</u>	<u>201,997</u>
Fines and forfeitures:			
Court	715,000	775,755	60,755
Penalties on licenses and permits	98,000	77,125	(20,875)
Violations of local ordinances	145,000	176,025	31,025
Total fines and forfeitures	<u>958,000</u>	<u>1,028,905</u>	<u>70,905</u>
Miscellaneous:			
Interest	107,900	263,289	155,389
Rents and special assessments	285,850	269,353	(16,497)
Sale of capital assets	2,000	-	(2,000)
Contributions and donations	3,026,225	2,849,305	(176,920)
Recovery of administrative costs	2,748,000	2,459,000	(289,000)
Other	61,580	483,061	421,481
Total miscellaneous	<u>6,231,555</u>	<u>6,324,008</u>	<u>92,453</u>
Total revenue	<u>92,848,731</u>	<u>94,829,353</u>	<u>1,980,622</u>
Other financing sources:			
Prior year surplus	1,506,528	-	(1,506,528)
Debt proceeds	8,810,000	8,810,000	-
Transfers in:			
Water and Sewer Fund	1,705,900	3,025,900	1,320,000
Delray Beach Municipal and Lakeview Golf Course Funds	25,000	40,000	15,000
City Marina Fund	49,200	49,200	-
Utilities Tax Fund	1,321,800	1,757	(1,320,043)
Sanitation Fund	220,690	220,690	-
Stormwater Utility Fund	383,770	383,770	-
Special Projects Fund	12,000	12,000	-
Total transfers in	<u>3,718,360</u>	<u>3,733,317</u>	<u>14,957</u>
Total other financing sources	<u>14,034,888</u>	<u>12,543,317</u>	<u>(1,491,571)</u>
Total revenue and other financing sources	<u>\$ 106,883,619</u>	<u>107,372,670</u>	<u>\$ 489,051</u>
Reconciliation to GAAP basis statements:			
On-behalf payments		1,951,084	
Revenue and other financing sources - GAAP basis		<u>\$ 109,323,754</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, 2014

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:						
City commission	\$ 227,650	\$ 262,802	\$ 203,378	\$ -	\$ 203,378	\$ 59,424
City manager	494,200	474,882	451,220	-	451,220	23,662
Economic development	250,000	265,315	109,854	-	109,854	155,461
Human resources	534,270	499,270	458,527	-	458,527	40,743
Public information office	73,360	71,482	71,220	-	71,220	262
City clerk	566,570	574,619	537,014	11,213	548,227	26,392
Finance	1,672,040	1,725,130	1,721,859	2,694	1,724,553	577
Information technology	1,676,200	1,689,610	1,566,519	1,058	1,567,577	122,033
City attorney	867,630	1,106,060	1,146,421	-	1,146,421	(40,361)
Administrative services	644,890	748,610	672,518	-	672,518	76,092
Clean and Safe	203,580	202,740	185,480	-	185,480	17,260
Cemetery	361,180	365,240	347,429	-	347,429	17,811
Grants and Aids:						
Old School Square	194,750	194,750	194,750	-	194,750	-
Library	1,453,500	1,453,500	1,453,500	-	1,453,500	-
Other grants and aids	209,950	209,950	197,950	-	197,950	12,000
Miscellaneous and contingency	80,260	296,402	3,089,046	-	3,089,046	(2,792,644)
Transfers to component units	6,957,610	6,946,429	6,946,429	-	6,946,429	-
Total general government	16,467,640	17,086,791	19,353,114	14,965	19,368,079	(2,281,288)
Public safety:						
Law enforcement	29,201,050	28,852,927	27,466,013	173,082	27,639,095	1,213,832
Fire control	23,328,070	23,279,542	22,781,626	104,118	22,885,744	393,798
Community improvement administration	525,270	524,770	474,002	-	474,002	50,768
Planning and zoning	1,262,520	1,238,324	1,155,729	-	1,155,729	82,595
Building inspection	1,334,090	1,445,652	1,445,421	-	1,445,421	231
Code compliance	1,112,850	1,110,350	1,042,620	-	1,042,620	67,730
Total public safety	56,763,850	56,451,565	54,365,411	277,200	54,642,611	1,808,954
Physical environment:						
Engineering	718,470	693,145	585,971	58,581	644,552	48,593
Parking facilities	1,301,360	1,321,190	1,047,828	-	1,047,828	273,362
Public works:						
Traffic operations	449,350	439,337	437,658	-	437,658	1,679
Administration	192,270	192,270	188,984	-	188,984	3,286
Street lighting	801,050	819,248	818,284	-	818,284	964
Street maintenance	810,430	818,720	777,240	-	777,240	41,480
Building maintenance	621,910	630,136	567,484	153	567,637	62,499
Total physical environment	4,894,840	4,914,046	4,423,449	58,734	4,482,183	431,863

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, 2014

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:						
Administration	\$ 535,030	\$ 536,326	\$ 528,941	\$ -	\$ 528,941	\$ 7,385
Out of school program	474,630	466,730	449,305	-	449,305	17,425
Teen center	236,850	253,550	242,676	-	242,676	10,874
Ocean rescue	1,443,220	1,436,144	1,375,247	-	1,375,247	60,897
Catherine Strong Park	222,550	233,796	227,090	7,227	234,317	(521)
Community center	309,320	312,690	305,558	-	305,558	7,132
Veteran's park recreation facility	146,510	146,910	140,321	-	140,321	6,589
Pompey Park recreation facility	827,000	838,330	811,840	-	811,840	26,490
Parks maintenance	3,874,270	3,873,754	3,840,606	4,921	3,845,527	28,227
Special events	135,360	136,360	132,289	-	132,289	4,071
Tennis centers	1,201,030	1,208,117	1,193,560	-	1,193,560	14,557
Tennis stadium	2,362,290	2,352,790	2,310,472	972	2,311,444	41,346
Aquatics	357,150	365,310	342,309	-	342,309	23,001
Athletics	470,500	489,918	477,969	9,524	487,493	2,425
Total parks and recreation	12,595,710	12,650,725	12,378,183	22,644	12,400,827	249,898
Debt service:						
Principal retirement	2,898,240	2,793,240	2,667,085	-	2,667,085	126,155
Interest and fiscal charges	1,098,750	1,059,620	859,359	-	859,359	200,261
Bond issuance costs	-	35,330	42,030	-	42,030	(6,700)
Total debt service	3,996,990	3,888,190	3,568,474	-	3,568,474	319,716
Total expenditures and encumbrances	94,719,030	94,991,317	94,088,631	373,543	94,462,174	529,143
Other financing uses:						
Payment to bond escrow agent	-	8,595,000	8,767,970	-	8,767,970	(172,970)
Transfers out to other funds:						
ARRA Economic Stimulus Fund	-	-	11,483	-	11,483	(11,483)
Neighborhood Services Fund	149,430	149,430	149,430	-	149,430	-
Beautification Fund	870,000	931,584	931,583	-	931,583	1
Special Projects Fund	-	18,848	18,848	-	18,848	-
Utilities Tax Fund	1,241,440	1,241,440	1,241,440	-	1,241,440	-
Capital Improvement Fund	500,000	500,000	500,000	-	500,000	-
Beach Restoration Fund	456,000	456,000	456,000	-	456,000	-
Total other financing uses	3,216,870	11,892,302	12,076,754	-	12,076,754	(184,452)
Total expenditures, encumbrances and other financing uses	\$ 97,935,900	\$ 106,883,619	\$ 106,165,385	\$ 373,543	106,538,928	344,691
Reconciliation to GAAP basis statements:						
Current year encumbrances outstanding					(373,543)	
Prior year encumbrances paid in current year					209,672	
On-behalf payments					1,951,084	
Expenditures and other financing uses - GAAP basis					\$ 108,326,141	

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
2015	\$ 2,084,614	\$ 2,710,397	\$ 922,670	\$ 125,764	\$ 5,843,445
2016	2,090,511	20,588,627	2,692,605	125,764	25,497,507
2017	2,089,576	2,521,460	2,211,059	125,763	6,947,858
2018	2,096,705	2,521,548	2,210,436	125,764	6,954,453
2019	2,091,898	2,530,456	2,202,360	21,754	6,846,468
2020	2,104,997	2,486,840	2,037,757	-	6,629,594
2021	2,105,795	2,483,840	2,052,626	-	6,642,261
2022	2,109,345	2,486,720	2,052,116	-	6,648,181
2023	2,115,489	2,485,000	105,000	-	4,705,489
2024	2,128,967	2,485,680	104,820	-	4,719,467
2025	-	2,487,520	104,480	-	2,592,000
2026	-	2,484,280	104,970	-	2,589,250
2027	-	2,486,960	105,290	-	2,592,250
2028	-	2,486,080	104,420	-	2,590,500
2029	-	2,484,640	104,360	-	2,589,000
2030	-	2,482,400	105,100	-	2,587,500
2031	-	2,486,120	104,630	-	2,590,750
2032	-	2,483,320	104,930	-	2,588,250
	<u>\$ 21,017,897</u>	<u>\$ 63,181,888</u>	<u>\$ 17,429,629</u>	<u>\$ 524,809</u>	<u>\$ 102,154,223</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
2015	\$ 1,535,000	\$ 549,614	\$ 2,084,614	\$ 18,933,283
2016	1,590,000	500,511	2,090,511	16,842,772
2017	1,640,000	449,576	2,089,576	14,753,196
2018	1,700,000	396,705	2,096,705	12,656,491
2019	1,750,000	341,898	2,091,898	10,564,593
2020	1,820,000	284,997	2,104,997	8,459,596
2021	1,880,000	225,795	2,105,795	6,353,801
2022	1,945,000	164,345	2,109,345	4,244,456
2023	2,015,000	100,489	2,115,489	2,128,967
2024	2,095,000	33,967	2,128,967	-
	<u>\$ 17,970,000</u>	<u>\$ 3,047,897</u>	<u>\$ 21,017,897</u>	

