

City of Delray Beach, Florida

Comprehensive Annual Financial Report

for Year Ended September 30, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2017
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, 2017

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Introductory Section



June 29, 2018

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

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the City of Delray Beach, Florida (“the City”), for the fiscal year ended September 30, 2017. 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 document is published to fulfill that requirement, as well as to provide transparency and accountability to our community, customers and business partners.

Based upon a comprehensive framework of internal controls, management assumes full responsibility for the completeness and reliability of the information contained in this report. Comparable to any other investment of resources, the cost of an internal control structure should not exceed the anticipated benefits. For this reason, the City’s internal control structure is designed to provide reasonable, rather than absolute, assurance, that the financial statements are free of material misstatement.

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, 2017. The independent auditor’s report is located at the front of the financial section of this document. Management’s 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’s current estimated permanent population is 65,804 with an additional 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 police, fire protection, fire inspection, emergency medical, rescue, parks, recreation centers, community activities, beaches, pools, a marina, boat ramps, public works, traffic maintenance, street maintenance, parking facilities, golf courses, tennis courts and a world-class tennis stadium.

The City also provides utility, development and business services including water, sewer, stormwater, engineering, construction services, building permits, building inspections, code enforcement, garbage, trash, community development, general administrative and financial support services.

In addition to the services provided to Delray's residents, the City provides water, fire protection, emergency medical, police dispatch, building permits, building inspections, and limited sewer services to the Town of Gulfstream. Fire protection, emergency medical, and limited water services are also provided to the Town of Highland Beach. The City serves the residents of both towns based on contractual arrangements with each governmental entity.

Reporting Entity This report includes all funds of the primary government (the City of Delray Beach) and all organizations and component units for which the City is financially accountable, including the Community Redevelopment Agency (CRA), the Downtown Development Authority (DDA), and the South Central Regional Wastewater Treatment and Disposal Board (SCRWTDB). The SCRWTDB 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 as well as funding limitations embodied in the annual budget appropriated by the City Commission. In accordance with state laws, the final adopted budget is posted on the City's website within thirty (30) days after adoption. The amount available from taxation and other sources, including balances brought forward from prior fiscal years, must equal the total appropriations for expenditures and reserves. Budgetary control, or the level at which expenditures may not exceed appropriations, is established at the departmental level.

As part of the City's budgetary control system, encumbrances in the form of purchase requisitions are utilized. An encumbrance is a reservation of funds to pay for goods or services which have been approved for purchase. For operating purposes, outstanding encumbrances lapse at fiscal year-end and may be reappropriated in the following fiscal year. Blanket requisitions are closed at fiscal year-end and are not reappropriated.

Economic Conditions and Outlook The City of Delray Beach continues to be in healthy financial condition with a diverse and growing population, increasing property values, positive trends in economic activity, increasing investment returns, sound fiscal controls and appropriate balances maintained in the City's reserve funds. Standard & Poor's rates the City's outstanding General Obligation bonds as AAA.

The four-year decline in taxable assessed values that began in 2008 has fully recovered. The 2017 tax roll increased by 10% with total assessed value now exceeding the assessed value prior to the decline. Building permit activity continued an upward trend in 2017. These positive economic trends, sound financial practices and favorable results of operations continue in 2018.

MAJOR INITIATIVES

Beach Area Master Plan During the 2016-2017 fiscal year the City constructed improvements and additions to the beach infrastructure including sidewalks, furniture, gazebos, showers, chilled water coolers and landscaping.

Parkmobile and Smart Meters The City of Delray Beach implemented Parkmobile in August 2017. Currently 33 percent of the City's parking transactions are processed through the Parkmobile application. In addition, 32 digital solar smart meters were installed which feature multiple payment methods, extend-by-phone text services, fast on-line communication and modern visual aesthetics.

Reclaimed Water Master Plan The City's reclaimed water irrigation network was expanded on the barrier island with the completion of Area 12B and the design of Area 12C. This project also includes improvements to the water, sewer, and drainage systems as well as road resurfacing.

Homeless Task Force and Population Specialist The City established a Homeless Task Force which includes 15 community partners. The team trained volunteers to assist with the Point-In-Time census study which resulted in the identification of 90 homeless individuals. The City hosted 2 homeless project connects in conjunction with Palm Beach County. Over \$50,000 has been raised to support Not One Hungry Homeless Student In Delray Beach which provides food to homeless children. The City also hired a Population Specialist to assist our homeless population in connecting with much needed services, and to date has connected with 174 homeless individuals in the City of Delray Beach. Assistance is provided with applications to the homeless outreach team, food stamps, disability, healthcare, birth certificates, identification cards, social security cards and cell phones. Delray's Population Specialist strives to remove the barriers which prevent our homeless population from achieving both employment and affordable housing opportunities.

Economic Development During FY 2017, the City of Delray Beach continued its robust pace of office, hotel and commercial redevelopment. As a result, the Office of Economic Development (OED) assisted 21 announced economic development projects which impacted 331,618 square feet of office-industrial-commercial space, created and retained nearly 500 jobs and generated more than \$87.9 million of private capital investment in the community.

OED also successfully advocated for the establishment of two key components to the Small Business-Entrepreneurial-Workforce Development ecosystem – 1) Inc. Pad, a small business center powered by the Small Business Development Center and 2) Career Cottage, a mini job center by CareerSource of Palm Beach County. By ensuring residents have access to local job opportunities and that local business owners and entrepreneurs have resources and counseling to start-up and accelerate the growth of their firms, the Delray Beach economy becomes stronger, more sustainable and resilient.

Additionally, the Delray Beach Community Redevelopment Agency (CRA) began construction of a \$2.35 million, 15,000 square foot Arts Warehouse project. An arts business incubator and two hotel projects totaling 172 new rooms were approved with one beginning construction and scheduled to open in early 2019.

In 2017, two new national headquarter facilities were also confirmed for Kaufman Lynn Construction and I-PIC Entertainment in Delray Beach. Both complexes are new construction totaling over 200,000 square feet and are valued at more than \$62 million in capital investment.

Finally, Linton Boulevard in Delray Beach continued to see major redevelopment of its existing commercial centers including the approved plans for the \$50 million, 85,000 square foot Delray Plaza shopping center featuring a new Whole Foods market.

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 the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations including the City's utilize these criteria.

AWARDS AND ACKNOWLEDGMENTS

All American City The City of Delray Beach received the prestigious All-America City Award for the third time as a result of community efforts which contributed to a 25 percent improvement in grade level reading for kindergarten through third grade across Delray public schools. Delray is the first City in Florida to receive the award in three different years. The All-American City Award is given by the National Civic League annually to ten communities in the United States. The award recognizes those communities whose citizens work together to identify and tackle community-wide challenges and achieve uncommon results. The All-America City Award is the oldest community recognition program in the nation.

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, 2016. This was the 34th consecutive year the City received this prestigious award. To be awarded a Certificate of Achievement, a government must publish a comprehensive annual financial report which meets or exceeds current requirements and best practices. The report is reviewed by a team of industry experts to ensure that generally accepted accounting principles, best practices and applicable legal requirements are satisfied. We believe our current report meets the Certificate of Achievement Program requirements and we are submitting it for GFOA evaluation and potential award of a 35th certificate.

Budget Awards The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the City of Delray Beach, Florida, for its Annual Budget for the fiscal year ended September 30, 2017. To receive this award, a government must publish a budget document that meets or exceeds industry standards and best practices as a policy document, a financial plan, an operations guide and a communications tool. The current award represents the 22nd time that the City of Delray Beach has received this honor recognizing excellence in governmental budgeting practices.

Acknowledgments A Comprehensive Annual Financial Report of this quality and complexity illustrating the entity-wide results of operations would not have been achieved without the dedication and commitment of the entire Delray Beach team. A special thank you to the Assistant Finance Director, Treasurer, Chief Accounting Officer, Accounting Manager and the entire Finance team. This team's technical expertise and commitment to high quality work product resulted in a report which provides a comprehensive view of the City's financial and economic position. This report clearly illustrates that the City of Delray Beach is in strong financial condition and is poised for continued growth and prosperity. We wish to thank the Mayor, City Commission, City Manager and the citizens for their continued support and unwavering commitment to fiscal responsibility.

Respectfully submitted,



Kimberly Ferrell, CPA, CGFO, CPM
Finance Director



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, 2016

Christopher P. Morill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Delray Beach
Florida**

For the Fiscal Year Beginning

October 1, 2016

Executive Director

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2017

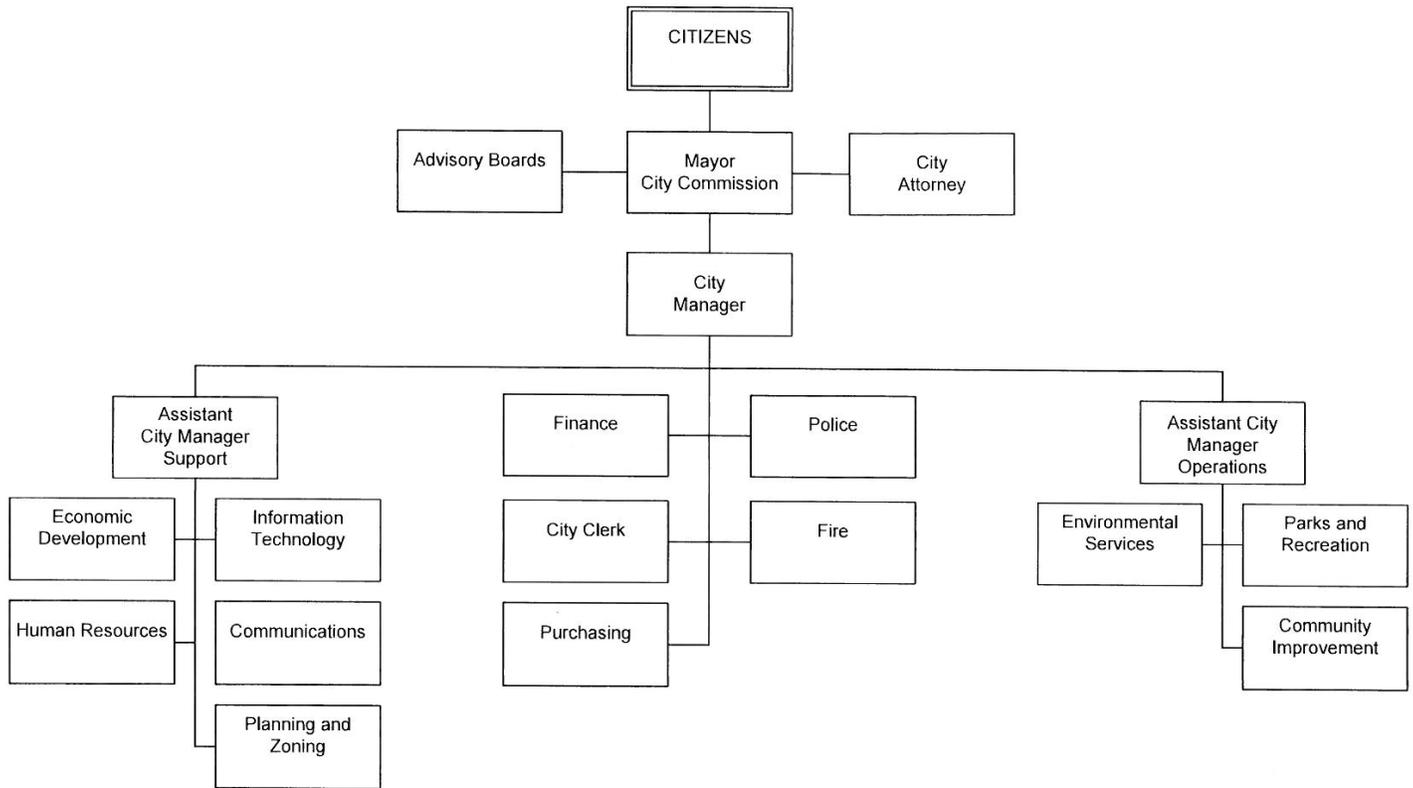
CITY COMMISSION

Mayor Cary Glickstein
Vice-Mayor Jim Chard
Deputy Vice-Mayor Shirley Johnson
Commissioner Mitchell J. Katz
Commissioner Shelly Petrolia

CITY STAFF

Interim City Manager..... Neal de Jesus
Assistant City Manager Caryn Gardner-Young
City Attorney Max Lohman
City Clerk..... Katerri Johnson
Community Improvement Director..... Michael A. Coleman
Economic Development Director Joan Goodrich
Interim Finance Director..... Laura Thezine, CPA
Interim Fire Chief Keith Tomey
Interim Human Resources Director Duane D’Andrea
Interim Information Technology Director..... Mickey Baker
Parks and Recreation Director Suzanne F. Fisher
Planning and Zoning Director Timothy Stillings
Police Chief Jeffrey S. Goldman
Program & Project Management Deputy Director Missie Barletto
Public Works Deputy Director Joseph Frantz
Purchasing Director Theresa Webb
Utilities Director Marjorie G. Craig

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

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Delray Beach, Florida (the "City"), as of and for the year ended September 30, 2017, 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 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, 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, 2017, 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 83 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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. In our opinion, 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 June 27, 2018, on our consideration of the internal control over financial reporting of the City of Delray Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance of the City of Delray Beach, Florida.

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

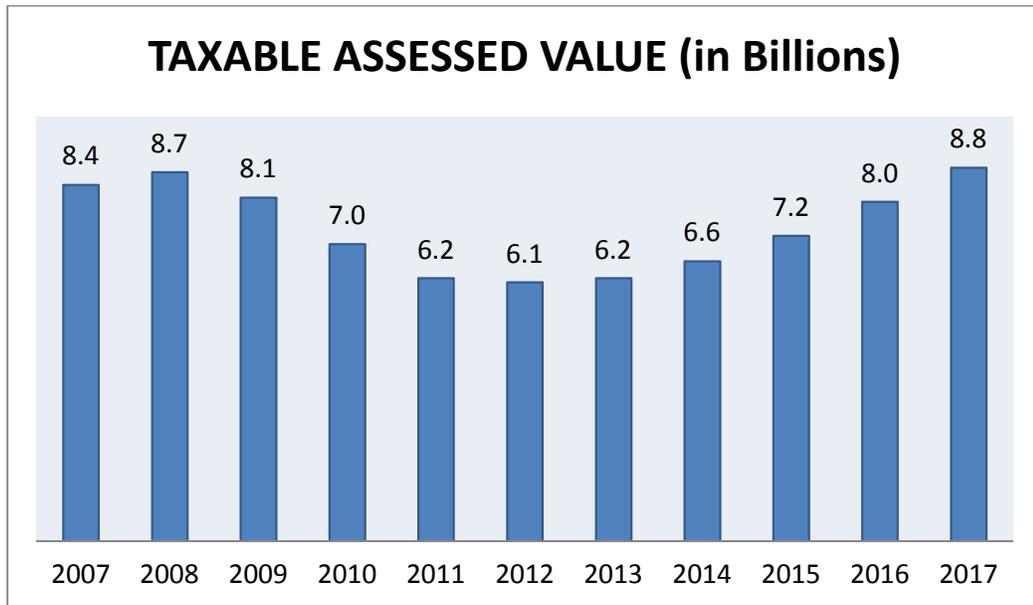
West Palm Beach, Florida
June 27, 2018

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, 2017. 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. Taxable assessed value increased from \$8.0 billion for 2016 to \$8.8 billion for 2017, or 10.4%.
- The assets of the City (Primary Government) exceeded its liabilities (Total Net Position) at September 30, 2017, by \$245.0 million. Of this amount, \$41.1 million (Unrestricted Net Position) may be used to meet the City's ongoing obligations to citizens and creditors.
- In 2017, the net position of governmental activities increased by \$8.0 million. The increase in the governmental activities is approximately \$3.8 million or 31.9% less than the prior year increase in net position.

- Net position of the business-type activities increased by \$7.2 million attributable to 2017 operations. The increase in the business-type activities is approximately \$3.6 million or 33.3% less than the prior year increase in net position and reflects an increase of \$1.9 million in revenue, \$3.9 million in higher expenses and \$1.4 million more in transfers out.
- The unrestricted net position of the governmental activities reflects a deficit of \$16.4 million as compared to a deficit of \$10.6 million for the prior year. The decrease in unrestricted net position is primarily attributable to increases in accruals for expenses related to depreciation, pensions and other post-employment benefits.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$98.6 million which increased \$35.2 million from the prior year. The increase is due primarily to higher revenues in the General Fund of \$3.1 million and net proceeds of \$31.5 million from the Series 2017 Capital Improvement Revenue Bonds issued in 2017. A total of \$58.7 million (Unassigned Fund Balance and Assigned Fund Balance) or 59.5% of the combined ending fund balance is available for spending. Of this amount, \$41.1 million is in the General Fund, \$5.2 million is in Special Revenue Funds and \$12.4 million is in Capital Projects Funds.
- At September 30, 2017, Unassigned Fund Balance for the General Fund was \$39.3 million or 36.0% of total General Fund expenditures of \$109.3 million. This is an increase of \$2.3 million or 6.2% from the prior year. The General Fund had a good year, with revenue increasing by 3.5% and expenditures decreasing by 0.4%. The City's financial policy is to strive to maintain an Unassigned Fund Balance of 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, Cemetery 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 maintained 14 individual governmental funds during 2017. Information is presented separately for the General Fund, Neighborhood Services Fund and the One-Cent Sales Tax Fund, the City's major governmental funds. Data for the other governmental funds are aggregated into a single presentation. Individual fund data for each of the non-major governmental funds is provided in *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, stormwater utility, municipal golf course, Lakeview golf course, marina, sanitation and cemetery operations.

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 and Stormwater utility systems which are considered to be major funds 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 and Neighborhood Services Fund. Budgetary comparison schedules have been provided as required supplementary information for the both funds to demonstrate compliance with their budget. Required supplementary information can be found on pages 83 through 95 of this report.

The *combining statements* for non-major governmental, non-major proprietary, internal service 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 96 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 Statements of Net Position (\$ in millions)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 129.6	\$ 92.0	\$ 71.3	\$ 61.9	\$ 200.9	\$ 153.9
Capital assets	151.1	142.1	109.8	108.6	260.9	250.7
Total Assets	280.7	234.1	181.1	170.5	461.8	404.6
Deferred outflows	21.5	18.3	.6	0.6	22.1	18.9
Liabilities:						
Current liabilities	13.8	9.6	7.3	3.0	21.1	12.6
Noncurrent liabilities	194.9	165.4	11.9	14.0	206.8	179.4
Total Liabilities	208.7	175.0	19.2	17.0	227.9	192.0
Deferred inflows	9.6	1.5	1.4	0.2	11.0	1.7
Net Position:						
Net investment in capital assets	63.0	83.3	100.0	97.1	163.0	180.4
Restricted	37.3	3.1	3.6	3.5	40.9	6.6
Unrestricted (deficit)	(16.4)	(10.5)	57.5	53.3	41.1	42.8
Total Net Position	\$ 83.9	\$ 75.9	\$ 161.1	\$ 153.9	\$245.0	\$ 229.8

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 \$15.2 million or approximately 6.6% from \$229.8 million to \$245.0 million. The increase in net position was a result of a net increase from operations in both the governmental activities (\$8.0 million) and the business-type activities (\$7.2 million).

A significant portion of the City's net position (\$163.0 million or 66.5% of the Total Net Position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of the 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 (16.7%) represents resources that are subject to restrictions on how they may be used. The balance in restricted net position reflects an increase of \$34.3 million from the prior year. The increase is primarily due to \$31.5 million of proceeds from the 2017 Capital Improvement Bonds and \$2.8 million of one-cent sales tax monies that are restricted for infrastructure projects.

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 2017 governmental activities balance was a deficit of approximately \$16.4 million, primarily due to pension liabilities in the governmental activities reported as required by GASB Statement No. 68. The business-type activities had unrestricted net position of approximately \$57.5 million.

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.

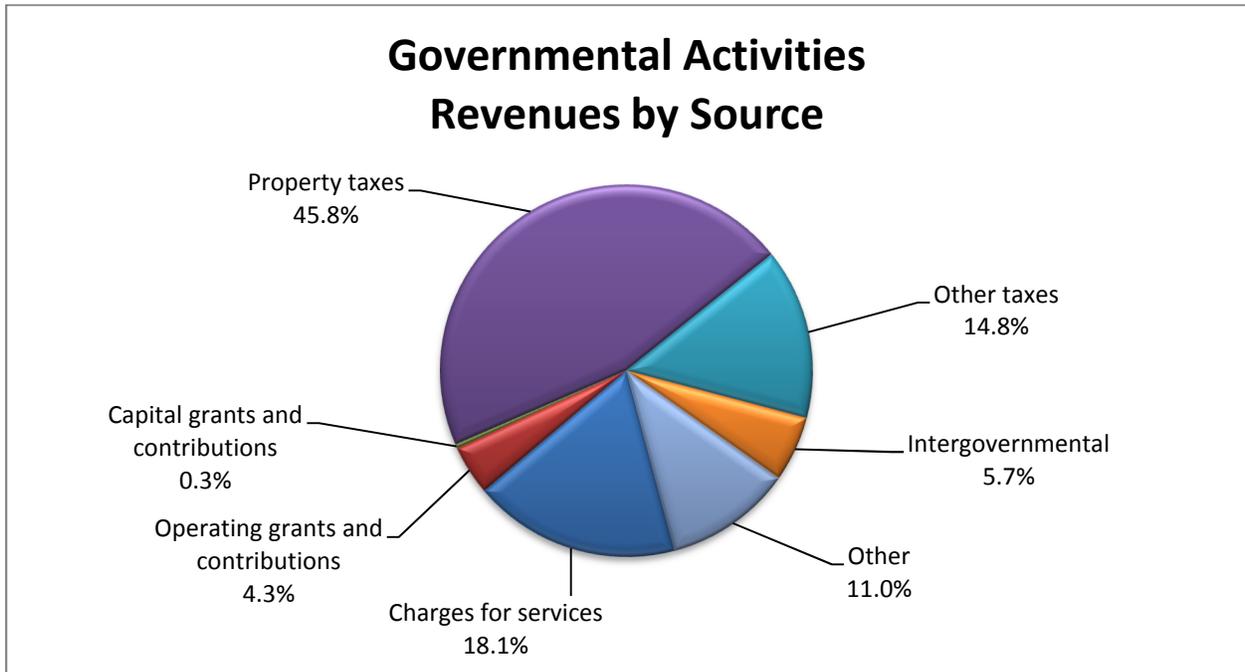
Table A-2
Changes in Net Position
Condensed Statements of Activities (\$ in millions)

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 23.3	\$ 20.3	\$ 44.6	\$ 43.0	\$ 67.9	\$ 63.3
Operating grants, contributions	5.6	3.7	1.3	0.8	6.9	4.5
Capital grants, contributions	0.4	0.9	0.9	1.1	1.3	2.0
General Revenues:						
Property Taxes	59.3	56.9	-	-	59.3	56.9
Other taxes	19.3	16.8	-	-	19.3	16.8
Intergovernmental	7.4	7.2	-	-	7.4	7.2
Other	14.3	17.2	0.1	0.3	14.4	17.5
Total Revenues	129.6	123.0	46.9	45.2	176.5	168.2
Expenses						
General government	26.7	23.0	-	-	26.7	23.0
Public safety	70.3	65.9	-	-	70.3	65.9
Physical environment	10.4	7.7	-	-	10.4	7.7
Parks and recreation	14.2	13.3	-	-	14.2	13.3
Interest on long-term debt	2.3	2.2	-	-	2.3	2.2
Water and sewer	-	-	26.7	24.5	26.7	24.5
Municipal golf course	-	-	2.9	3.1	2.9	3.1
Lakeview golf course	-	-	0.6	0.6	0.6	0.6
City marina	-	-	0.1	0.1	.01	0.1
Sanitation	-	-	5.2	3.7	5.2	3.7
Stormwater utility	-	-	1.9	1.5	1.9	1.5
Cemetery	-	-	-	-	-	-
Total Expenses	123.9	112.1	37.4	33.5	161.3	145.6
Change in Net Position Before Transfers	5.7	10.9	9.5	11.7	15.2	22.6
Transfers	2.3	0.9	(2.3)	(0.9)	-	-
Increase in Net Position	8.0	11.8	7.2	10.8	15.2	22.6
Beginning Net Position	75.9	64.1	153.9	143.1	229.8	207.2
Ending Net Position	\$ 83.9	\$ 75.9	\$ 161.1	\$ 153.9	\$ 245.0	\$ 229.8