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			
2015	\$ 750,000	\$ 192,560	\$ 176,998	\$ 176,998	\$ 1,119,558	\$ 10,231,296	4.15%
2016	785,000	176,998	160,709	160,709	1,122,707	9,108,589	4.15
2017	820,000	160,709	143,694	143,694	1,124,403	7,984,186	4.15
2018	860,000	143,694	125,849	125,849	1,129,543	6,854,643	4.15
2019	895,000	125,849	107,278	107,278	1,128,127	5,726,516	4.15
2020	940,000	107,278	87,773	87,773	1,135,051	4,591,465	4.15
2021	985,000	87,773	67,334	67,334	1,140,107	3,451,358	4.15
2022	1,030,000	67,334	45,961	45,961	1,143,295	2,308,063	4.15
2023	1,080,000	45,961	23,551	23,551	1,149,512	1,158,551	4.15
2024	1,135,000	23,551	-	-	1,158,551	-	4.15
	<u>\$ 9,280,000</u>	<u>\$ 1,131,707</u>	<u>\$ 939,147</u>	<u>\$ 939,147</u>	<u>\$ 11,350,854</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

Schedule of General Obligation Bonds (Series 2013)

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			
2015	\$ 785,000	\$ 94,287	\$ 85,769	\$ 965,056	\$ 8,701,987	2.17%	
2016	805,000	85,769	77,035	967,804	7,734,183	2.17	
2017	820,000	77,035	68,138	965,173	6,769,010	2.17	
2018	840,000	68,138	59,024	967,162	5,801,848	2.17	
2019	855,000	59,024	49,747	963,771	4,838,077	2.17	
2020	880,000	49,747	40,199	969,946	3,868,131	2.17	
2021	895,000	40,199	30,489	965,688	2,902,443	2.17	
2022	915,000	30,489	20,561	966,050	1,936,393	2.17	
2023	935,000	20,561	10,416	965,977	970,416	2.17	
2024	960,000	10,416	-	970,416	-	2.17	
	<u>\$ 8,690,000</u>	<u>\$ 535,665</u>	<u>\$ 441,378</u>	<u>\$ 9,667,043</u>			

- Original Authorization – \$9,000,000
- Issued – \$8,810,000
- Date of Issue – November 21, 2013
- Maturity Range – Serially February 1, 2013 through February 1, 2024
- Principal Payment Date – February 1 of each year
- Interest Payment Dates – February 1 and August 1
- Denomination – \$5,000
- Call Features – No optional or mandatory redemption
- Paying Agent/Registrar – Compas Mortgage Corporation
Leander, Texas
- 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
2015	\$ 1,147,000	\$ 1,563,397	\$ 2,710,397	\$ 60,471,491
2016	19,076,742	1,511,885	20,588,627	39,882,864
2017	1,197,000	1,324,460	2,521,460	37,361,404
2018	1,247,000	1,274,548	2,521,548	34,839,856
2019	1,308,000	1,222,456	2,530,456	32,309,400
2020	1,319,000	1,167,840	2,486,840	29,822,560
2021	1,382,000	1,101,840	2,483,840	27,338,720
2022	1,454,000	1,032,720	2,486,720	24,852,000
2023	1,525,000	960,000	2,485,000	22,367,000
2024	1,602,000	883,680	2,485,680	19,881,320
2025	1,684,000	803,520	2,487,520	17,393,800
2026	1,765,000	719,280	2,484,280	14,909,520
2027	1,856,000	630,960	2,486,960	12,422,560
2028	1,948,000	538,080	2,486,080	9,936,480
2029	2,044,000	440,640	2,484,640	7,451,840
2030	2,144,000	338,400	2,482,400	4,969,440
2031	2,255,000	231,120	2,486,120	2,483,320
2032	2,365,000	118,320	2,483,320	-
	<u>\$ 47,318,742</u>	<u>\$ 15,863,146</u>	<u>\$ 63,181,888</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				
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>\$ 2,800,000</u>	<u>\$ 222,912</u>	<u>\$ 222,912</u>	<u>\$ 3,245,824</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 73% of the bonds are governmental activities debt and 27% 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	June 1			
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>\$ 900,000</u>	<u>\$ 28,340</u>	<u>\$ 28,340</u>	<u>\$ 956,680</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				
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>\$ 4,165,000</u>	<u>\$ 237,927</u>	<u>\$ 237,927</u>	<u>\$ 4,640,854</u>			

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

Projects: The bonds were issued to current refund Series 1999 and Series 2002 Tax Exempt Bonds, in whole, and Series 2002 Taxable Bonds in part. Approximately 95% of the bonds are governmental activities debt and approximately 5% of the bonds are business-type activities debt.

City of Delray Beach, Florida

Schedule of Utility Tax Revenue Bonds (Series 2007)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal June 1	December 1	June 1				
2015	\$ 70,000	\$ 611,050	\$ 611,050	\$ 1,292,100	\$ 38,608,800	4.00%	
2016	70,000	609,650	609,650	1,289,300	37,319,500	4.00	
2017	-	608,250	608,250	1,216,500	36,103,000	-	
2018	-	608,250	608,250	1,216,500	34,886,500	-	
2019	-	608,250	608,250	1,216,500	33,670,000	-	
2020	1,375,000	608,250	608,250	2,591,500	31,078,500	5.00	
2021	1,440,000	573,875	573,875	2,587,750	28,490,750	5.00	
2022	1,515,000	537,875	537,875	2,590,750	25,900,000	5.00	
2023	1,590,000	500,000	500,000	2,590,000	23,310,000	5.00	
2024	1,670,000	460,250	460,250	2,590,500	20,719,500	5.00	
2025	1,755,000	418,500	418,500	2,592,000	18,127,500	5.00	
2026	1,840,000	374,625	374,625	2,589,250	15,538,250	5.00	
2027	1,935,000	328,625	328,625	2,592,250	12,946,000	5.00	
2028	2,030,000	280,250	280,250	2,590,500	10,355,500	5.00	
2029	2,130,000	229,500	229,500	2,589,000	7,766,500	5.00	
2030	2,235,000	176,250	176,250	2,587,500	5,179,000	5.00	
2031	2,350,000	120,375	120,375	2,590,750	2,588,250	5.00	
2032	2,465,000	61,625	61,625	2,588,250	-	5.00	
	<u>\$ 24,470,000</u>	<u>\$ 7,715,450</u>	<u>\$ 7,715,450</u>	<u>\$ 39,900,900</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			
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>\$ 21,584</u>	<u>\$ 18,754</u>	<u>\$ 2,669,338</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, 2014 was .78%.

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	June 1			
2015	\$ -	\$ 59,097	\$ 59,097	\$ 59,097	\$ 118,194	\$ 15,351,936	0.78%
2016	15,233,742	59,097	59,097	59,097	15,351,936	-	
	<u>\$ 15,233,742</u>	<u>\$ 118,194</u>	<u>\$ 118,194</u>	<u>\$ 118,194</u>	<u>\$ 15,470,130</u>		

- Original Authorization – \$22,250,000
- Issued – \$15,233,742
- 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, 2014 was .78%.

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
2015	\$ 638,000	\$ 284,670	\$ 922,670	\$ 16,506,959
2016	2,306,000	386,605	2,692,605	13,814,354
2017	1,893,000	318,059	2,211,059	11,603,295
2018	1,943,000	267,436	2,210,436	9,392,859
2019	1,987,000	215,360	2,202,360	7,190,499
2020	1,876,000	161,757	2,037,757	5,152,742
2021	1,938,000	114,626	2,052,626	3,100,116
2022	1,986,000	66,116	2,052,116	1,048,000
2023	65,000	40,000	105,000	943,000
2024	68,000	36,820	104,820	838,180
2025	71,000	33,480	104,480	733,700
2026	75,000	29,970	104,970	628,730
2027	79,000	26,290	105,290	523,440
2028	82,000	22,420	104,420	419,020
2029	86,000	18,360	104,360	314,660
2030	91,000	14,100	105,100	209,560
2031	95,000	9,630	104,630	104,930
2032	100,000	4,930	104,930	-
	<u>\$ 15,379,000</u>	<u>\$ 2,050,629</u>	<u>\$ 17,429,629</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 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				
2015 (*)	\$ -	\$ -	\$ 25,870	\$ 25,870	\$ 25,870	\$ 1,488,856	3.98%
2016	165,000	25,870	22,587	213,457	213,457	1,275,399	3.98
2017	170,000	22,587	19,204	211,791	211,791	1,063,608	3.98
2018	180,000	19,204	15,622	214,826	214,826	848,782	3.98
2019	185,000	15,622	11,940	212,562	212,562	636,220	3.98
2020	195,000	11,940	8,060	215,000	215,000	421,220	3.98
2021	200,000	8,060	4,080	212,140	212,140	209,080	3.98
2022	205,000	4,080	-	209,080	209,080	-	3.98
	<u>\$ 1,300,000</u>	<u>\$ 107,363</u>	<u>\$ 107,363</u>	<u>\$ 1,514,726</u>	<u>\$ 1,514,726</u>		

(*) Payment was made in September 2014 for principal and interest due on October 1, 2014.

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				
2015 (*)	\$ -	\$ -	\$ 42,984	\$ 42,984	\$ 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>\$ 3,890,000</u>	<u>\$ 176,248</u>	<u>\$ 176,247</u>	<u>\$ 4,242,495</u>			

(*) Payment was made in September 2014 for principal and interest due on October 1, 2014.

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				
2015 (*)	\$ -	\$ -	\$ 80,776	\$ 80,776	\$ 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>\$ 7,310,000</u>	<u>\$ 330,283</u>	<u>\$ 330,287</u>	<u>\$ 7,970,570</u>			

(*) Payment was made in September 2014 for principal and interest due on October 1, 2014.