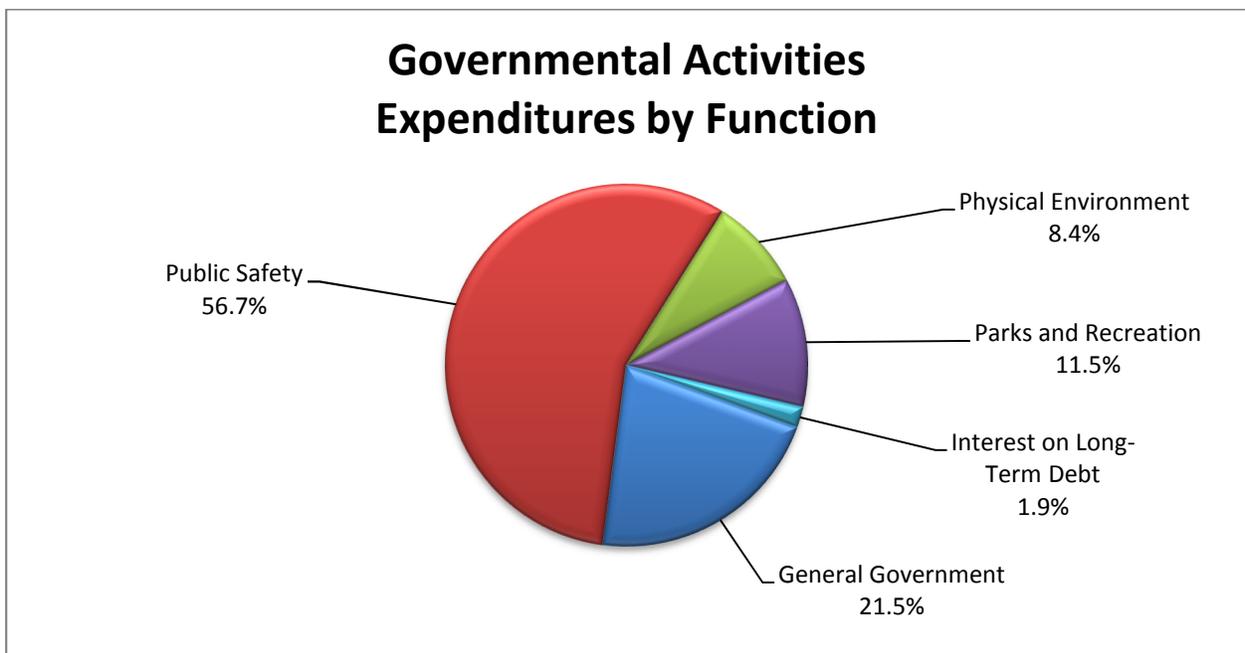
Governmental activities increased the City's net position by \$8.0 million, which was primarily due to an increase in property taxes and other revenues. Expense increased by \$12.0 million, primarily due to increases in General Government and Public Safety.

Business-type activities net position had an increase of \$7.2 million which was primarily attributable to water and sewer operations.

Revenues by sources for 2017 are summarized as follows:



Expenditures by function for 2017 are summarized as follows:



Financial Analysis of the City of Delray Beach Major Funds

Governmental Funds

The fund financial statements for the governmental funds are provided on pages 19-22. The operating activities of the major governmental funds are summarized as follows:

Major Fund Information (\$ in Millions)

	General Fund		Neighborhood Services Fund		One-Cent Sales Tax Fund	
	2017	2016	2017	2016	2017	2016
Revenues	\$ 118.4	\$ 114.6	\$.5	\$ 0.9	\$ 2.9	\$ -
Expenditures	(109.3)	(109.9)	(1.0)	(0.9)	(0.1)	-
Other financing sources (uses)	(6.0)	(6.7)	0.1	0.1	31.5	-
Change in Fund Balance	\$ 3.1	\$ (2.0)	\$ (0.4)	\$ 0.1	\$ 34.3	\$ -

General Fund

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$118.4 million in total revenues offset with \$109.3 million in expenditures and \$6.0 million in net other financing uses. This resulted in an increase in fund balance of \$3.1 million. Total Fund Balance increased from \$39.1 million in 2016 to \$42.2 million in 2017. Of that amount, \$39.3 million is Unassigned Fund Balance which represents 35.9% of our 2017 expenditure levels as compared to 33.7% of our 2016 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.

Neighborhood Services Fund

The Neighborhood Services Fund is used to account 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. The Neighborhood Services Fund recognized \$0.5 million in total revenues offset by \$1.0 million in expenditures and \$0.1 million in other financing sources. This resulted in a decrease in fund balance of \$0.4 million. Total Fund Balance decreased from \$2.0 million in 2016 to \$1.6 million in 2017, which is restricted for community development projects.

One-Cent Sales Tax Fund

The One-Cent Sales Tax Fund was established in 2017 to account for construction of major infrastructure capital facilities financed by the one-cent local option sales tax approved by County voters in 2016. The One-Cent Sales Tax Fund recognized \$2.9 million in total revenues offset by \$0.1 million in expenditures and \$31.5 million in other financing sources from the 2017 Capital Improvement Revenue Bond issuance. This resulted in an increase in the fund balance of \$34.3 million, which will

be spent on future infrastructure capital projects. The entire fund balance of \$34,289,385 is restricted for capital improvement projects.

Proprietary Funds

\$ in Millions	<u>Operating Income (Loss)</u>		<u>Change in Net Position</u>	
	2017	2016	2017	2016
Enterprise Funds				
Water and Sewer	\$ 10.0	\$ 10.3	\$ 6.2	\$ 6.8
Stormwater Utility	0.3	0.6	0.0	0.2
Municipal Golf Course	0.2	0.1	0.2	1.9
Lakeview Golf Course	0.1	0.1	0.1	1.2
City Marina	0.1	0.1	0.1	0.1
Sanitation	(0.9)	0.4	(1.0)	0.4
Cemetery	0.1	-	1.5	-
Internal Service Funds				
Insurance	0.2	0.9	0.2	0.9
Central Garage	(0.1)	0.1	0.2	0.8

Water and Sewer Fund

Operating revenues were approximately \$1.9 million more than 2016 and operating expenses were approximately \$2.2 million more than 2016. Lower capital contributions of approximately \$.3 million and higher net transfers out of approximately \$.1 million resulted in an increase of approximately \$6.2 million in net position in 2017.

Stormwater Fund

Operating revenues were approximately \$37,000 higher in 2017 than 2016 and operating expenses were approximately \$330,000 more than 2016. Nonoperating revenues, capital contributions and transfers out decreased by approximately \$100,000 resulting in an increase of approximately \$16,000 in net position in 2017.

Other Enterprise Funds

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

The **Municipal Golf Course** had operating income this year of \$244,679 compared to \$113,038 last year.

The **Lakeview Golf Course** had operating income of \$91,646 versus \$63,781 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** had operating income this year of \$133,868 compared to \$146,459 last year.

The **Sanitation Fund** generated an operating loss of \$916,242 this year compared to operating income of \$441,312 last year. The large change is due to an increase of \$1.5 million in operating expenses related to additional hauler fees and debris from Hurricane Irma.

The **City Cemetery Fund** was established in 2017 and had operating income this year of \$92,690 and a transfer in of \$1,375,523 representing the residual balance in the governmental fund that previously accounted for the Cemetery operations.

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** claims liabilities for property, health and worker's compensation claims were approximately \$6.0 million for 2017 and were substantially unchanged from the prior year. All required reserves are determined by outside actuaries. The Insurance Fund has \$4.1 million in Unrestricted Net Position.

The **Central Garage Fund** had an operating loss of \$102,491 compared to operating income of \$51,717 for 2016. The change resulted from an increase in depreciation expense.

Budgetary Highlights

General Fund: The difference between the original and final amended budget for 2017 was an increase of approximately \$5.3 million. There was a positive variance between the final adopted budget and actual results of operations of approximately \$1.2 million (excluding prior year surplus). Actual revenues (excluding prior year surplus) exceeded the final budget by approximately \$4.6 million and actual expenditures and other financing uses were less than final budget by approximately \$4.6 million. The increase in current year revenues was attributable to increases of approximately \$2.6 million in taxes and \$3.2 million in fees and permits and decreases of \$.3 million in charges for services, \$44,000 in fines and forfeitures and \$.3 million in miscellaneous income.

Neighborhood Services Fund: The difference between the original and final amended budget for 2017 was an increase of approximately \$2,464,000. The budget was increased with the expectation of additional spending of available grant funds that did not occur in 2017. The increased expenditures are anticipated for next fiscal year.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2017, the City had \$260.9 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net increase of \$10.2 million from the previous fiscal year. Additional information can be found in Note 9 Capital Assets beginning on page 49.

Capital asset activity for 2017 is summarized below:

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

	Beginning Balance 10/01/2016	Increases	Decreases	Ending Balance 9/30/2017
Governmental Activities:				
Land	\$ 40.3	\$.3	\$ 0.0	\$ 40.6
Construction in Progress	5.3	8.1	(0.4)	13.0
Non-Depreciable Assets	45.6	8.4	(0.4)	53.6
Buildings	39.9	1.7	-	41.6
Improvements Other	135.5	0.9	-	136.4
Equipment	48.4	7.0	(1.5)	53.9
Less: Accumulated Depreciation	(127.3)	(8.4)	1.3	(134.4)
Depreciable Assets- Net	96.5	1.2	(0.2)	97.5
Capital Assets- Governmental	142.1	9.6	(0.6)	151.1
Business-Type Activities:				
Land	5.7	-	-	5.7
Construction in Progress	10.9	2.0	(3.0)	9.9
Non-Depreciable Assets	16.6	2.0	(3.0)	15.6
Buildings	13.8	-	-	13.8
Improvements Other	175.8	3.8	0.0	179.6
Equipment	14.6	2.4	(0.2)	16.8
Less: Accumulated Depreciation	(112.2)	(4.0)	0.2	(116.0)
Depreciable Assets- Net	92.0	2.2	0.0	94.2
Capital Assets- Business-Type	\$ 108.6	\$ 4.2	\$ (3.0)	\$ 109.8

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

Major capital asset changes during the fiscal year 2017 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 primarily for the automated meter reading replacement project.

Debt Administration

As of September 30, 2017, the City had total debt outstanding of \$113.8 million compared to \$85.9 million as of September 30, 2016. Of this \$113.8 million amount, and gross of any related unamortized premium or discounts:

- \$72.1 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,
- Revenue bonds of \$31.5 million were issued in 2017,
- \$13.2 million is general obligation bond debt which is debt backed by the full faith and credit of the City,

- \$9.6 million is revenue bonds that are backed by a pledge of the water and sewer system net revenues,
- \$8.3 million is for compensated absences,
- \$6.0 million is for insurance claims reserves, and
- \$1.8 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 2017 is summarized as follows:

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

	Beginning Balance 10/01/2016	Increases	Decreases	Ending Balance 9/30/2017
Governmental Activities:				
Revenue Bonds	\$ 42.3	\$ 31.5	\$ (1.7)	\$ 72.1
General Obligation Bonds	14.8	-	(1.6)	13.2
Unamortized Premium	3.0	-	(0.2)	2.8
Total Bonds Payable	60.1	31.5	(3.5)	88.1
Installment Agreements	0.3	1.4	(0.1)	1.6
Compensated Absences	7.0	1.3	(1.1)	7.2
Insurance Claims Payable	5.9	7.6	(7.5)	6.0
Governmental Activities	\$ 73.3	\$ 41.8	\$ (12.2)	\$ 102.9
Business-Type Activities:				
Revenue Bonds	\$ 11.4	\$ -	\$ (1.8)	\$ 9.6
Installment Agreements	0.1	0.2	(0.1)	0.2
Compensated Absences	1.1	0.1	(0.1)	1.1
Business Type Activities	12.6	0.3	(2.0)	10.9
Total Debt Outstanding	\$ 85.9	\$ 42.1	\$ (14.2)	\$ 113.8

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 53.

Economic Factors and FY 2017-16 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.
- ❖ The current total millage rate decreased from 7.3367 mills for 2016 to 7.2107 mills for 2017. The operations portion decreased from 7.0611 mills to 6.9611 mills and the debt service portion decreased from 0.2756 mills to 0.2496 mills.

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

Basic Financial Statements

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency	Downtown Development Authority
ASSETS					
Cash and cash equivalents	\$ 45,596,679	\$ 20,886,817	\$ 66,483,496	\$ 11,150,028	\$ 204,090
Investments	70,815,674	19,958,036	90,773,710	-	-
Receivables:					
Accounts, net	1,592,571	3,551,663	5,144,234	21,182	477
Unbilled accounts	-	1,429,795	1,429,795	-	-
Notes receivable	3,802,433	-	3,802,433	2,903,011	-
Notes receivable from component unit	2,529,934	-	2,529,934	-	-
Interest receivable	116,257	65,445	181,702	-	-
Due from other governments	1,173,876	271,900	1,445,776	-	-
Due from component units	3,148,298	-	3,148,298	-	-
Due from primary government	-	-	-	198,599	5,160
Internal balances	(1,291,232)	1,291,232	-	-	-
Inventories	110,910	355,586	466,496	-	-
Prepaid expenses	32,809	41,391	74,200	28,059	13,328
Deposits	-	-	-	34,886	-
Restricted assets	-	3,731,529	3,731,529	-	-
Investment in regional plant (joint venture)	-	19,004,757	19,004,757	-	-
Capital assets:					
Non-depreciable capital assets	53,594,914	15,595,906	69,190,820	31,785,839	-
Depreciable capital assets, net	97,549,509	94,223,529	191,773,038	2,532,599	14,720
Other asset:					
Net pension asset	1,993,483	734,699	2,728,182	-	-
Total Assets	<u>280,766,115</u>	<u>181,142,285</u>	<u>461,908,400</u>	<u>48,654,203</u>	<u>237,775</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refundings	1,527,520	-	1,527,520	-	-
Deferred amount related to pensions	19,923,861	628,631	20,552,492	-	-
Total Deferred Outflows of Resources	<u>21,451,381</u>	<u>628,631</u>	<u>22,080,012</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and accrued expenses	6,782,040	5,866,115	12,648,155	766,953	52,050
Contracts payable and retainages	-	36,154	36,154	109,233	-
Deposits payable	595,559	1,237,733	1,833,292	4,277	-
Unearned revenue	5,457,163	45,873	5,503,036	13,359	-
Accrued interest on long-term debt	779,493	126,723	906,216	56,843	-
Due to component units	203,759	-	203,759	-	-
Due to primary government	-	-	-	3,148,298	-
Noncurrent liabilities:					
Due within one year					
Bonds and notes payable	5,990,000	1,942,476	7,932,476	1,501,419	-
Installment agreements	512,296	149,905	662,201	-	-
Compensated absences	934,886	103,389	1,038,275	-	8,733
Insurance claims payable	1,723,328	-	1,723,328	-	-
Due in more than one year					
Bonds and notes payable	82,064,925	7,612,840	89,677,765	6,077,739	-
Installment agreements	1,106,314	89,310	1,195,624	-	-
Compensated absences	6,283,423	982,509	7,265,932	-	-
Insurance claims payable	4,313,000	-	4,313,000	-	-
Net OPEB obligation	7,389,548	1,030,424	8,419,972	-	-
Net pension liability	84,598,684	-	84,598,684	-	-
Total Liabilities	<u>208,734,418</u>	<u>19,223,451</u>	<u>227,957,869</u>	<u>11,678,121</u>	<u>60,783</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pensions	9,586,542	1,390,913	10,977,455	-	-
NET POSITION					
Net investment in capital assets	62,998,408	100,024,904	163,023,312	29,269,213	14,720
Restricted for:					
Debt service	1,555,006	1,942,476	3,497,482	-	-
Law enforcement	1,166,924	-	1,166,924	-	-
Capital improvements	34,525,964	1,662,330	36,188,294	-	-
Unrestricted (Deficit)	(16,349,766)	57,526,842	41,177,076	7,706,869	162,272
Total Net Position	<u>\$ 83,896,536</u>	<u>\$ 161,156,552</u>	<u>\$ 245,053,088</u>	<u>\$ 36,976,082</u>	<u>\$ 176,992</u>

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	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	\$ 26,679,900	\$ 10,451,376	\$ 3,474,068	\$ 429,737	\$ (12,324,719)	\$ -	\$ (12,324,719)	\$ -	\$ -
Public Safety	70,348,624	9,481,433	2,123,336	-	(58,743,855)	-	(58,743,855)	-	-
Physical Environment	10,366,782	1,706,116	-	-	(8,660,666)	-	(8,660,666)	-	-
Parks and Recreation	14,195,210	1,686,662	24,990	-	(12,483,558)	-	(12,483,558)	-	-
Interest on Long-term Debt	2,306,897	-	-	-	(2,306,897)	-	(2,306,897)	-	-
Total Governmental Activities	123,897,413	23,325,587	5,622,394	429,737	(94,519,695)	-	(94,519,695)	-	-
Business-type Activities:									
Water and Sewer	26,741,734	34,135,162	986,210	842,618	-	9,222,256	9,222,256	-	-
Municipal Golf Course	2,909,445	3,113,583	58,649	-	-	262,787	262,787	-	-
Lakeview Golf Course	563,587	646,391	5,649	-	-	88,453	88,453	-	-
City Marina	107,813	239,205	2,543	-	-	133,935	133,935	-	-
Sanitation	5,195,029	4,200,945	235,566	-	-	(758,518)	(758,518)	-	-
Stormwater Utility	1,893,877	2,160,127	11,239	65,810	-	343,299	343,299	-	-
Cemetery	800	92,890	600	-	-	92,690	92,690	-	-
Total Business-type Activities	37,412,285	44,588,303	1,300,456	908,428	-	9,384,902	9,384,902	-	-
Total Primary Government	\$ 161,309,698	\$ 67,913,890	\$ 6,922,850	\$ 1,338,165	(94,519,695)	9,384,902	(85,134,793)	-	-
COMPONENT UNITS									
Community Redevelopment Agency (CRA)	\$ 14,227,646	\$ 171,647	\$ 338,886	\$ -				(13,717,113)	-
Downtown Development Authority (DDA)	902,672	26,200	57,400	-				-	(819,072)
Total Component Units	\$ 15,130,318	\$ 197,847	\$ 396,286	\$ -				(13,717,113)	(819,072)
General Revenues:									
Taxes:									
Property Taxes					59,282,428	-	59,282,428	17,030,686	817,364
Franchise Fees					5,209,446	-	5,209,446	-	-
Utility Service Taxes					9,468,782	-	9,468,782	-	-
Sales Taxes					3,654,505	-	3,654,505	-	-
Local Business Tax					911,668	-	911,668	-	-
Intergovernmental Not Restricted to Specific Programs					7,381,660	-	7,381,660	-	-
Investment Earnings					873,235	123,770	997,005	51,367	223
Gain (Loss) on Disposal of Capital Assets					28,361	(1,141)	27,220	207,712	-
Miscellaneous					13,411,235	-	13,411,235	1,385	-
Transfers					2,306,510	(2,306,510)	-	-	-
Total General Revenues and Transfers					102,527,830	(2,183,881)	100,343,949	17,291,150	817,587
Change in Net Position					8,008,135	7,201,021	15,209,156	3,574,037	(1,485)
Net Position - October 1, 2016					75,888,401	153,955,531	229,843,932	33,402,045	178,477
Net Position - September 30, 2017					\$ 83,896,536	\$ 161,156,552	\$ 245,053,088	\$ 36,976,082	\$ 176,992

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Neighborhood Services Fund	One-Cent Sales Tax Fund		
ASSETS					
Cash and cash equivalents	\$ 29,213,499	\$ 2,068,926	\$ 2,390	\$ 6,659,158	\$ 37,943,973
Investments	15,563,972	-	33,993,315	13,247,204	62,804,491
Accounts receivable, net	1,439,144	722	-	122,704	1,562,570
Notes receivable	-	2,630,163	-	1,172,270	3,802,433
Notes receivable from component unit	2,529,934	-	-	-	2,529,934
Interest receivable	70,594	-	-	21,315	91,909
Due from other governments	844,321	35,875	293,680	-	1,173,876
Due from component unit	975,172	8,977	-	2,164,149	3,148,298
Inventories	18,465	-	-	-	18,465
Prepaid items	32,809	-	-	-	32,809
Total Assets	<u>\$ 50,687,910</u>	<u>\$ 4,744,663</u>	<u>\$ 34,289,385</u>	<u>\$ 23,386,800</u>	<u>\$ 113,108,758</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued items	\$ 4,672,552	\$ 34,657	\$ -	\$ 892,966	\$ 5,600,175
Deposits payable	580,924	-	-	14,635	595,559
Due to component unit	57,996	-	-	145,763	203,759
Total Liabilities	<u>5,311,472</u>	<u>34,657</u>	<u>-</u>	<u>1,053,364</u>	<u>6,399,493</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>3,167,758</u>	<u>3,091,286</u>	<u>-</u>	<u>1,858,681</u>	<u>8,117,725</u>
FUND BALANCES					
Nonspendable:					
Inventories	18,465	-	-	-	18,465
Prepaid items	32,809	-	-	-	32,809
Restricted for:					
Debt service	-	-	-	1,555,006	1,555,006
Law enforcement	-	-	-	1,166,924	1,166,924
Capital improvements	5,984	-	34,289,385	230,595	34,525,964
Community development	-	1,618,720	-	-	1,618,720
Committed for:					
Economic development	1,000,000	-	-	-	1,000,000
Assigned to:					
General government	152,070	-	-	-	152,070
Public safety	578,755	-	-	178,284	757,039
Physical environment	1,110,890	-	-	-	1,110,890
Parks and recreation	36,597	-	-	302,628	339,225
Capital improvements	-	-	-	17,041,318	17,041,318
Unassigned	<u>39,273,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,273,110</u>
Total Fund Balances	<u>42,208,680</u>	<u>1,618,720</u>	<u>34,289,385</u>	<u>20,474,755</u>	<u>98,591,540</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 50,687,910</u>	<u>\$ 4,744,663</u>	<u>\$ 34,289,385</u>	<u>\$ 23,386,800</u>	<u>\$ 113,108,758</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, 2017

Total Fund Balances - Governmental Funds \$ 98,591,540

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	\$ 256,688,465	
Less accumulated depreciation	<u>(115,067,852)</u>	141,620,613

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

Long-term receivables	130,628	
Notes receivable from component unit	2,529,934	
Net pension asset	<u>1,905,363</u>	4,565,925

Deferred outflows and inflows of resources related to defined benefit pension plans are reported in the statement of net position. Because the net pension obligation does not represent available, spendable resources, it is not reported in governmental funds.

Deferred outflows related to pensions	19,848,462	
Deferred inflows related to pensions	<u>(9,419,715)</u>	10,428,747

Premiums, discounts and 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.