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
2015	\$ 117,232	\$ 8,532	\$ 125,764	\$ 399,045
2016	119,425	6,339	125,764	273,281
2017	121,658	4,105	125,763	147,518
2018	123,934	1,830	125,764	21,754
2019	21,657	97	21,754	-
	<u>\$ 503,906</u>	<u>\$ 20,903</u>	<u>\$ 524,809</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	Sept. 1/Mar. 1	Sept. 1/Mar. 1	Sept. 1/Mar. 1			
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>6,090,000</u>	<u>\$ 793,348</u>	<u>\$ 6,883,348</u>				
Series 2012 draw down bond no fixed maturity	<u>2,619,225</u>						
	<u>\$ 8,709,225</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, 2014 (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.....	120
<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.....	134
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	137
<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	141
<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.....	143
<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			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 24,817,964	\$ 55,464,989	\$ 51,049,876	\$ 70,521,186
Restricted	22,855,797	8,014,482	20,850,170	12,644,718
Unrestricted	20,185,194	22,245,386	23,371,450	23,694,418
Total governmental activities net assets	\$ 67,858,955	\$ 85,724,857	\$ 95,271,496	\$ 106,860,322
Business-type activities				
Net investment in capital assets	\$ 59,315,335	\$ 59,024,376	\$ 54,782,750	\$ 65,505,859
Restricted	4,469,621	1,338,263	7,038,221	6,658,262
Unrestricted	23,565,069	34,032,926	40,529,960	38,161,102
Total business-type activities net assets	\$ 87,350,025	\$ 94,395,565	\$ 102,350,931	\$ 110,325,223
Primary government				
Net investment in capital assets	\$ 84,133,299	\$ 114,489,365	\$ 105,832,626	\$ 136,027,045
Restricted	27,325,418	9,352,745	27,888,391	19,302,980
Unrestricted	43,750,263	56,278,312	63,901,410	61,855,520
Total primary government net assets	\$ 155,208,980	\$ 180,120,422	\$ 197,622,427	\$ 217,185,545

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 76,546,448	\$ 77,727,858	\$ 78,779,535	\$ 78,326,444	\$ 70,077,233	\$ 69,969,843
10,728,740	13,592,226	6,520,365	1,801,017	1,618,934	1,745,885
23,962,095	21,879,827	26,242,684	35,072,705	43,858,427	51,496,227
\$ 111,237,283	\$ 113,199,911	\$ 111,542,584	\$ 115,200,166	\$ 115,554,594	\$ 123,211,955
\$ 66,198,545	\$ 69,465,739	\$ 69,465,739	\$ 76,043,338	\$ 79,245,276	\$ 85,086,776
1,592,060	7,116,700	7,116,700	4,620,831	4,428,595	2,222,394
43,117,847	39,543,220	39,543,220	43,705,842	46,849,014	49,393,057
\$ 110,908,452	\$ 116,125,659	\$ 116,125,659	\$ 124,370,011	\$ 130,522,885	\$ 136,702,227
\$ 142,744,993	\$ 147,193,597	\$ 148,245,274	\$ 154,369,782	\$ 149,322,509	\$ 155,056,619
12,320,800	20,708,926	13,637,065	6,421,848	6,047,529	3,968,279
67,079,942	61,423,047	65,785,904	78,778,547	90,707,441	100,889,284
\$ 222,145,735	\$ 229,325,570	\$ 227,668,243	\$ 239,570,177	\$ 246,077,479	\$ 259,914,182

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 16,634,186	\$ 20,944,239	\$ 25,304,576	\$ 25,137,520
Public safety	44,818,400	49,389,129	55,930,194	56,742,719
Physical environment	4,569,904	5,931,521	7,194,134	8,130,445
Parks and recreation	11,164,817	12,428,343	14,723,853	14,457,336
Interest on long-term debt	2,078,244	2,755,249	1,389,786	2,832,011
Total governmental activities expenses	<u>79,265,551</u>	<u>91,448,481</u>	<u>104,542,543</u>	<u>107,300,031</u>
Business-type activities:				
Water and Sewer	19,975,077	20,432,143	22,407,194	23,932,410
Municipal Golf Course	3,382,942	3,467,334	3,440,617	3,265,478
Lakeview Golf Course	709,142	653,116	748,549	704,782
City Marina	109,026	114,222	120,146	121,004
Sanitation	3,788,232	9,053,052	2,897,768	3,476,663
Stormwater Utility	1,111,291	1,050,275	1,331,003	1,506,764
Total business-type activities expenses	<u>29,075,710</u>	<u>34,770,142</u>	<u>30,945,277</u>	<u>33,007,101</u>
Total primary government expenses	<u>\$ 108,341,261</u>	<u>\$ 126,218,623</u>	<u>\$ 135,487,820</u>	<u>\$ 140,307,132</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,367,332	\$ 4,986,337	\$ 4,521,285	\$ 4,622,167
Public safety	5,823,023	5,310,373	6,033,201	6,543,112
Physical environment	598,019	641,251	626,974	649,216
Parks and recreation	1,157,013	1,143,867	1,236,660	1,282,353
Operating grants and contributions:				
General government	1,829,154	3,260,394	3,165,420	3,945,992
Public safety	2,006,827	1,825,883	2,033,988	2,292,523
Physical environment	427,188	1,226,975	547,284	103,357
Parks and recreation	398,307	3,137,386	1,345,900	997,425
Capital grants and contributions:				
General government	1,184,058	342,025	1,383,440	622,993
Public safety	-	-	-	749,250
Physical environment	470,063	-	-	8,250,000
Parks and recreation	479,116	-	-	-
Total governmental activities program revenues	<u>18,740,100</u>	<u>21,874,491</u>	<u>20,894,152</u>	<u>30,058,388</u>
Business-type activities:				
Charges for services:				
Water and Sewer	24,426,939	25,748,645	29,162,001	29,245,949
Municipal Golf Course	3,300,439	3,437,934	3,467,778	3,459,044
Lakeview Golf Course	823,777	768,299	853,654	681,561
City Marina	155,200	149,294	160,605	208,598
Sanitation	2,538,402	2,615,981	3,094,658	3,383,499
Stormwater Utility	1,672,635	1,702,322	2,097,527	2,090,146
Operating Capital grants and contributions:				
Water and Sewer	786,217	1,913,869	951,487	2,595,258
Municipal Golf Course	130,408	131,171	182,796	43,969
Lakeview Golf Course	35,502	55,415	6,171	5,410
City Marina	2,177	273	491	884
Sanitation	1,237,680	5,663,671	115,040	417,250
Stormwater Utility	20,552	45,157	362,325	17,509
Capital grants and contributions:				
Water and Sewer	1,290,786	967,462	1,424,878	996,447
Municipal Golf Course	-	-	-	-
Stormwater Utility	-	146,026	-	-
Total business-type activities program revenues	<u>36,420,714</u>	<u>43,345,519</u>	<u>41,879,411</u>	<u>43,145,524</u>
Total primary government program revenues	<u>\$ 55,160,814</u>	<u>\$ 65,220,010</u>	<u>\$ 62,773,563</u>	<u>\$ 73,203,912</u>
Net (expense)/revenue				
Governmental activities	\$ (60,525,451)	\$ (69,573,990)	\$ (83,648,391)	\$ (77,241,643)
Business-type activities	7,345,004	8,575,377	10,934,134	10,138,423
Total primary government net expense	<u>\$ (53,180,447)</u>	<u>\$ (60,998,613)</u>	<u>\$ (72,714,257)</u>	<u>\$ (67,103,220)</u>

Note: Pg 1 of 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 22,331,793	\$ 22,451,901	\$ 18,350,964	\$ 19,076,155	\$ 18,456,193	\$ 23,014,006
54,234,648	56,042,835	56,586,070	54,742,173	57,249,952	58,417,444
9,859,520	8,378,489	7,559,512	7,638,881	8,110,979	7,984,163
14,790,100	15,334,070	15,647,602	15,241,008	24,399,517	15,370,063
3,278,142	2,863,293	2,701,776	2,551,029	2,414,349	2,090,947
<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>	<u>106,876,623</u>
25,636,462	26,196,959	29,558,007	25,957,121	24,799,536	24,462,318
2,952,315	3,006,373	2,976,846	2,932,249	3,060,771	3,073,076
744,544	669,681	676,158	614,895	605,393	575,059
131,235	137,095	136,955	122,499	80,426	93,963
4,443,701	4,391,569	4,293,784	4,640,061	4,686,520	4,677,510
1,390,004	1,490,446	1,677,612	1,694,769	1,660,899	1,476,036
<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>34,357,962</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>	<u>\$ 141,234,585</u>
\$ 3,216,555	\$ 3,279,505	\$ 3,623,718	\$ 5,651,807	\$ 5,566,254	\$ 6,104,202
6,739,002	7,346,627	7,022,063	7,842,116	8,046,157	7,971,996
971,381	1,371,036	1,419,279	1,605,704	1,753,619	1,985,081
1,465,722	1,578,023	1,726,011	2,011,941	1,766,249	1,860,432
4,645,288	4,930,159	2,529,998	3,432,599	3,035,452	4,031,439
1,986,484	1,921,898	1,844,661	2,362,428	2,280,986	2,162,469
24,979	92,887	-	-	10,000	-
143,090	89,883	466,706	281,651	1,864,383	7,334,572
848,436	598,366	414,403	119,652	136,689	435,039
200,900	-	-	-	-	-
40,977	160,346	18,424	37,408	3,963,421	120,248
-	-	-	-	-	-
<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>	<u>32,005,478</u>
33,445,652	31,861,348	31,962,663	30,855,031	30,771,956	31,571,968
3,303,511	2,995,351	2,820,197	2,807,593	2,998,040	3,005,811
749,367	666,964	666,591	655,175	610,313	635,489
204,467	185,435	209,145	195,627	209,625	243,234
4,942,922	4,770,585	4,739,150	5,046,386	5,183,866	4,969,127
2,095,636	2,105,069	2,112,375	2,135,445	2,158,887	2,128,772
1,092,926	386,822	511,829	351,852	590,080	343,532
37,040	43,671	51,769	53,799	57,160	60,962
5,985	5,643	5,855	5,443	5,118	4,612
35,653	9,997	1,628	4,682	1,914	2,570
130,030	780,500	322,010	305,901	229,518	207,656
17,366	13,260	12,757	12,859	388	12,334
1,102,611	872,684	713,526	913,308	1,808,752	877,588
-	-	2,762	545	-	-
-	-	72,644	-	60,101	48,442
<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>44,112,097</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>	<u>\$ 76,117,575</u>
\$ (84,211,389)	\$ (83,701,858)	\$ (81,780,661)	\$ (75,903,940)	\$ (82,207,780)	\$ (74,871,145)
11,864,905	8,805,206	4,885,539	7,382,052	9,792,173	9,754,135
<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>	<u>\$ (65,117,010)</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			
	2005	2006	2007	2008
General Revenues and Other Changes in				
Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 41,581,718	\$ 49,825,341	\$ 59,091,002	\$ 55,302,837
Franchise fees	3,989,989	4,879,168	5,257,560	5,247,442
Utility service taxes	8,088,142	8,678,710	8,222,944	8,338,282
Sales taxes	1,895,507	1,488,936	1,438,613	1,365,552
Local business tax	-	-	-	-
Intergovernmental, unrestricted	6,928,194	7,393,652	6,927,534	6,532,854
Investment earnings	1,543,167	2,561,044	2,816,429	2,064,705
Gain on disposal of capital assets	1,112,107	19,532	-	-
Miscellaneous	7,612,229	10,616,990	5,724,228	7,320,429
Transfers	2,575,410	1,976,519	3,716,720	2,659,368
Total governmental activities	<u>75,326,463</u>	<u>87,439,892</u>	<u>93,195,030</u>	<u>88,831,469</u>
Business-type activities				
Investment earnings	190,858	446,682	737,952	495,237
Gain on disposal of capital assets	-	-	-	-
Transfers	(2,575,410)	(1,976,519)	(3,716,720)	(2,659,368)
Total business-type activities	<u>(2,384,552)</u>	<u>(1,529,837)</u>	<u>(2,978,768)</u>	<u>(2,164,131)</u>
Total primary government	<u>\$ 72,941,911</u>	<u>\$ 85,910,055</u>	<u>\$ 90,216,262</u>	<u>\$ 86,667,338</u>
Changes in Net Position				
Governmental activities	\$ 14,804,012	\$ 17,865,902	\$ 9,546,639	\$ 11,589,826
Business-type activities	4,960,452	7,045,540	7,955,366	7,974,292
Total primary government	<u>\$ 19,764,464</u>	<u>\$ 24,911,442</u>	<u>\$ 17,502,005</u>	<u>\$ 19,564,118</u>

Note: Pg 1 of 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 53,984,307	\$ 56,656,596	\$ 47,467,480	\$ 46,224,759	\$ 47,036,144	\$ 47,695,425
5,333,561	4,986,589	4,857,533	4,758,027	4,640,568	5,134,527
8,958,175	9,038,143	8,777,975	8,805,643	8,958,647	9,307,370
1,308,213	1,301,502	1,293,963	1,307,897	1,310,488	1,341,267
789,705	616,861	702,394	700,100	748,768	737,231
5,917,818	5,763,694	5,983,120	5,864,142	6,261,001	6,795,748
322,165	227,535	306,887	275,451	363,285	258,802
-	-	-	-	2,240,888	-
8,425,515	7,479,767	7,022,162	8,307,853	7,725,615	7,533,386
3,547,891	3,593,799	3,711,820	3,317,650	3,685,290	3,724,750
<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>	<u>82,528,506</u>
6,897	5,800	29,609	77,359	90,795	132,999
-	-	-	-	-	16,958
<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>(3,724,750)</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>(3,574,793)</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>	<u>\$ 78,953,713</u>
\$ 11,833,506	\$ 1,962,628	\$ (1,657,327)	\$ 3,657,582	\$ 762,914	\$ 7,657,361
8,323,911	5,217,207	1,203,328	4,141,761	6,197,678	6,179,342
<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>	<u>\$ (453,999)</u>	<u>\$ 7,799,343</u>	<u>\$ 6,960,592</u>	<u>\$ 13,836,703</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
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
2014	47,695,425	5,134,527	9,307,370	1,341,267	737,231	64,215,820

(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

	2005	2006	2007	2008
General fund				
Reserved	\$ 4,966,646	\$ 4,678,873	\$ 4,557,940	\$ 4,328,761
Unreserved	12,760,913	15,897,538	18,828,235	18,593,915
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>\$ 17,727,559</u>	<u>\$ 20,576,411</u>	<u>\$ 23,386,175</u>	<u>\$ 22,922,676</u>
All other governmental funds				
Reserved	\$ 685,255	\$ 686,909	\$ 744,096	\$ 2,563,856
Unreserved, reported in:				
Capital Project Funds	22,170,982	7,327,573	20,161,989	11,584,321
Fiduciary Funds	-	-	-	-
Special revenue funds	5,027,645	3,764,814	3,488,365	3,389,886
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>\$ 27,883,882</u>	<u>\$ 11,779,296</u>	<u>\$ 24,394,450</u>	<u>\$ 17,538,063</u>

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

	2009	2010	2011	2012	2013	2014
\$	3,992,760	\$ 3,723,755	\$ -	\$ -	\$ -	\$ -
	19,747,589	20,337,823	-	-	-	-
	-	-	27,178	27,688	31,810	22,270
	-	-	719,973	828,555	796,362	803,979
	-	-	3,165,084	3,173,159	3,139,659	3,139,659
	-	-	5,984	5,984	5,984	5,984
	-	-	-	1,000,000	1,000,000	1,000,000
	-	-	151,013	151,304	209,672	373,543
	-	-	-	1,600,000	-	-
	-	-	18,682,823	19,741,367	22,864,687	23,700,352
\$	23,740,349	\$ 24,061,578	\$ 22,752,055	\$ 26,528,057	\$ 28,048,174	\$ 29,045,787

\$	767,398	\$ 789,940	\$ -	\$ -	\$ -	\$ -
	9,962,213	7,421,960	-	-	-	-
	-	-	-	-	-	-
	3,500,989	5,377,312	-	-	-	-
	-	-	289	-	-	-
	-	-	1,726,988	-	-	-
	-	-	505,430	505,178	520,914	519,593
	-	-	1,066,733	1,000,591	815,232	946,004
	-	-	-	289,264	276,804	274,304
	-	-	322,144	985,816	733,533	556,557
	-	-	130,456	121,420	126,383	127,523
	-	-	1,230,965	1,385,951	1,328,551	1,404,962
	-	-	7,629,593	8,155,302	12,170,799	20,530,505
	-	-	(640,364)	-	(11,483)	-
\$	14,230,600	\$ 13,589,212	\$ 11,972,234	\$ 12,443,522	\$ 15,960,733	\$ 24,359,448

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2005	2006	2007	2008
Revenues				
Taxes	\$ 55,558,356	\$ 64,872,155	\$ 74,010,119	\$ 65,006,671
Licenses and permits	4,089,257	4,716,040	4,325,079	9,693,973
Intergovernmental	12,538,849	16,844,290	14,020,126	13,872,151
Charges for services	6,788,919	6,578,078	7,020,582	7,985,973
Fines and forfeitures	1,067,211	787,710	1,072,459	664,344
Miscellaneous	9,608,131	13,246,356	8,132,308	9,171,109
Total revenues	89,650,723	107,044,629	108,580,673	106,394,221
Expenditures				
Current				
General government	15,298,763	19,346,064	22,952,680	22,856,837
Public safety	45,841,687	49,739,465	53,662,961	55,274,605
Physical environment	3,158,099	4,550,030	5,355,092	5,981,177
Parks and recreation	10,197,131	11,208,994	12,460,242	12,302,491
Capital Outlay	20,826,381	31,840,070	21,042,901	15,406,527
Debt service				
Principal retirement	4,159,139	4,102,788	11,345,356	4,543,545
Interest and other fiscal charges	2,011,900	2,360,879	2,373,627	2,987,110
Bond issue costs	22,000	-	353,104	25,365
Total expenditures	101,515,100	123,148,290	129,545,963	119,377,657
Excess of revenues over (under) expenditures	(11,864,377)	(16,103,661)	(20,965,290)	(12,983,436)
Other financing sources (uses)				
Installment agreement issued	-	-	-	-
Bonds issued	10,050,000	575,000	30,770,787	3,000,000
Bond anticipation note issued	-	-	-	-
Proceeds from sale of capital assets	1,133,170	96,835	62,471	2,590
Proceeds of refunding note	487,977	199,573	-	-
Redemption of bonds	-	-	-	-
Transfers in	9,580,467	10,337,375	13,086,133	9,707,274
Transfers out	(7,105,404)	(8,360,856)	(7,381,327)	(7,046,314)
Total other financing sources (uses)	14,146,210	2,847,927	36,538,064	5,663,550
Net change in fund balances	\$ 2,281,833	\$ (13,255,734)	\$ 15,572,774	\$ (7,319,886)
Debt service as a percentage of non-capital expenditures	7.68%	7.08%	12.97%	7.27%

	2009	2010	2011	2012	2013	2014
\$	65,040,400	\$ 63,613,102	\$ 58,241,812	\$ 57,038,399	\$ 58,054,047	\$ 59,081,293
	8,393,462	7,848,364	7,957,960	9,534,404	9,281,304	10,431,335
	12,717,659	12,798,521	10,824,485	11,940,820	13,451,822	20,324,228
	8,579,286	9,122,062	9,418,571	11,132,277	11,300,477	11,357,851
	753,473	1,591,354	1,272,073	1,202,914	1,191,070	1,267,052
	8,683,421	7,624,308	7,285,098	8,550,807	8,130,876	7,900,378
	104,167,701	102,597,711	94,999,999	99,399,621	101,409,596	110,362,137
	21,001,014	20,223,169	17,848,375	17,900,248	17,639,897	21,181,580
	54,034,021	55,750,747	55,095,307	53,017,993	54,885,089	56,479,283
	7,253,871	5,695,353	4,849,851	4,950,217	5,427,738	5,474,282
	12,491,281	13,044,535	12,874,379	12,759,647	21,758,749	12,942,976
	8,021,386	6,056,493	4,758,088	4,360,188	5,367,587	7,184,219
	4,553,835	3,357,533	3,490,360	3,734,924	6,932,904	5,489,848
	3,134,074	2,873,815	2,723,863	2,574,191	2,423,784	2,128,407
	-	-	-	-	18,574	42,030
	110,489,482	107,001,645	101,640,223	99,297,408	114,454,322	110,922,625
	(6,321,781)	(4,403,934)	(6,640,224)	102,213	(13,044,726)	(560,488)
	260,600	-	-	825,000	-	-
	-	-	-	-	2,629,000	8,810,000
	-	-	-	-	11,799,612	6,190,036
	49,802	22,161	1,903	1,727	889	-
	-	-	-	-	-	-
	-	-	-	-	-	(8,767,970)
	9,214,199	7,548,409	7,983,124	6,723,835	8,049,046	7,096,181
	(5,692,610)	(3,486,795)	(4,271,304)	(3,405,485)	(4,396,496)	(3,371,431)
	3,831,991	4,083,775	3,713,723	4,145,077	18,082,051	9,956,816
\$	(2,489,790)	\$ (320,159)	\$ (2,926,501)	\$ 4,247,290	\$ 5,037,325	\$ 9,396,328
	7.50%	6.17%	6.41%	6.65%	8.59%	7.38%