Deferred charges on refundings	1,527,520	
Bond premium	<u>(2,785,241)</u>	(1,257,721)

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	(779,493)	
Bonds, notes and installment agreements payable	(85,425,680)	
Compensated absences	(7,084,848)	
Net OPEB obligation	(7,232,924)	
Net pension liability	<u>(84,598,684)</u>	(185,121,629)

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	16,360,293	
Less amount allocated to business-type activities	<u>(1,291,232)</u>	<u>15,069,061</u>

Total Net Position - Governmental Activities \$ 83,896,536

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, 2017

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Neighborhood Services Fund	One-Cent Sales Tax Fund		
REVENUES					
Taxes	\$ 71,184,045	\$ -	\$ -	\$ 2,133,338	\$ 73,317,383
Licenses and permits	14,557,921	-	-	-	14,557,921
Intergovernmental	9,529,986	395,527	2,760,160	318,381	13,004,054
Charges for services	11,925,470	-	-	535,939	12,461,409
Fines and forfeitures	1,205,951	-	-	309,752	1,515,703
Miscellaneous	10,017,554	57,682	102,335	5,053,163	15,230,734
Total Revenues	118,420,927	453,209	2,862,495	8,350,573	130,087,204
EXPENDITURES					
Current:					
General government	22,211,236	978,930	2,550	1,019,185	24,211,901
Public safety	67,255,467	-	-	326,211	67,581,678
Physical environment	6,548,384	-	-	823,142	7,371,526
Parks and recreation	11,278,252	-	-	695,548	11,973,800
Capital outlay	503,733	-	-	11,303,133	11,806,866
Debt service:					
Principal retirement	1,308,713	-	-	2,160,000	3,468,713
Interest and fiscal charges	160,934	-	-	1,990,976	2,151,910
Bond issuance costs	-	-	70,560	-	70,560
Total Expenditures	109,266,719	978,930	73,110	18,318,195	128,636,954
Excess of revenues over (under) expenditures	9,154,208	(525,721)	2,789,385	(9,967,622)	1,450,250
OTHER FINANCING SOURCES (USES)					
Issuance of sales tax revenue bonds	-	-	31,500,000	-	31,500,000
Proceeds from the sale of capital assets	40,305	-	-	2,004	42,309
Transfers in	3,591,728	149,430	-	9,654,362	13,395,520
Transfers out	(9,661,642)	-	-	(1,526,283)	(11,187,925)
Total Other Financing Sources (Uses)	(6,029,609)	149,430	31,500,000	8,130,083	33,749,904
Net change in fund balances	3,124,599	(376,291)	34,289,385	(1,837,539)	35,200,154
Fund balances - October 1, 2016	39,084,081	1,995,011	-	22,312,294	63,391,386
Fund balances - September 30, 2017	\$ 42,208,680	\$ 1,618,720	\$ 34,289,385	\$ 20,474,755	\$ 98,591,540

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 35,200,154

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	\$ 11,806,866	
Depreciation expense	<u>(6,492,235)</u>	5,314,631

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. (67,833)

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	429,737	
Governmental capital assets contributed to Internal Service Fund	(177,946)	
Change in note receivable from component unit	(990,014)	
Change in long-term receivables	<u>(1,108,435)</u>	(1,846,658)

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

Accrued interest on noncurrent liabilities	(134,077)	
Compensated absences expense	(226,602)	
Pension expense	(1,570,823)	
Other postemployment benefits expense	<u>(1,113,161)</u>	(3,044,663)

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		(31,500,000)
Debt Retirement		
Principal paid	3,468,713	
Amortization of debt premiums and deferred charges on refundings	<u>78,595</u>	3,547,308

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	420,406	
Less allocation to business type activities	<u>(15,210)</u>	405,196

Change in Net Position of Governmental Activities \$ 8,008,135

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, 2017

	Business-Type Activities				Governmental Activities
	Major Funds		Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Stormwater Fund			
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 17,821,791	\$ 5,747	\$ 3,059,279	\$ 20,886,817	\$ 7,652,706
Investments	11,836,973	4,475,075	3,645,988	19,958,036	8,011,183
Accounts receivable, net	2,896,948	2,149	652,566	3,551,663	30,001
Unbilled accounts receivable	1,429,795	-	-	1,429,795	-
Interest receivable	40,891	13,530	11,024	65,445	24,348
Due from other governments	271,900	-	-	271,900	-
Due from other funds	2,367,306	-	-	2,367,306	-
Inventories	272,267	-	83,319	355,586	92,445
Prepaid expenses	-	-	41,391	41,391	-
Restricted assets:					
Cash and cash equivalents	1,944,441	48,592	50,354	2,043,387	-
Investments	1,688,142	-	-	1,688,142	-
Total Current Assets	<u>40,570,454</u>	<u>4,545,093</u>	<u>7,543,921</u>	<u>52,659,468</u>	<u>15,810,683</u>
Noncurrent Assets					
Property, land and equipment:					
Land	974,755	1,271,853	3,422,216	5,668,824	-
Buildings	9,419,364	1,904,722	2,450,262	13,774,348	88,185
Improvements other than buildings	160,632,322	15,753,644	3,244,216	179,630,182	-
Equipment	14,316,580	816,725	1,714,052	16,847,357	28,745,314
Construction in progress	8,889,769	957,093	80,220	9,927,082	-
Accumulated depreciation	(102,932,976)	(7,854,007)	(5,241,375)	(116,028,358)	(19,309,689)
Other assets:					
Net pension asset	679,863	31,374	23,462	734,699	88,120
Investment in regional plant joint venture	19,004,757	-	-	19,004,757	-
Total Noncurrent Assets	<u>110,984,434</u>	<u>12,881,404</u>	<u>5,693,053</u>	<u>129,558,891</u>	<u>9,611,930</u>
Total Assets	<u>151,554,888</u>	<u>17,426,497</u>	<u>13,236,974</u>	<u>182,218,359</u>	<u>25,422,613</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount related to pensions	581,711	26,845	20,075	628,631	75,399
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	4,254,632	85,467	1,526,016	5,866,115	1,181,865
Contracts payable and retainages	36,154	-	-	36,154	-
Unearned revenue	9,435	-	36,438	45,873	-
Current maturities of installment agreements	-	-	149,905	149,905	194,181
Current portion of compensated absences	103,389	-	-	103,389	11,573
Current portion of insurance claims payable	-	-	-	-	1,723,328
Due to other funds	-	2,367,306	-	2,367,306	-
Refundable deposits payable	1,094,910	-	142,823	1,237,733	-
Total Current Liabilities	<u>5,498,520</u>	<u>2,452,773</u>	<u>1,855,182</u>	<u>9,806,475</u>	<u>3,110,947</u>
Current Liabilities Payable from Restricted Assets					
Accrued interest on long-term debt	122,523	2,422	1,778	126,723	-
Current maturities of revenue bonds	1,847,730	46,170	48,576	1,942,476	-
Total Current Liabilities	<u>1,970,253</u>	<u>48,592</u>	<u>50,354</u>	<u>2,069,199</u>	<u>-</u>
Total Liabilities	<u>7,468,773</u>	<u>2,501,365</u>	<u>1,905,536</u>	<u>11,875,674</u>	<u>3,110,947</u>
Noncurrent Liabilities					
Revenue bonds payable, net	7,512,820	48,780	51,240	7,612,840	-
Installment agreements	-	-	89,310	89,310	1,268,433
Compensated absences payable	909,232	21,017	52,260	982,509	121,888
Insurance claims payable	-	-	-	-	4,313,000
Net other postemployment benefits obligation	939,746	57,704	32,974	1,030,424	156,624
Total Noncurrent Liabilities	<u>9,361,798</u>	<u>127,501</u>	<u>225,784</u>	<u>9,715,083</u>	<u>5,859,945</u>
Total Liabilities	<u>16,830,571</u>	<u>2,628,866</u>	<u>2,131,320</u>	<u>21,590,757</u>	<u>8,970,892</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pensions	1,287,098	59,397	44,418	1,390,913	166,827
NET POSITION					
Net investment in capital assets	81,939,264	12,755,080	5,330,560	100,024,904	8,061,196
Restricted for:					
Debt service	1,847,730	46,170	48,576	1,942,476	-
Renewal and replacement	1,662,330	-	-	1,662,330	-
Unrestricted	48,569,606	1,963,829	5,702,175	56,235,610	8,299,097
Total Net Position	<u>\$ 134,018,930</u>	<u>\$ 14,765,079</u>	<u>\$ 11,081,311</u>	<u>159,865,320</u>	<u>\$ 16,360,293</u>
Adjustment for the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds				1,276,022	
Cumulative prior year adjustments				15,210	
Current year adjustment				-	
Net Position of Business-Type Activities, Statement of Net Position				<u>\$ 161,156,552</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, 2017

	Business-Type Activities				Governmental
	Major Funds		Non-Major Enterprise Funds	Total Enterprise Funds	Internal
	Water and Sewer Fund	Stormwater Fund			Service Funds
OPERATING REVENUES					
Charges for services					
Water sales	\$ 15,381,165	\$ -	\$ -	\$ 15,381,165	\$ -
Sewer and stormwater fees	18,753,997	2,160,127	-	20,914,124	-
Golf fees	-	-	3,759,974	3,759,974	-
Marina fees	-	-	239,205	239,205	-
Sanitation fees	-	-	4,200,945	4,200,945	-
Cemetery fees	-	-	92,890	92,890	-
Risk management	-	-	-	-	12,977,245
Fleet management	-	-	-	-	2,615,019
Other operating revenue	986,210	11,239	121,743	1,119,192	2,452,521
Total Operating Revenues	<u>35,121,372</u>	<u>2,171,366</u>	<u>8,414,757</u>	<u>45,707,495</u>	<u>18,044,785</u>
OPERATING EXPENSES					
Personal services	8,437,470	443,682	290,474	9,171,626	1,259,262
Other operating expenses	13,466,106	958,518	8,191,397	22,616,021	14,717,686
Depreciation	3,254,848	485,020	286,245	4,026,113	2,006,999
Total Operating Expenses	<u>25,158,424</u>	<u>1,887,220</u>	<u>8,768,116</u>	<u>35,813,760</u>	<u>17,983,947</u>
Operating Income (Loss)	9,962,948	284,146	(353,359)	9,893,735	60,838
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	77,138	25,947	20,685	123,770	45,448
Rent revenue	-	-	181,264	181,264	-
Share of regional plant joint venture net loss	(1,349,711)	-	-	(1,349,711)	-
Interest expense	(236,026)	(7,265)	(12,209)	(255,500)	(28,945)
Insurance recoveries	-	-	-	-	12,319
Gain (loss) on disposal of equipment	(1,141)	-	-	(1,141)	53,885
Investment expense	(8,524)	-	-	(8,524)	-
Total Nonoperating Revenues (Expenses)	<u>(1,518,264)</u>	<u>18,682</u>	<u>189,740</u>	<u>(1,309,842)</u>	<u>82,707</u>
Income (Loss) Before Capital Contributions and Transfers	8,444,684	302,828	(163,619)	8,583,893	143,545
Capital contributions	842,618	65,810	-	908,428	177,946
Transfers in	108,000	-	1,375,523	1,483,523	98,915
Transfers out	(3,147,975)	(352,358)	(289,700)	(3,790,033)	-
Change In Net Position	6,247,327	16,280	922,204	7,185,811	420,406
Net Position - October 1, 2016	127,771,603	14,748,799	10,159,107	-	15,939,887
Net Position - September 30, 2017	<u>\$ 134,018,930</u>	<u>\$ 14,765,079</u>	<u>\$ 11,081,311</u>	-	<u>\$ 16,360,293</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				15,210	
Change In Net Position as reported on the Statement of Activities for Business-type Activities				<u>\$ 7,201,021</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, 2017