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
2005	\$ 41,581,058	\$ 3,817,080	\$ 7,704,692	\$ 1,806,689	\$ -	\$ 54,909,519
2006	49,827,320	3,989,989	8,088,142	1,895,507	-	63,800,958
2007	59,021,614	4,879,168	8,678,710	1,488,936	-	74,068,428
2008	55,302,837	5,257,560	8,222,944	1,438,613	-	70,221,954
2009	53,984,307	-	8,338,282	1,365,552	-	63,688,141
2010	52,656,596	-	8,958,175	1,308,213	789,705	63,712,689
2011	47,467,480	-	9,038,143	1,301,502	616,861	58,423,986
2012	46,224,759	-	8,777,975	1,293,963	702,394	56,999,091
2013	47,036,144	-	8,805,643	1,307,897	700,100	57,849,784
2014	47,695,425	-	9,307,370	1,341,267	737,231	59,081,293

(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	
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
2014	2013	8,394,493,799	303,495,744	3,999,617	8,701,989,160

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-403F (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
\$ 1,870,893,294	\$ 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%
2,107,124,944	6,594,864,216	7.5064	7,834,736,483	84.17%

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
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
2014	7.1611	0.3453	7.5064	7.5860	4.9902	2.2800	22.3626

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	- 3% plus advertising costs after April 1
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, 2014

	2014				2005			
	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 Co.	\$ 86,404,167	\$ 648,584	1	1.20%	\$ -	\$ -	-	-
Fairfield Spring Harbors LLC	56,301,788	422,624	2	0.78%	-	-	-	-
Granite Worthing LLC	49,737,378	373,349	3	0.69%	-	-	-	-
Citation Club Investors	48,216,312	361,931	4	0.67%	36,013,125	288,105	2	0.69%
Tenet Healthcare Corp	44,582,660	334,655	5	0.62%	-	-	-	-
Alta Congress Owner LLC	40,757,372	305,941	6	0.57%	-	-	-	-
Ocean Properties Ltd.	39,455,700	296,170	7	0.55%	27,000,000	216,000	5	0.52%
Linton Delray LLC	38,772,011	291,038	8	0.54%	44,993,000	359,944	1	0.87%
Lifespace Communities Inc.	32,940,779	247,267	9	0.46%	-	-	-	-
Morse Operations Inc.	28,654,649	215,093	10	0.40%	-	-	-	-
Office Depot, Inc.	-	-	-	-	33,823,875	270,591	3	0.65%
Life Care Retirement Communities	-	-	-	-	32,850,250	262,802	4	0.63%
125 Via Deste Apartments Investors LLC	-	-	-	-	24,000,000	192,000	6	0.46%
Realty Associates Fund V	-	-	-	-	23,800,000	190,400	7	0.46%
Depot Realty	-	-	-	-	22,385,250	179,082	8	0.43%
Iacobuuci, Edward	-	-	-	-	22,224,375	177,795	9	0.43%
Pineapple Grove Village, LLC	-	-	-	-	21,658,000	173,264	10	0.42%
Totals	<u>\$ 465,822,817</u>	<u>\$ 3,496,652</u>		<u>6.48%</u>	<u>\$ 288,747,875</u>	<u>\$ 2,309,983</u>		<u>5.56%</u>

Source: Palm Beach County Property Appraiser's Office

Total taxes levied:

Fiscal Year 2014	\$ 54,077,708
Fiscal Year 2005	\$ 41,606,999

City Millage Rate:

Fiscal Year 2014	7.5064
Fiscal Year 2005	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
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%
2014	54,077,708	47,556,686	87.94%	138,739	47,695,425	88.20%

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

*Total Tax Levy for fiscal year are shown net of allowance for discounts for years 2005-2013, and gross for 2014.

Source: Palm Beach County Tax Collector

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			
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	2.57%	1,491
2014	17,970,000	47,875,872	503,906	15,396,205	-	-	81,745,983	2.28%	1,266

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
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
2014	17,970,000	-	17,970,000	6,594,864,216	0.27%	64,582	278.25

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, 2014

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 65,792,648	100.00%	\$ 65,792,648
Overlapping:			
Palm Beach County	163,630,000	5.07%	8,296,041
Palm Beach County School District			
Capital Outlay Bond	21,885,000	4.77%	1,043,915
Certificates of Participation	1,711,223,000	4.77%	81,625,337
Total overlapping debt	1,896,738,000		90,965,293
Total direct and overlapping debt	\$ 1,962,530,648		\$ 156,757,941
Population			64,582
Total direct and overlapping debt per capita			\$ 2,427.27

⁽¹⁾ Estimates based on 2013 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
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
2014	32,002,573	18,831,725	13,170,848	11,480,122	1.15

(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, 2014

<u>Employer</u>	<u>Fiscal Year 2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Delray Medical Center	1,540	1	4.7%
Palm Beach County School District	1,034	2	3.2%
Lifespace Communities	873	3	2.7%
City of Delray Beach	809	4	2.5%
Publix Supermarkets	720	5	2.2%
Palm Beach County	520	6	1.6%
Ed Morse Delray Toyota & Scion	450	7	1.4%
South County Mental Health Center	313	8	1.0%
Ancco Services	300	9	0.9%
Marriott Hotels	230	10	0.7%
Totals	<u>6,789</u>		

Note: Total Employment, Delray Beach 2014 - 32,689
Data is not available for 2005.

Source: Palm Beach County Business Development Board & Economic Development

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 ⁽¹⁾	School Enrollment ⁽⁴⁾	Unemployment Rate ⁽¹⁾
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	57,985	3,583,530,985	45.5	7,745	7.0%
2014	64,582	1,405,643	58,565	3,782,235,143	45.7	8,059	6.4%

Data Sources:

- (1) Business Development Board of Palm Beach County.
Median Age for 2011 to current is for the City of Delray Beach, Florida. Prior years data is for Palm Beach County.
- (2) Bureau of Economic Analysis
Per Capita Personal Income for the current fiscal year is estimated at a 1% growth rate from the previous year.
- (3) Estimated based on County per capita personal income and City population.
- (4) The School Enrollment is from the Palm Beach County School Board.

CITY OF DELRAY BEACH, FLORIDA

Full-time Equivalent Government Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	66	69	71	71	69	68	68	67	67	59
Public Safety										
Community Improvement	4	5	5	4.5	5	5	5	5	5	5
Planning & Zoning	15	15	17	16	16	16	16	16	16	12.5
Building Inspection	21	21	23	21	20	20	20	20	20	16
Code Compliance	17	17	17	17	18	17	17	17	17	15
Law Enforcement	234	236	238	238	236	242	242	239	229	225
Fire Control	149	154	154	154	154	154	156	155	160	157
Community Development										
Block Grant	6	5	7	7.5	7	7	7	7	7	6
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	25	25	25	25.5	25.5	25.5	25.5	25.5	25.5	27
Engineering	7	8	8	7	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	6.5	6.5	6
Parks and Recreation	108	108	114	115	113	113	112	110	105	136
Water & Sewer Utility	<u>114</u>	<u>115</u>	<u>117</u>	<u>117.5</u>	<u>117.5</u>	<u>116.5</u>	<u>117</u>	<u>118</u>	<u>118</u>	<u>117</u>
Total	<u>792</u>	<u>804</u>	<u>822</u>	<u>820</u>	<u>814</u>	<u>817</u>	<u>818</u>	<u>813</u>	<u>803</u>	<u>808.5</u>

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Stations	3	3	3	2	3	3	3	3	3	3
Patrol units	144	151	159	163	219	219	217	208	181	201
Fire										
Fire stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	15	15	16	16	16	15	16	12	10	10
ALS rescue vehicles	8	8	9	9	9	9	9	9	9	9
Leisure Services										
Ballfields - lighted	22	22	15	15	15	16	16	16	15	15
Basketball courts	4	4	5	5	5	5	5	5	5	5
Football/Soccer fields ⁽²⁾	-	-	7	7	7	7	7	7	7	7
Tennis courts	47	47	47	47	47	48	48	48	48	48
Parks	17	17	17	17	17	17	22	22	22	22
Roads and Streets										
Lane miles ⁽³⁾	299	299	299	305	305	305	314	314	321	321

Sources: City of Delray Beach 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

- (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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Physical arrests	2,444	2,875	3,108	3,161	2,534	2,331	2,620	2,342	2,068	2,012
Traffic violations	12,040	13,928	10,962	10,882	11,249	11,443	11,314	12,393	10,135	10,913
Fire										
Number of calls	11,591	12,024	11,772	12,410	11,905	11,960	12,008	12,282	13,171	13,406
Parks and Recreation										
Library										
Circulation	227,820	228,871	257,656	270,590	274,611	257,950	252,179	237,755	234,029	226,938
Programs offered	650	910	1,112	1,287	1,224	1,284	1,145	1,194	975	808
Program attendance	20,056	32,873	32,852	35,116	33,770	29,237	24,021	25,905	25,052	23,055
Leisure Services										
Youth athletic participants	2,343	2,655	10,597	19,537	20,965	18,125	17,837	24,389	20,238	38,220
Camp program participants	358	322	625	561	699	395	352	384	525	382
Class participants	11,090	10,634	15,093	19,662	24,700	22,756	28,328	36,556	54,839	59,342
Water/Sewer Utility										
Water customers	20,135	20,437	20,963	21,056	21,156	21,320	21,407	21,596	21,795	22,010
Water main breaks	None	None	None	434	442	476	408	442	401	374
Sewer customers	20,000	20,400	20,900	21,006	21,088	21,225	21,093	20,935	20,950	20,505
Sewer main breaks	N/A	N/A	N/A	4	3	2	-	3	-	-
Avg daily water consumption (thousands of gallons)	12,746	12,348	11,602	10,040	10,944	11,643	11,356	10,953	11,029	10,925

Sources: City departments/Delray Beach Public Library

The following data is not available:

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

N/A Information is not available

CITY OF DELRAY BEACH, FLORIDA

Schedule of Insurance in Force

September 30, 2014

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



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
MARK D VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cldcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, 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 (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated March 25, 2015. 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. 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, 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. Accordingly, we do not express an opinion on the effectiveness of the internal control of the City.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items *2014-001 Debt Payments Not Made Timely*; *2014-002 Debt Transactions Not Accurately Recorded*; and, *2014-003 Purchase Order Approvals* that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City 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 matter that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to those charged with governance in a separate management letter dated March 25, 2015.

City's Responses to Findings

The responses by the City to the findings identified in our audit are described in the *Management's Response* in the accompanying schedule of findings and questioned costs and management letter. The responses by the City 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

The 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.

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

West Palm Beach, Florida
March 25, 2015

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2014

Grantor / Program Title	CFDA Number	Contract / Grant Number	2014 Program Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Housing and Urban Development				
Direct Awards				
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-12-0033	\$ 66,544	\$ 62,033
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-12-0033	413,140	-
Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-12-0033	<u>2,187</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			481,871	62,033
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Award				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0337	<u>39,868</u>	<u>-</u>
Total U.S. Department of Justice			39,868	-
U.S. Department of Transportation				
Pass-through Award from the State of Florida Department of Transportation				
Highway Planning and Construction	20.205	AQM - 22	3,435,980	-
State and Community Highway Safety Program	20.600	SC-14-13-08	<u>57,808</u>	<u>-</u>
Total U.S. Department of Transportation			3,493,788	-
U.S. Department of Homeland Security				
Federal Emergency Management Agency				
Direct Award				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00146	<u>30,323</u>	<u>-</u>
Total U.S. Department of Homeland Security			30,323	-
Total Federal Awards			<u>\$ 4,045,850</u>	<u>\$ 62,033</u>

See notes to schedule of expenditures of expenditures of federal awards.

City of Delray Beach, Florida

Notes to Schedule of Expenditures of Federal Awards

September 30, 2014

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant activity of the City of Delray Beach, Florida (the "City"), under programs of the Federal government for the year ended September 30, 2014. 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*. 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. Expenditures of State financial assistance for the year ended September 30, 2014 did not exceed the \$500,000 threshold for a State Single Audit.

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 \$62,033 from Federal awards to a local non-profit organization.
- (c) Pass-through entity identifying numbers were not available for pass-through awards listed in the Schedule for the year ended September 30, 2014.

3. 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.



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
MARK D VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

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* that could have a direct and material effect on each of the City's major Federal programs for the year ended September 30, 2014. The City's major Federal programs 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.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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 for the year ended September 30, 2014.

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 of compliance, 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 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 to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program 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 internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

West Palm Beach, Florida
March 25, 2015

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2014

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 No
Significant deficiency (ies) identified that are not
considered to be material weaknesses? Yes None reported
Noncompliance material to financial statements noted? Yes No

Federal Award Programs

Internal control over major Federal Award Programs:
Material weakness(es) identified? Yes No
Significant deficiency (ies) identified that are not
considered to be material weaknesses? Yes None reported
Type of auditor's report issued on compliance for major Federal
Award Programs:
Unmodified Opinion
Any audit findings disclosed that are required to be reported in
accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of Major Programs:

Major Federal Award Programs

CFDA No.

U.S. Department of Housing and Urban Development

Direct Award
Community Development Block Grants/Entitlement Grants 14.218

U.S. Department of Transportation

Pass-through Award from the State of Florida,
Department of Transportation
Highway Planning and Construction 20.205

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

Auditee qualified as low-risk auditee? Yes No

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES

2014-001 Debt Payments Not Made Timely

Criteria: Debt payments should be made timely in accordance with the terms of the debt agreements.

Condition: We noted that the interest payment of \$192,560 due on August 1, 2014 for the City's General Obligation Bonds, Series 2005, was not paid when due. During our audit inquiries in December 2014, the City determined that the payment had not been made and thereafter made the payment to the appropriate financial institution. We also noted that the interest payment due December 1, 2014 for the City's Revenue Refunding and Improvement Bonds, Series 2003, was paid after the due date.

Cause: The City's long time Treasurer retired in 2014 and other City personnel were not familiar with the payment dates for the City's outstanding debt. In one instance the due date of the debt payment was on a weekend and the City's payment was made on the next business day.

Effect: Additional interest charges were incurred on the late payments, but more significantly, late payments could negatively affect the City's standing with creditors and/or the City's credit rating, thereby increasing future borrowing costs.

Recommendation: We recommend that all future debt payments be calendared with the related payment instructions to avoid any future payment delays that may be caused by employee oversight or their absence at the time payments are due. In addition, payments should be calendared at least one day in advance of the due date to ensure the funds are received by the lender on the payment due date.

2014-002 Debt Transactions Not Accurately Recorded

Criteria: Debt transactions should be correctly recorded as to account, amount and period.

Condition: Certain of the City's bonds are allocated to more than one fund reflecting how the proceeds from the original debt were spent and the source of funds for repayment. We noted that certain debt payments during the current year were not recorded in the correct fund or for the correct amount based on the City's historical allocation of the payments. We also noted that some debt payments were misallocated between principal and interest.

Cause: The City's long time Treasurer retired in 2014 and other City personnel were not familiar with the payment allocations for the City's outstanding debt.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

**2014-002
(Continued)**

Debt Transactions Not Accurately Recorded (Continued)

Effect: The City's financial records did not accurately reflect the principal and interest payments made from each fund during the year.

Recommendation: We recommend that the City reconcile the adjusting entries and debt transactions posted to the general ledger with the corresponding amortization schedules for each debt issue to ensure that the principal and interest allocations are correctly recorded during the year.

2014-003

Purchase Order Approvals

Criteria: The City's purchasing policy in effect prior to November 19, 2013, required three quotes (verbal, electronic or written) for purchases of \$1,000 to \$5,999 and three written quotes for purchases of \$6,000 to \$14,999. Purchases of \$15,000 and above required a formal competitive bid process and approval of the City Commission. The City amended its purchasing policy effective November 19, 2013, to require three written quotes for purchases of \$2,500 to \$25,000. Purchases over \$25,000 require a formal bid or request for proposal.

Condition: Our audit sample of 60 purchases identified two instances where the purchase did not comply with the purchasing policy. One of the purchases was split into two purchase orders that together met the purchasing policy threshold for a formal competitive bid process.

- The first purchase was for fertilizer/chemicals totaling \$15,000. The purchase was split on two purchase orders; one for \$5,000 (P.O. No. 693996 dated October 11, 2013) and one for \$10,000 (P.O. No. 694021 dated October 11, 2013). The combined total of \$15,000 met the threshold for a formal competitive bid process, although no bids were obtained. There also was no documentation that written quotes were obtained for either of the two separate purchase orders. The actual amount purchased for the year was approximately \$10,100.
- The second purchase was for janitorial supplies totaling \$4,823 (P.O. No. 693622). The purchase order was initially opened for \$3,500 on October 4, 2013 with a subsequent change order increase for \$1,323 issued on June 25, 2014. There was no documentation that quotes were obtained for the purchases.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

**2014-003
(Continued)**

Purchase Order Approvals (Continued)

We also noted purchases from one vendor for computer supplies that exceeded \$25,000 for the year and required a formal competitive bid and City Commission approval under the purchasing policy, but the purchases were split among a number of purchase orders that individually did not exceed the bid threshold and a formal competitive bid was not obtained. We noted the City Commission did approve the purchases retroactively in September 2014.

Cause: There was no discernable reason why the required written quotes were not obtained for the purchases under \$15,000. For the purchase of computer supplies, it appears that a number of City departments were each purchasing from the same vendor and there was not a single purchase authorization.

Effect: The purchases did not comply with the City's purchasing policy documentation and approval thresholds.

Recommendation: We recommend that the City review the internal controls in place to ensure that purchasing policy approval limits and documentation are monitored and enforced prior to making the purchase or issuing a purchase order. The City should also consider the cost benefit of centralizing the purchasing function to enhance purchasing controls and maximize potential discounts from larger purchase quantities.

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

None



CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2014. The findings from the Schedule of Findings and Questioned Costs for the year ended September 30, 2014, are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and questioned costs.

A. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT FINDINGS

Finding Number	Finding
-----------------------	----------------

SIGNIFICANT DEFICIENCIES

2014-001 Debt Payments Not Made Timely

Criteria: Debt payments should be made timely in accordance with the terms of the debt agreements.

Condition: We noted that the interest payment of \$192,560 due on August 1, 2014 for the City's General Obligation Bonds, Series 2005, was not paid when due. During our audit inquiries in December 2014, the City determined that the payment had not been made and thereafter made the payment to the appropriate financial institution. We also noted that the interest payment due December 1, 2014 for the City's Revenue Refunding and Improvement Bonds, Series 2003, was paid after the due date.

Cause: The City's long time Treasurer retired in 2014 and other City personnel were not familiar with the payment dates for the City's outstanding debt. In one instance the due date of the debt payment was on a weekend and the City's payment was made on the next business day.