	Business-Type Activities				Governmental Activities
	Major Funds		Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Stormwater Fund			
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 34,553,953	\$ 2,169,217	\$ 8,282,938	\$ 45,006,108	\$ 18,031,190
Receipts from others	(271,900)	-	181,264	(90,636)	12,319
Payments to suppliers	(10,133,058)	(815,006)	(7,115,924)	(18,063,988)	(14,144,690)
Payments to employees	(8,361,871)	(449,686)	(279,195)	(9,090,752)	(1,238,583)
Net cash provided by operating activities	<u>15,787,124</u>	<u>904,525</u>	<u>1,069,083</u>	<u>17,760,732</u>	<u>2,660,236</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	108,000	-	1,375,523	1,483,523	-
Transfers to other funds	(3,049,060)	(352,358)	(289,700)	(3,691,118)	-
Net cash provided by (used in) noncapital financing activities	<u>(2,941,060)</u>	<u>(352,358)</u>	<u>1,085,823</u>	<u>(2,207,595)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(4,510,745)	(493,544)	(45,212)	(5,049,501)	(3,835,806)
Proceeds from the sale of capital assets	-	-	-	-	59,346
Capital contributions	529,687	-	-	529,687	-
Proceeds from installment agreement	-	-	182,800	182,800	-
Principal paid on capital debt	(1,802,060)	(43,740)	(92,573)	(1,938,373)	-
Interest paid on capital debt	(256,316)	(7,265)	(19,580)	(283,161)	(28,945)
Net cash provided by (used in) capital and related financing activities	<u>(6,039,434)</u>	<u>(544,549)</u>	<u>25,435</u>	<u>(6,558,548)</u>	<u>(3,805,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	(357,174)	(50,159)	(662,141)	(1,069,474)	(89,793)
Interest on investments	143,479	50,718	39,481	233,678	89,793
Net cash provided by (used in) investing activities	<u>(213,695)</u>	<u>559</u>	<u>(622,660)</u>	<u>(835,796)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	6,592,935	8,177	1,557,681	8,158,793	(1,145,169)
Cash and cash equivalents - October 1, 2016	13,173,297	46,162	1,551,952	14,771,411	8,797,875
Cash and cash equivalents - September 30, 2017	<u>\$ 19,766,232</u>	<u>\$ 54,339</u>	<u>\$ 3,109,633</u>	<u>\$ 22,930,204</u>	<u>\$ 7,652,706</u>
Reconciliation of cash and cash equivalents to statement of net position:					
Unrestricted cash and cash equivalents	\$ 17,821,791	\$ 5,747	\$ 3,059,279	\$ 20,886,817	\$ 7,652,706
Restricted cash and cash equivalents	1,944,441	48,592	50,354	2,043,387	-
Cash and cash equivalents - September 30, 2017	<u>\$ 19,766,232</u>	<u>\$ 54,339</u>	<u>\$ 3,109,633</u>	<u>\$ 22,930,204</u>	<u>\$ 7,652,706</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 9,962,948	\$ 284,146	(353,359)	\$ 9,893,735	\$ 60,838
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	3,254,848	485,020	286,245	4,026,113	2,006,999
Provision for doubtful accounts	158,801	-	-	158,801	-
Miscellaneous revenue	-	-	181,264	181,264	12,319
Change in assets, deferred outflows/inflows and liabilities:					
Accounts receivable	(1,001,096)	(2,149)	(115,437)	(1,118,682)	(13,595)
Due from other governments	(271,900)	-	-	(271,900)	-
Due from other funds	264,182	-	-	264,182	-
Inventories	15,766	-	(6,971)	8,795	(18,882)
Prepaid expenses	-	368	(41,391)	(41,023)	449
Deferred amount related to pensions	1,083,871	47,141	38,932	1,169,944	148,768
Accounts payable and accrued expenses	3,317,282	30,303	1,116,864	4,464,449	521,970
Unearned revenue	-	-	1,459	1,459	-
Due to other funds	-	112,841	-	112,841	-
Refundable deposits payable	10,694	-	(10,870)	(176)	-
Compensated absences payable	9,644	(11,453)	9,251	7,442	9,447
Insurance claims payable	-	-	-	-	69,459
Net OPEB obligation	118,719	7,290	4,166	130,175	19,786
Net pension liability (asset)	(1,136,635)	(48,982)	(41,070)	(1,226,687)	(157,322)
Total adjustments	<u>5,824,176</u>	<u>620,379</u>	<u>1,422,442</u>	<u>7,866,997</u>	<u>2,599,398</u>
Net cash provided by operating activities	<u>\$ 15,787,124</u>	<u>\$ 904,525</u>	<u>\$ 1,069,083</u>	<u>\$ 17,760,732</u>	<u>\$ 2,660,236</u>
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES					
Amortization of bond premiums	\$ -	\$ -	\$ (7,371)	\$ (7,371)	\$ -
Contributions of capital assets	<u>\$ 312,931</u>	<u>\$ 65,810</u>	<u>\$ -</u>	<u>\$ 378,741</u>	<u>\$ 177,946</u>
Equipment acquired with capital lease installment agreement	\$ -	\$ -	\$ -	\$ -	\$ 1,462,614
Equipment transferred from enterprise fund capital assets	<u>\$ (98,915)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (98,915)</u>	<u>\$ 98,915</u>
Realized and unrealized loss on investments	<u>\$ (85,761)</u>	<u>\$ (28,376)</u>	<u>\$ (23,119)</u>	<u>\$ (137,256)</u>	<u>\$ (50,798)</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, 2017

	Pension Trust Funds
ASSETS	
Cash	\$ 8,820
Investments:	
Money market mutual funds	5,502,054
U.S. Government securities	10,971,429
Mortgage and asset-backed securities	9,547,008
Collateralized mortgage obligations	4,190,625
Municipal obligations	1,054,941
Domestic corporate bonds	27,947,677
International fixed income investment fund	16,823,506
Foreign corporate bonds	726,797
Domestic common stocks	85,802,730
Domestic equity mutual funds	31,174,632
Domestic equity index funds	42,128,268
International equity mutual funds	36,290,277
Foreign stocks	517,150
Timber investment funds	5,623,744
Real estate investment trusts	1,109,662
Real estate investment funds	14,928,327
Fixed income alternative investment fund	6,357,067
Interest and dividends receivable	713,131
Due from broker for securities sold	9,708,502
Employee contributions receivable	71,391
Prepaid expenses and other	12,259
Total Assets	311,209,997
 LIABILITIES	
Accounts payable	160,429
Due to broker for securities purchased	246,593
Total Liabilities	407,022
 NET POSITION	
Restricted for pension benefits	\$ 310,802,975

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, 2017

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 12,852,952
State	1,877,123
Plan members	<u>2,545,781</u>
Total contributions	17,275,856
Investment earnings	
Net appreciation in fair value of investments	27,670,392
Interest, dividends and investment fund income	6,600,066
Other investment income	<u>355,911</u>
	34,626,369
Less investment expenses - custodian fees	<u>(1,264,005)</u>
Net investment earnings	<u>33,362,364</u>
Total additions	50,638,220
DEDUCTIONS	
Benefits	21,813,757
Refunds of contributions	75,025
Administrative expenses	<u>380,319</u>
Total deductions	<u>22,269,101</u>
Change In Plan Net Position	28,369,119
Net Position Restricted for Pension Benefits - October 1, 2016	<u>282,433,856</u>
Net Position Restricted for Pension Benefits - September 30, 2017	<u><u>\$ 310,802,975</u></u>

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

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 CRA is a legally separate entity established by Ordinance number 46-85 of the Delray Beach City Commission on June 18, 1985. 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 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, 2017

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 time and purpose restrictions 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. For purposes of measuring the net pension asset/liability, deferred inflows/outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's defined benefit pension plans and the additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the City's defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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. 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 time and purpose restrictions have been met. Interest is recorded when earned. Licenses and permits, fines and forfeitures and miscellaneous revenue are recorded as revenue when received in cash, because they are generally not measurable until actually received.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 fees, 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 service taxes, permits and occupational licenses. Business taxes collected in advance of 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 funds:

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.

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.

One-Cent Sales Tax Fund – This fund accounts for the City's allocation of the One-Cent Local Infrastructure Sales Surtax to be used for infrastructure capital improvement projects and debt service on the City's 2017 Capital Improvement Revenue Bonds issued for infrastructure projects. The sales surtax was approved by Palm Beach County voters in 2016 for a period of 10 years beginning January 1, 2017.

The City reports the following major proprietary funds:

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

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

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 operations of the central garage.

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

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consist of restricted and unrestricted cash deposits, certificates of deposit, Florida intergovernmental investment pools, money market mutual funds and permitted securities and investment funds. Investment securities and funds are reported at fair value. Certificates of deposit, Florida intergovernmental investment pools and money market mutual funds are reported at amortized cost, which approximates fair value. Investment purchases and sales are recorded on the trade date. Realized and unrealized gains and losses on investments are reflected in current operating results as investment earnings. Cash balances from all funds are combined, and the requirements of all funds are considered in determining the amount to be invested. Earnings are

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments (Continued)

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.

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 when consumed rather than when purchased.

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).

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Intra-Entity Transactions

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.

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.

Capital Assets

Capital asset acquisitions are recorded as expenditures in the governmental fund financial statements and capitalized at historical cost in the proprietary 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 the date of receipt at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the date of acquisition. 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 \$5,000 and \$50,000 for software and an estimated useful life in excess of one year. Interest is capitalized on projects during the construction period based upon average accumulated project expenditures. Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, lighting and drainage systems and similar assets that are immovable and of value only to the City) are capitalized and reported in the Improvements Other Than Buildings category.

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

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

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

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 officers 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 officers and 672 hours (84 days) for firefighters according to the following vesting schedule:

Years of Continuous Service	Percent Vested
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 and proprietary funds statements of net position and the governmental funds balance sheet report a separate section for deferred outflows and/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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources (Continued)

The City has two items, deferred charges on refundings and deferred amounts related to pensions, which are reported as deferred outflows of resources in the government-wide and proprietary funds statements of net position. The deferred charges on refundings are 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. A deferred outflow of resources related to pensions results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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, deferred amounts related to pensions, which is reported as a deferred inflow of resources on the government-wide and proprietary funds statements of net position. A deferred inflow of resources related to pensions results from differences between expected and actual experience which are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). The City also 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.

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Fund Balance / Net Position (Continued)

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 25% of General Fund expenditures to provide for cash flow and emergency purposes.

Net Position – The government-wide and proprietary funds financial statements 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 \$37,247,894 restricted for debt service, law enforcement and capital improvements and business-type activities net position of \$3,604,806 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. Ad valorem property 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 by the County Tax Collector. Delinquent tax certificates are sold and become a lien on the property on June 1. State Statutes permit municipalities to levy property taxes at a maximum rate of 10 mills (\$10.00 for each \$1,000 of assessed valuation).

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. 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 (2015/2016) 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Property Taxes (Continued)

unanimous vote or voter referendum. For the fiscal year ended September 30, 2017, the City adopted an operating millage rate of 6.9611 and a debt service millage of 0.2496, resulting in a total tax levy of \$63,449,114 for 2017. 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, if any, are reported as fund balance 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 Officer 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 \$1,877,123 for the fiscal year ended September 30, 2017.

Implementation of GASB Statements

The following GASB Statements were effective for the City for the fiscal year ended September 30, 2017:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new standards of financial reporting for governments whose employees are provided with other postemployment benefits (OPEB) through defined benefit and defined contribution OPEB plans and requires enhanced note disclosures and schedules of required supplementary information for OPEB plans.
- GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about the reporting government's own tax abatement agreements and agreements that are entered into by other governments that reduce the reporting government's tax revenues.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through certain cost-sharing multiple-employer defined benefit pension plans.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, amends the blending requirements for financial statement presentation of component units of all state and local governments and requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Implementation of GASB Statements (Continued)

- GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statement No. 67, No. 68 and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The GASB Statements effective for the year ended September 30, 2017 required certain additional disclosures in the notes to the financial statements but had no impact on the City's financial statements.

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 the following GASB Statements on the financial statements of the City:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to employees of other entities. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2018.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary and requires that a government recognize assets representing the beneficial interest in the irrevocable split-interest agreement administered by a third party if the government controls the present service capacity of the beneficial interests. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2018.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2019.
- GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefits arrangements that are fiduciary activities. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2020.
- GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements including topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2018.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in-substance. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2018.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

2. Significant Accounting Policies (Continued)

Implementation of GASB Statements (Continued)

- GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2021.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, addresses the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement requires additional note disclosures regarding debt, including unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance related consequences and significant acceleration provisions. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2019.