Effect: Additional interest charges were incurred on the late payments, but more significantly, late payments could negatively affect the City's standing with creditors and/or the City's credit rating, thereby increasing future borrowing costs.

Recommendation: We recommend that all future debt payments be calendared with the related payment instructions to avoid any future payment delays that may be caused by employee oversight or their absence at the time payments are due. In addition, payments should be calendared at least one day in advance of the due date to ensure the funds are received by the lender on the payment due date.

Action Taken: A calendar for all City debt payments will be maintained by the City's Treasurer and shared with the individual in Finance who is designated as the back-up for processing wire payments.

A. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

2014-002 Debt Transactions Not Accurately Recorded

Criteria: Debt transactions should be correctly recorded as to account, amount and period.

Condition: Certain of the City's bonds are allocated to more than one fund reflecting how the proceeds from the original debt were spent and the source of funds for repayment. We noted that certain debt payments during the current year were not recorded in the correct fund or for the correct amount based on the City's historical allocation of the payments. We also noted that some debt payments were misallocated between principal and interest.

Cause: The City's long time Treasurer retired in 2014 and other City personnel were not familiar with the payment allocations for the City's outstanding debt.

Effect: The City's financial records did not accurately reflect the principal and interest payments made from each fund during the year.

Recommendation: We recommend that the City reconcile the adjusting entries and debt transactions posted to the general ledger with the corresponding amortization schedules for each debt issue to ensure that the principal and interest allocations are correctly recorded during the year.

Action Taken: On a monthly basis, the Treasurer will reconcile the general ledger balances to the corresponding debt amortization schedules to ensure accuracy.

2014-003 Purchase Order Approvals

Criteria: The City's purchasing policy in effect prior to November 19, 2013, required three quotes (verbal, electronic or written) for purchases of \$1,000 to \$5,999 and three written quotes for purchases of \$6,000 to \$14,999. Purchases of \$15,000 and above required a formal competitive bid process and approval of the City Commission. The City amended its purchasing policy effective November 19, 2013, to require three written quotes for purchases of \$2,500 to \$25,000. Purchases over \$25,000 require a formal bid or request for proposal.

Condition: Our audit sample of 60 purchases identified two instances where the purchase did not comply with the purchasing policy. One of the purchases was split into two purchase orders that together met the purchasing policy threshold for a formal competitive bid process.

- The first purchase was for fertilizer/chemicals totaling \$15,000. The purchase was split on two purchase orders; one for \$5,000 (P.O. No. 693996 dated October 11, 2013) and one for \$10,000 (P.O. No. 694021 dated October 11, 2013). The combined total of \$15,000 met the threshold for a formal competitive bid process, although no bids were obtained. There also was no documentation that written quotes were obtained for either of the two separate purchase orders. The actual amount purchased for the year was approximately \$10,100.

A. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

**2014-003
(Continued)** **Purchase Order Approvals (Continued)**

- The second purchase was for janitorial supplies totaling \$4,823 (P.O. No. 693622). The purchase order was initially opened for \$3,500 on October 4, 2013 with a subsequent change order increase for \$1,323 issued on June 25, 2014. There was no documentation that quotes were obtained for the purchases.

We also noted purchases from one vendor for computer supplies that exceeded \$25,000 for the year and required a formal competitive bid and City Commission approval under the purchasing policy, but the purchases were split among a number of purchase orders that individually did not exceed the bid threshold and a formal competitive bid was not obtained. We noted the City Commission did approve the purchases retroactively in September 2014.

Cause: There was no discernable reason why the required written quotes were not obtained for the purchases under \$15,000. For the purchase of computer supplies, it appears that a number of City departments were each purchasing from the same vendor and there was not a single purchase authorization.

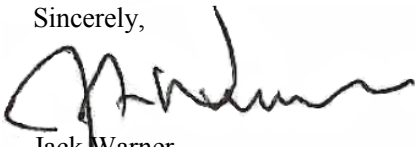
Effect: The purchases did not comply with the City's purchasing policy documentation and approval thresholds.

Recommendation: We recommend that the City review the internal controls in place to ensure that purchasing policy approval limits and documentation are monitored and enforced prior to making the purchase or issuing a purchase order. The City should also consider the cost benefit of centralizing the purchasing function to enhance purchasing controls and maximize potential discounts from larger purchase quantities.

Action Taken: The City recognizes the need for additional internal controls within purchasing. The City will be reorganizing the purchasing function and expects a full implementation to ensure compliance by September 30, 2015.

If you have any additional questions concerning this corrective action plan adopted by the City, please call me at (561) 243-7117.

Sincerely,



Jack Warner
Chief Financial Officer

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
STATE FINANCIAL ASSISTANCE PROJECTS

For the Fiscal Year Ended September 30, 2014

**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	Beach Management Funding Assistance Program CSFA # 37.003 (Reporting) Grant No. 12PBI	None
	<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.	
	<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.	
	<i>Current Status:</i> This finding is resolved or no longer applicable.	



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
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MARK D VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
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TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

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Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the City of Delray Beach, Florida (the “City”), as of and for the year ended September 30, 2014, and have issued our report thereon dated March 25, 2015. 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.

Auditor’s Responsibility

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

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 Report on Internal Control over Compliance Required by OMB Circular A-133; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on Investment Compliance on our examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 25, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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. Corrective actions have been taken to address the following findings and recommendations reported in the prior year management letter dated April 15, 2014: 2013-002 *Pension Liabilities*; 2013-003 *Grant Revenues*; 2013-004 *Parking Ticket Revenue*; 2013-005 *Payroll*; and 2012-2 *Information Technology Systems*. The uncorrected audit findings and recommendations reported in the preceding annual financial audit report are summarized in the table below:

Tabulation of Uncorrected Audit Findings

Current Year Finding No.	2012-13 FY Finding No.	2011-12 FY Finding No.	2010-11 FY Finding No.
2013-006	2013-006	None	None

Finding 2013-006 *Policies and Procedures* requires further attention by management as noted below.

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. The City updated the Purchasing Policy in fiscal year 2014, but other policies are still outdated. For instance, 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.

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.

As noted in the Summary Schedule of Prior Audit Findings, the item reported as finding 2013-001 in the prior year Schedule of Findings and Questioned Costs dated April 15, 2014, no longer applies.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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. Also, as discussed in Note 1, the City included the Delray Beach Community Redevelopment Agency and the Delray Beach Downtown Development Authority as component units of the City.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City 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, 2014.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2014. It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. The following items were noted:

2014-004 Investment Policy

The City's investment policy requires that investments have a minimum credit quality rating from Moody's or Standard & Poor's to be considered for inclusion in the City's investment portfolio. We noted that the City's investment in a corporate note security had an "A-" (minus) rating at September 30, 2014, which is below the allowable credit rating of "A" established by the investment policy. We also noted that the City's General Employees' Pension investments currently include SAIC Callable bonds with a rating of "BB" which is below the allowable credit rating of "BBB" established by the investment policy.

In reviewing the investment policy of the City and the General Employees' Pension Plan, it is not clear whether the minimum investment rating includes the credit enhancements of "+" and "-", or whether only the letter should be considered. The investment policy also did not address the policy for handling securities that were in compliance when purchased but are subsequently downgraded below the minimum required credit quality rating.

We recommend that the City review the securities that are below the required credit quality rating and consider modifying the investment policy to address the process for handling securities that are downgraded after they are purchased.

Management Response: The City will review the Investment Policies for both the City and the Pension Fund to ensure no ambiguities exist and that the credit ratings for the investments are clearly defined. The City also plans to address the process of reporting issue downgrades after the purchase dates of the issue.

2014-005 General Employees' Pension Investment Custodian

The City engages an independent trust company to act as custodian for the investments of the General Employees' Pension Plan. In connection with our annual audit of the City and the General Employees' Pension Plan, we review an independent auditor's report on the internal controls of the investment custodian. For the year ended September 30, 2014, the investment custodian received an adverse opinion on their system of internal control from the independent auditor. The adverse opinion indicates in general, that the custodian's internal controls were not suitably designed and were not operating effectively. We also noted that the City's custodian uses another "sub-custodian" to actually maintain custody of the investments.

We recommend that the City and the General Employees' Pension Plan Board of Trustees review the adverse opinion on internal controls of the investment custodian and evaluate the risks to the General Employees' Pension Plan investments. Consideration should also be given to the use of another sub-custodian that is not contracted with the City or the General Employees' Pension Plan for safekeeping of the General Employees' Pension Plan investments.

Management Response: The City and the General Employees' Pension Plan Board of Trustees have reviewed and discussed the adverse opinion on internal controls of the investment custodian, and have evaluated the risks to the General Employees' Pension Plan investments. Although the City believes that the situation at the custodian that led to the adverse opinion has been rectified, the City and Board of Trustees are actively considering initiating a formal procurement that could lead to the selection of a new custodian, which would include a change in the existing sub-custodian relationship.

2014-006 Information Technology

Our review of the City's Information Technology (IT) systems identified certain areas where the existing practices could be improved, as follows:

- a) A list of all active user accounts should be provided to each department head on a periodic basis (at least annually) for their review and approval. Each department head should note any changes on the list, initial and return it to the IT department. This process will help to ensure that all terminated employees are properly removed as users and that employees have the appropriate access to the City's data systems.
- b) IT staff should utilize non-network administrator accounts when they are working on systems that do not require administrator level access. Utilizing a non-network administrator account will help to ensure that any issues such as mistakes, viruses or spyware are contained.
- c) All users can currently access personal web email accounts through the City's IT systems. Allowing this type of non-business access to web mail allows a much greater opportunity for viruses and malware to penetrate the City's IT systems because the web mail skips many levels of virus protection. Personal email access would still be available through employees' mobile devices but eliminating such access from the City's IT system will help to ensure that the City's network is protected.

We recommend that the City consider the foregoing changes to further enhance the security over network access and data protection.

Management Response:

- a) We have recently made a change to our Active Directory accounts, which requires all passwords to be changed to Microsoft Complexity passwords every 60 days. Accounts which are not accessed in a 30 day period are locked out and disabled. These accounts are then verified through the HR department if the user is an active employee with the City of Delray Beach. We have also implemented all user changes, additions and terminations Service Desk work orders must be submitted to IT through our HR department.
- b) IT Staff is in the process of moving to separate network accounts for administrator functions. We are testing with one user now and have created a Management server with the needed toolsets to complete the administration functions. This will be rolled out to all IT administrators in the next few weeks.
- c) The current City of Delray Beach IT Policies, IT-5 (Electronic Systems and Communication Tools) and IT-6 (Accessing the City's Internet Account) specifically state the use of City systems and City Internet account for personal use is unacceptable and unauthorized. The City will adapt its practices and procedures to insure that this policy is enforced and monitored.

2014-007 Parking Meters

As part of our audit we observed the City's procedures and internal controls over the parking meter collection process. Our observation identified the following areas where the City could improve its current procedures:

- a) The City does not have formal written procedures or a schedule for the collections from any of the parking meters. In addition, there is no documentation of which employee performed the collection on a particular day. These situations make it difficult to maintain accountability in the event of errors or inaccuracies in the collection process. We recommend that formal written procedures be developed for each step of the parking meter collection process and that a written schedule be established for the collections to improve accountability and internal controls over the collection process.
- b) Currently, the collection process may be performed by one employee. On the day we observed the collection of lollipop meters, the parking meter technician had to clear out overflowed change by hand from a meter that had jammed. With only one employee present, it would be possible to divert coin collections from the locked cart. We recommend that two employees be assigned to participate in all parking meter collections. We also recommend that the two employees assigned to the collection team be periodically rotated, perhaps every three to six months, to minimize the opportunity for collusion and enhance cross training of the parking technicians.
- c) The parking technicians use a Personal Digital Assistance ("PDA") device to read the activity from each parking meter. The PDA device is inserted into the parking meter to obtain a reading of the coin collections. It appears that not inserting the PDA properly can cause a misread of the meter and erroneous readings of the coin collections. On the day of our observation, we noted that there were no misreads of any of the meters and the coin counts from the PDA appeared to be accurate. However, on a date we selected prior to our observation, we noted that 28 out of 32 parking meters had readings indicating that the number of coins reported were in excess of the capacity of the meters, indicating the likelihood that the meter was misread by the PDA and the coin count was inaccurate. As noted previously, one employee is allowed to collect coins from the parking meters, which provides the opportunity for potential misreads of the parking meters to be undocumented. We recommend that two employees be required to participate in all parking meter collections and that one of the employees document any meter misreads or other problems encountered, such as jammed or inoperable meters.
- d) The PDA device used to read each meter prints an "Audit Report" at the completion of the meter reading process for each day. However, we noted that the Building Maintenance Superintendent responsible for overseeing the parking meter technicians and meter collections, does not reconcile, review or approve the Audit Reports generated from the PDA's. We recommend that the Superintendent review and approve the Audit Report by initialing the report or noting approval in an email before submitting them to Finance.
- e) After the coins are collected from the parking meters in the locked cart, the parking technician delivers the cart to the City's Utility Department where the carts are unlocked and the coins placed in a counting machine. The key to unlock the cart is maintained in a locked location under the control of a Utility Department employee. The cart is unlocked by the Utility Department employee and the coins are counted by machine in the presence of the parking technician. The coin counts are recorded and the coins bagged for later deposit. On weekends, the parking technician has access to the Utility Department and will lock the cart in the coin counting room until the next business day when the coins are counted. The key control in this process is maintaining the integrity of the locked collection cart, which is secured with a padlock. The padlocks for the carts have not been changed in a number of years and we recommend that new high security locks be purchased for each cart and the keys strictly controlled. One key should be assigned to a Utility Department employee and all remaining keys stored in the Finance Department vault for backup.

- f) While the parking meter collections do not represent a material part of the City's overall finances, the collection process for the coin receipts can be improved as noted above. In addition, based on our observation of the parking meter collection process, the City's multi-space parking meters did not have any of the issues noted with the single space lollipop meters. However, the single space lollipop meters are generally located in the City's highest traffic areas along Atlantic Avenue and A1A at the beach. We recommend that the City consider replacing all the single space lollipop parking meters in these high traffic areas with modern versions of the multi-space parking meters to improve the efficiency, accountability and collections of the parking system.

Management Response:

- a) The City recognizes that the formal written procedures on-file dates back to 2003 and needs to be updated. A written collection schedule is in place and followed by the employees who will perform the collection process.
- b) The City is unable to periodically rotate assignments due to resource constraints, but adheres to the policy of two employees who jointly perform the collection task. The employees have signed/dated an acknowledgement form to indicate their awareness of the policy.
- c) The City maintains a log of Parking Meter issues that contains information pertaining to inoperable meters which have been reported by both the employees who collect the coin, as well as the general public who use the meters.
- d) The City's Building Maintenance Superintendent currently downloads the audit reports and emails them the following day to Finance. He will review the reports prior to forwarding to Finance and investigate all major discrepancies.
- e) New padlocks for the coin collection carts have been purchased. These padlocks are high security, laser cut keys, which are marked DO NOT DUPLICATE. There are only two keys, one maintained in a locked drawer within the Utilities Department and one maintained in the locked Finance Vault.
- f) The City recognizes that the single space lollipop parking meters are labor-intensive and plans to stream-line the collection process. The City's Treasurer is benchmarking other local municipalities to determine best practices related to types of parking meters, areas responsible for collection, counting, internal controls, as well as procedures used to prepare the coin for delivery to the bank vault. Multi-space meters also have their deficiencies, such as breakage, downstream affect to multiple users (as opposed to a single user) and increased cost of maintenance. The City plans to complete an overall evaluation before finalizing a plan of action to upgrade the current single space lollipop parking meters.

2014-008 Interfund Accounts

The Municipal Golf Course Fund and Lakeview Golf Course Fund owed the General Fund approximately \$2.1 and \$1.3 million, respectively, at September 30, 2014. The amount that the two golf course funds owe to the General Fund has continued to increase over the past several years and now appears to be taking the form of a long-term, interest free loan. We recommend that the City review the interfund liability balances of the two golf course funds, as well as all other interfund accounts in other funds, and develop a policy to periodically clear the outstanding interfund balances and address any long-term financing needs of individual funds. Developing a policy will help ensure that routine interfund transactions are regularly settled between the funds and any long-term financing needs of individual funds or projects are identified and addressed.

Management Response: The City will review the interfund liability balances of the two golf course and other funds, and develop a policy to periodically clear the outstanding interfund balances. It will also develop a policy to ensure that routine interfund transactions are regularly settled and that long-term financing needs are identified and addressed during the City's FY 2016 – 2018 planning process.

2014-009 Capital Assets

Capital assets are required by U.S. generally accepted accounting principles to be recorded and depreciated based on the acquisition cost. During our audit, we noted a number of capital assets which were recorded at the gross selling price rather than at net acquisition cost, primarily as a result of discounts received on the purchases. The total of the discounts given on the asset purchases amounted to approximately \$18,000, which were included in the cost of the asset that was capitalized. While the amount is not material to the City's capital assets, we recommend that the procedures utilized for determining the capitalizable cost of assets be reviewed to ensure that capital assets are being recorded in accordance with U.S. generally accepted accounting principles.

Management Response: We agree that capital assets should be recorded at acquisition cost, net of discounts. Management will review the procedure for recording asset costs and make any necessary changes to be in compliance with GAAP.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

City's Responses to Findings

The responses by the City to the findings identified in our audit are described in the *Management's Response* in the accompanying schedule of findings and questioned costs and this management letter. The responses by the City 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 Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and the City Commission and management of the City of Delray Beach, Florida, 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
March 25, 2015

March 25, 2015

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, 2014

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

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 in the future.

2014-001 Debt Payments Not Made Timely – A calendar for all City debt payments will be maintained by the City's Treasurer and shared with the individual in Finance who is designated as the back-up for processing wire payments.

2014-002 Debt Transactions Not Accurately Recorded – On a monthly basis, the Treasurer will reconcile the general ledger balances to the corresponding debt amortization schedules to ensure accuracy.

2014-003 Purchase Order Approvals – The City recognizes the need for additional internal controls within purchasing. The City will be reorganizing the purchasing function and expects a full implementation to ensure compliance by September 30, 2015.

2014-004 Investment Policy – The City will review the Investment Policies for both the City and the Pension Fund to ensure no ambiguities exist and that the credit ratings for the investments are clearly defined. The City also plans to address the process of reporting issue downgrades after the purchase dates of the issue.

2014-005 General Employees' Pension Investment Custodian – The City and the General Employees' Pension Plan Board of Trustees have reviewed and discussed the adverse opinion on internal controls of the investment custodian, and have evaluated the risks to the General Employees' Pension Plan investments. Although the City believes that the situation at the custodian that led to the adverse opinion has been rectified, the City and Board of Trustees are actively considering initiating a formal procurement that could lead to the selection of a new custodian, which would include a change in the existing sub-custodian relationship.

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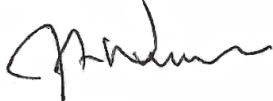
2014-007 Parking Meters -

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2014-009 Capital Assets – We agree that capital assets should be recorded at acquisition cost, net of discounts. Management will review the procedure for recording asset costs and make any necessary changes to be in compliance with GAAP.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Warner", written in a cursive style.

Jack Warner
Chief Financial Officer



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
MARK D VEIL, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948

TELEPHONE (561) 832-9292
FAX (561) 832-9455

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report on Investment Compliance

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

We have examined the City of Delray Beach's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2014. Management is responsible for the City of Delray Beach's compliance with those requirements. Our responsibility is to express an opinion on the City of Delray Beach's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Delray Beach's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Delray Beach's compliance with specified requirements.

In our opinion, the City of Delray Beach complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report 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, the Florida Auditor General, and Federal and other granting agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida
March 25, 2015



Village By the Sea

100 NW 1st Ave Delray Beach, FL 33444
(561) 243-7000
MyDelrayBeach.com