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 City and its pension trust funds at September 30, 2017, including unrestricted and restricted assets, are summarized as follows:

	City Primary Government	Fiduciary Funds Pension Trust	Total
Deposits with financial institutions and cash on hand	\$ 57,209,575	\$ 8,820	\$ 57,218,395
Cash equivalents and investments	103,779,160	300,695,894	404,475,054
Total cash, cash equivalents and investments	<u>\$ 160,988,735</u>	<u>\$ 300,704,714</u>	<u>\$ 461,693,449</u>
Cash and cash equivalents	\$ 66,483,496	\$ 8,820	\$ 66,492,316
Investments	90,773,710	300,695,894	391,469,604
Restricted cash and cash equivalents	2,043,387	-	2,043,387
Restricted investments	1,688,142	-	1,688,142
Total cash, cash equivalents and investments	<u>\$ 160,988,735</u>	<u>\$ 300,704,714</u>	<u>\$ 461,693,449</u>

Deposits with Financial Institutions

At September 30, 2017, the City's cash and cash equivalents included deposits with financial institutions of \$57,192,475 and petty cash of \$17,100 and the pension trust funds had deposits in brokerage accounts of \$8,820. 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

3. Cash, Cash Equivalents and Investments (Continued)

Deposits with Financial Institutions (Continued)

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.

Investments

Florida Statutes and City policy authorize the City and its pension trust funds to invest in Florida Prime (a State administered investment pool) and other approved governmental investment pools; 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, Fannie Mae, Freddie Mac, the Federal Home Loan Bank or its district banks; obligations guaranteed by the Government National Mortgage Association; and any additional investments authorized by the City's Investment Policy of Board or Trustees for the Pension Plans. The City's investment policy also authorizes the City to invest, with certain limitations, in repurchase agreements, commercial paper, bankers acceptances, corporate notes and obligations, mortgage-backed securities, state and local government tax exempt debt, registered investment companies and Florida intergovernmental investment pools.

The City's 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 private investment funds consisting of equity and fixed income investments, real estate, timberlands, and similar investments that are not publicly traded.

The following summarizes the cash equivalents and investments of the City and its pension trust funds reported on the statement of net position and statement of fiduciary net position at September 30, 2017:

	City Primary Government	Fiduciary Funds Pension Trust	Total
Cash equivalents			
Money market mutual funds	\$ 2,270,213	\$ -	\$ 2,270,213
Florida intergovernmental investment pools	14,660,624	-	14,660,624
Total cash equivalents	16,930,837	-	16,930,837
Investments			
Money market mutual funds	-	5,502,054	5,502,054
Florida intergovernmental investment pools	28,350,000	-	28,350,000
U.S. Government securities	25,931,025	10,971,429	36,902,454
U.S. Government Agency securities	19,677,301	-	19,677,301
Mortgage and asset-backed securities	-	9,547,008	9,547,008
Collateralized mortgage obligations	369,410	4,190,625	4,560,035
Certificates of deposit	3,300,000	-	3,300,000
Municipal obligations	499,400	1,054,941	1,554,341
International fixed income investment funds	-	16,823,506	16,823,506
Domestic and international corporate obligations	8,721,187	28,674,474	37,395,661
Domestic and foreign equity securities	-	86,319,880	86,319,880
Domestic and international equity investment funds	-	109,593,177	109,593,177
Timber investment funds	-	5,623,744	5,623,744
Real estate and fixed income alternative investments	-	22,395,056	22,395,056
Total investments	86,848,323	300,695,894	387,544,217
Total cash equivalents and investments	\$ 103,779,160	\$ 300,695,894	\$ 404,475,054

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

The Florida intergovernmental investment pools consist of three governmental investment pools, Florida Cooperative Liquid Assets Securities System (FLCLASS), Florida Surplus Asset Fund (FL SAFE) and Florida Education Investment Trust Fund (FEITF). The pools are organized under Florida Statutes Section 163, the Florida Interlocal Cooperation Act, by Florida public agencies for the purpose of operating an independent investment pool for local governments in Florida and are administered by a Board of Trustees elected by the participants in the pool. FL CLASS and FL SAFE are operated in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost, rather than fair value, to report net position used to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, and requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pools is considered to be the same as the City's account balance (amortized cost) in the pool. The investment in FEITF includes shares in the Term Series which are purchased to mature at pre-determined maturity dates selected by the City. FEITF shares are redeemable at fair value with at least 7 days' notice, less a premature redemption penalty.

Fair Value of Investments: The City follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a framework for measuring the fair value of investments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the assets.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets that are not directly comparable to the subject asset.

The fair value measurement of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the City's perceived risk of that investment.

Valuation Methodologies: The following valuation methods and assumptions were used by the City to estimate the fair value of financial instruments measured at fair value on a recurring basis under GASB Statement No. 72:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

Equity securities: Valued at the closing price reported on the active exchange on which the individual securities are actively traded.

U.S. Government and Agency securities, mortgage and asset-backed securities, collateralized mortgage obligations, municipal obligations, domestic and international corporate bonds and commercial paper: Valued at the closing price reported on the active exchange on which the individual securities are actively traded. Securities that are not actively traded are valued by the investment manager or broker using a matrix pricing technique based on the securities' relationship to quoted benchmark prices.

Investments measured at net asset value (NAV): Domestic and international equity and fixed income investment funds and alternative investment funds investing in fixed income and equity securities, timber and real estate, are valued at the unadjusted NAV per share at September 30, 2017, calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies based on the fair value of the underlying fund investments, as determined by the fund manager, 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. Timber and real estate values are based upon annual independent appraisals performed for assets held by the funds. The fair value of timber and real estate is the price that would be received if the asset was sold to a market participant assuming the highest and best use of each asset at the measurement date. The pooled investment funds in fixed income and equity investments are not publicly traded and invest in various types of equity securities and fixed income securities. The alternative investment funds may hold certain investments valued by a single market maker. While the fund managers use their best judgment in estimating the fair value of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair value of alternative investment funds has been estimated by the management of the pension funds and their investment advisors in the absence of readily ascertainable market values.

The methods and assumptions described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the City believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods and assumptions used for the year ended September 30, 2017.

Fair Value of Investments: The financial assets measured at fair value on a recurring basis include the City's investments. There were no liabilities measured at fair value on a recurring basis at September 30, 2017. Investments in money market mutual funds and certificates of deposit are reported at amortized cost, which approximates fair value, and accordingly, are not included in the fair value hierarchy. The fair value of the City's investments at September 30, 2017 is summarized as follows:

	Fair Value at September 30, 2017			
	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. Government	\$ 36,902,454	\$ -	\$ -	\$ 36,902,454
U.S. Government Agencies	-	19,677,301	-	19,677,301
Mortgage and asset-backed	-	9,547,008	-	9,547,008
Collateralized mortgage obligations	-	4,560,035	-	4,560,035
Municipal obligations	-	1,554,341	-	1,554,341
International fixed income investment funds	16,823,506	-	-	16,823,506
Corporate bonds	-	37,395,661	-	37,395,661
Total debt securities	53,725,960	72,734,346	-	126,460,306

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

	Fair Value at September 30, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and other investments				
Equity securities	\$ 86,319,880	\$ -	\$ -	\$ 86,319,880
Equity investment funds	109,593,177	-	-	109,593,177
Timber investment funds	<u>-</u>	<u>-</u>	<u>5,623,744</u>	<u>5,623,744</u>
Total equity securities	<u>195,913,057</u>	<u>-</u>	<u>5,623,744</u>	<u>201,536,801</u>
Total investments	<u>\$ 249,639,017</u>	<u>\$ 72,734,346</u>	<u>\$ 5,623,744</u>	327,997,107
Investments measured at NAV				
Alternative investment funds				
Real estate investment funds				16,037,989
Fixed income investment fund				<u>6,357,067</u>
Total investments at NAV				<u>22,395,056</u>
Total investments at fair value				<u>\$ 350,392,163</u>

The reported fair values for the alternative investment funds 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 investment funds also use derivatives, forward foreign currency contracts and similar instruments that may cause wide and sudden fluctuations in market value. 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 also expose the pension funds to additional investment risks, including liquidity risks; counterparty and custody risks; foreign political, foreign currency, economic and governmental risks; and, market risk. At September 30, 2017, certain alternative investment funds measured at NAV had future funding commitments of approximately \$5,120,000. No withdrawals are permitted during the term of certain funds which range from 2019 to 2026. At September 30, 2017, the approximate investment fair value and related fiscal year of redemption of these funds are as follows: \$2,923,000 in 2019; \$6,357,000 in 2020; \$3,330,000 in 2024 and \$2,966,000 in 2026.

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, 2017 all direct investments in securities were held in independent custodial safekeeping accounts, and money market mutual funds, mutual funds and alternative investments, were considered *unclassified* investments pursuant to GASB Standards.

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, and investment pools are excluded from the concentration of credit risk disclosure requirement.

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, 2017, the ratings for the City's investment portfolio ranged from A to AAA. Pension investments in debt securities must be rated investment grade by a NRSRO at the date of purchase.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

The NRSRO ratings for the fixed income investment securities and pools of the primary government and pension funds are summarized as follows at September 30, 2017.

	NRSRO Rating	Fair Value
Primary Government		
Money market mutual funds	Unrated	\$ 2,270,213
Florida intergovernmental investment pools	AAAm	14,660,624
FEITF intergovernmental investment pool – Term Series	AAAf	28,350,000
U.S. Government and Agency securities	AA	45,608,326
Collateralized mortgage obligations	AA	369,410
Municipal obligations	AA	499,400
Corporate obligations	A - BBB	8,721,187
Pension Trust Funds		
Money market mutual funds	Unrated	5,502,054
U.S. Government securities	AA	10,971,429
Mortgage and asset-backed securities	AAA	9,547,008
Collateralized mortgage obligations	AA	4,190,625
Municipal obligations	AA	1,054,941
International fixed income investment funds	Unrated	16,823,506
Domestic and international corporate obligations	AA-BBB	28,674,474
Fixed income alternative investment fund	Unrated	6,357,067

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. The Pension Funds have no specific limits on investment maturities. The table below summarizes the average effective duration in years of the fixed income investments with maturities in excess of 90 days.

	Average Duration (in years)	Fair Value
Primary Government		
U.S. Government securities	2.1	\$ 25,931,025
U.S. Government Agency securities	1.6	19,677,301
Collateralized mortgage obligations	1.6	369,410
Certificates of deposit	.3	3,300,000
Municipal obligations	.6	499,400
Corporate obligations	1.8	8,721,187
Pension Trust Funds		
U.S. Government securities	7.8	10,971,429
Mortgage and asset-backed securities	6.1	9,547,008
Collateralized mortgage obligations	3.3	4,190,625
Municipal obligations	3.6	1,054,941
International fixed income investment funds	Not Available	16,823,506
Domestic and international corporate obligations	3.6	28,674,474
Fixed income alternative investment fund	Not Available	6,357,067

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

Foreign Currency Risk: Foreign currency risk includes the risk of revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized and unrealized gains, and their price may be more volatile than those of comparable securities in U.S. companies.

Risks and Uncertainties: Due to the various risks associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements. The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations, commercial mortgage backed securities and real estate funds or pooled funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Discretely Presented Component Units

Cash: The CRA's cash at September 30, 2017, includes deposits with financial institutions with a bank balance of \$11,177,852, a book balance of \$11,099,741, Florida Prime deposits of \$6,828 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, 2017, 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, 2017:

	Governmental Activities	Business-Type Activities
Property taxes receivable:		
General Fund	\$ 365,727	\$ -
Accounts receivable:		
General Fund	3,112,688	
Water and Sewer Fund	-	5,413,022
Stormwater Fund	-	8,420
Neighborhood Services Fund	722	-
Non-Major Funds	122,704	652,566
Internal Service Funds	30,001	-
Allowance for doubtful accounts	(2,039,271)	(1,092,550)
	<u>\$ 1,592,571</u>	<u>\$ 4,981,458</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

5. Notes Receivable

Notes receivable consist of the following at September 30, 2017:

Governmental Activities

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.

\$ 3,802,433

Notes Receivable from Component Unit – Delray Beach Community Redevelopment Agency (CRA)

The City's outstanding notes receivable from the Delray Beach Community Redevelopment Agency (CRA) at September 30, 2017, 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 One 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. 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 pays the City an amount equal to the principal and interest on the City's debt for the project based on the CRA's share of the project 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. Interest is payable semi-annually on June 1st and December 1st at 3.25% on the outstanding principal balance. The note receivable from the CRA was \$2,529,933 at September 30, 2017.

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 Delray Beach Chamber of Commerce 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. The CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity. The note receivable from the CRA was paid in full in May 2017.

The CRA's outstanding notes receivable at September 30, 2017 consist of the following:

Notes Receivable from Delray Beach Community Land Trust

Construction Mortgages: The CRA provides advances to the Delray Beach Community Land Trust, Inc. (CLT) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

5. Notes Receivable (Continued)

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

uncollectible amount is charged to expenditures. At September 30, 2017, 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 designated property 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. In March 2017, the CRA loaned \$200,000 to the CLT for the purchase of designated property in the City for the CLT's affordable housing program. Interest only payments of \$1,472 are due quarterly beginning April 3, 2107 and quarterly each three months thereafter. The principal is due January 3, 2019 or on the date the CLT's interest in the property is sold or otherwise transferred. The loan is secured by a first purchase money mortgage on the property.

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 \$204,237 as of September 30, 2017.

Note Receivable from Prime Delray Hotel, LLC

On June 20, 2014, the CRA entered into an agreement to loan Prime Delray Hotel, LLC \$1.5 million for development and construction of a 4-story business class hotel on Atlantic Avenue (the "Hotel Property"). The loan accrues interest at a rate of 3% per annum. Payments of interest only on the outstanding loan balance of \$1,500,000 are payable to the CRA on the first day of each month for 60 months beginning August 1, 2014 and continuing through July 1, 2019, at which time all outstanding principal and accrued interest will be due to the CRA. The loan is collateralized by a second mortgage lien and security interest in the Hotel Property and all improvements, fixtures, and appurtenances thereto. The \$1,500,000 loan balance was repaid in full on December 21, 2016.

Note Receivable from Village Square Elderly, Ltd.

On July 17, 2014, the CRA entered into a funding agreement with Village Square Elderly, Ltd. for \$2.7 million, with a 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"). In accordance with the promissory note, the loan will be non-interest bearing during the construction period and 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 commencement of the loan and are due annually thereafter until the 10th anniversary of the loan. Commencing on the tenth anniversary date and annually thereafter,

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

5. Notes Receivable (Continued)

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

principal and interest will be payable 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 is collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The loan matures 20 years from the closing date at which time all outstanding principal and accrued interest will be due to the CRA. The first construction draw was on March 15, 2017 and the total receivable at September 30, 2017 was \$1,463,641.

Second Mortgage Loans Receivable

The CRA provided home mortgage loan assistance to eligible low income individuals who qualified under the CLT or CRA home subsidy program for the purchase of a home or the rehabilitation of an existing home within the City. The home purchase or rehabilitation subsidy provided by the CRA is secured by a second mortgage on the property. The second mortgage is non-interest bearing and requires no principal payments to the CRA until the occurrence of a specified event, generally related to the sale of the property, a default on the first mortgage on the property or a default on the obligations of the second mortgage to maintain the property, provide insurance, pay all taxes and generally not permit any impairment or deterioration of the property. The CRA expects the full amount of the mortgage to be recoverable at some future, undetermined date when the property is sold or transferred to a new owner. At September 30, 2017, the amount of the individual second mortgages originated in 2008 through 2017, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. The loans receivable totaled \$593,884 as of September 30, 2017.

6. Due from/Due to Component Units

The amounts due from/due to component unit consist of the following balances for the Delray Beach Community Redevelopment Agency at September 30, 2017:

Due from Component Units

General Fund

Clean and Safe Program	\$ 811,224
NE 3 rd Streetscape Project	13,443
Downtown Roundabout	72,055
Professional Services	27,500
Code Enforcement	29,398
Housing Project Management	21,552

Neighborhood Services Fund

Housing Rehabilitation	8,977
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Beautification Fund

Landscaping	4,054
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Capital Improvement Fund

Veterans Park	585,179
Osceola Park Engineering	815,531
Engineering Design and Consulting	579,257
Christmas Tree Foundation	<u>180,128</u>

Total Due from Component Unit \$ 3,148,298

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2017

6. Due from/Due to Component Units (Continued)

Due to Component Units

<u>General Fund</u>		
Shared employees	\$	52,836
Project reimbursement		5,160
<u>Special Projects Fund</u>		
Eagle Nest project		100,000
<u>Capital Improvement Fund</u>		
Project Overpayment		45,763
Total Due to Component Unit	\$	203,759

7. Due from Other Governments

The total amount due from other governments of \$1,173,876 at September 30, 2017, represents the amount due from federal, state and local sources for intergovernmental revenues and grant reimbursements in the General Fund, Neighborhood Services Fund and One-Cent Sales Tax Fund.

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 requirement at September 30, 2017, 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, 2017.

Restricted assets, liabilities payable from restricted assets and restricted net position of the Enterprise Funds are summarized as follows at September 30, 2017:

	Restricted for		
	Debt Service	Renewal and Replacement	Total
Restricted Assets			
Water and Sewer Fund			
Cash and cash equivalents	\$ 282,111	\$ 1,662,330	\$ 1,944,441
Investments	1,688,142	-	1,688,142
Stormwater Fund			
Cash and cash equivalents	48,592	-	48,592
Non-Major Enterprise Funds			
Cash and cash equivalents	50,354	-	50,354
Total Restricted Assets	2,069,199	1,662,330	3,731,529
Liabilities Payable from Restricted Assets			
Water and Sewer Fund	122,523	-	122,523
Stormwater Fund	2,422	-	2,422
Non-Major Enterprise Funds	1,778	-	1,778
Total Liabilities Payable from Restricted Assets	126,723	-	126,723
Restricted Net Position	\$ 1,942,476	\$ 1,662,330	\$ 3,604,806

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

9. Capital Assets

The major components of capital assets for the City are summarized as follows at September 30, 2017:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 40,302,005	\$ 309,091	\$ (13,860)	\$ 40,597,236
Construction in Progress	5,358,829	8,071,688	(432,839)	12,997,678
Total Non-depreciable Assets	45,660,834	8,380,779	(446,699)	53,594,914
<u>Depreciable Assets</u>				
Buildings	39,816,176	1,763,296	-	41,579,472
Improvements Other Than Buildings	135,401,524	959,649	-	136,361,173
Equipment	48,430,396	6,999,603	(1,443,594)	53,986,405
Total Depreciable Assets	223,648,096	9,722,548	(1,443,594)	231,927,050
<u>Less Accumulated Depreciation</u>				
Buildings	(21,107,930)	(1,163,258)	-	(22,271,188)
Improvements Other Than Buildings	(71,002,632)	(4,419,634)	-	(75,152,266)
Equipment	(35,115,355)	(3,186,342)	1,347,610	(36,954,087)
Total Accumulated Depreciation	(127,225,917)	(8,499,234)	1,347,610	(134,377,541)
Total Depreciable Assets, net	96,422,179	1,223,314	(95,984)	97,549,509
Governmental Activities				
Capital Assets, net	\$ 142,083,013	\$ 9,604,093	\$ (542,683)	\$ 151,144,423
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 5,668,824	\$ -	\$ -	\$ 5,668,824
Construction in Progress	10,928,065	2,020,203	(3,021,186)	9,927,082
Total Non-depreciable Assets	16,596,889	2,020,203	(3,021,186)	15,595,906
<u>Depreciable Assets</u>				
Buildings	13,774,348	-	-	13,774,348
Improvements Other Than Buildings	175,836,384	3,795,315	(1,515)	179,630,184
Equipment	14,593,005	2,424,723	(170,373)	16,847,355
Total Depreciable Assets	204,203,737	6,220,038	(171,888)	210,251,887
<u>Less Accumulated Depreciation</u>				
Buildings	(9,538,279)	(261,167)	-	(9,799,446)
Improvements Other Than Buildings	(90,217,861)	(3,319,832)	1,424	(93,536,269)
Equipment	(12,416,852)	(445,114)	169,323	(12,692,643)
Total Accumulated Depreciation	(112,172,992)	(4,026,113)	170,747	(116,028,358)
Total Depreciable Assets, net	92,030,745	2,193,925	(1,141)	94,223,529
Business-Type Activities				
Capital Assets, net	\$ 108,627,634	\$ 4,214,128	\$ (3,022,327)	\$ 109,819,435

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

9. Capital Assets (Continued)

Depreciation expense for the fiscal year ended September 30, 2017, was charged to functions/programs of the primary government as follows:

Governmental Activities

General Government	\$ 844,829
Public Safety	1,018,478
Physical Environment	2,856,412
Parks and Recreation	1,772,516
Internal Service Funds	2,006,999
Total depreciation expense - Governmental Activities	\$ 8,499,234

Business-Type Activities

Water and Sewer	\$ 3,254,848
Stormwater	485,020
Municipal Golf Course	191,275
Lakeview Golf Course	85,553
City Marina	9,179
Sanitation	238
Total depreciation expense - Business-Type Activities	\$ 4,026,113

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, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land and Land Improvements	\$ 31,883,097	\$ 1,185,147	\$ (3,364,258)	\$ 29,703,986
Construction in Progress	-	2,081,853	-	2,081,853
Total Non-depreciable Assets	31,883,097	3,267,000	(3,364,258)	31,785,839
<u>Depreciable Assets</u>				
Buildings and Improvements	3,808,566	-	-	3,808,566
Equipment, Furniture, and Fixtures	147,569	42,720	-	190,289
Total Depreciable Assets	3,956,135	42,720	-	3,998,855
<u>Less Accumulated Depreciation</u>				
Buildings and Improvements	(1,197,259)	(130,499)	-	(1,327,758)
Equipment, Furniture, and Fixtures	(128,443)	(10,055)	-	(138,498)
Total Accumulated Depreciation	(1,325,702)	(140,554)	-	(1,466,256)
Total Depreciable Assets, net	2,630,433	(97,834)	-	2,532,599
Capital Assets, net	\$ 34,513,530	\$ 3,169,166	\$ (3,364,258)	\$ 34,318,438

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

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 is 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, 2017, accounts receivable of the Water and Sewer Fund and business-type activities included \$271,900 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities included \$474,202 due to the Board. For the year ended September 30, 2017, the City paid \$3,372,997 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, 2017, the City’s 50% equity interest in the net position of the Board totaled \$19,004,757 and has been reported as “Investment in regional plant (joint venture)” in the City’s financial statements.

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. Summarized financial information of the Board as of and for the year ended September 30, 2017, is as follows:

Net Position		
Current and other assets		\$ 7,465,016
Capital assets, net		31,802,305
	Total assets	<u>39,267,321</u>
Current liabilities		1,183,266
Noncurrent liabilities		74,540
	Total liabilities	<u>1,257,806</u>
	Net position	<u>\$ 38,009,515</u>

Change in Net Position		
Charges for services		\$ 7,625,036
Capital grants and contributions		1,000,000
	Total Program revenues	<u>8,625,036</u>
Program expenses		10,492,225
	Net program expenses	<u>(1,867,189)</u>
Investment income		8,182
Miscellaneous		112,786
Transfers to joint venture participants		(953,201)
	Change in net position	<u>\$ (2,699,422)</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

11. Interfund Transactions and Balances

Total interfund receivables/payables and transfers were as follows as of and for the year ended September 30, 2017:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Funds				
General Fund	\$ -	\$ -	\$ 3,591,728	\$ 9,661,642
Neighborhood Services	-	-	149,430	-
Non-Major Governmental Funds				
Special Revenue Funds				
Beautification	-	-	947,348	-
Special Projects	-	-	51,960	52,000
Cemetery Perpetual Care	-	-	-	1,375,523
Debt Service Fund				
Utilities Tax	-	-	2,061,400	1,800
Capital Projects Funds				
Capital Improvement	-	-	6,526,919	51,960
2004 GO Bond	-	-	-	45,000
Beach Restoration	-	-	66,735	-
Total Governmental Funds	-	-	13,395,520	11,187,925
Major Proprietary Funds				
Water and Sewer	2,367,306	-	108,000	3,147,975
Stormwater	-	2,367,306	-	352,358
Non-Major Proprietary Funds				
Municipal Golf Course	-	-	-	18,000
Lakeview Golf Course	-	-	-	5,000
City Marina	-	-	-	51,016
Sanitation	-	-	-	215,684
Cemetery	-	-	1,375,523	-
Internal Service Fund:				
Central Garage	-	-	98,915	-
Total Proprietary Funds	2,367,306	2,367,306	1,582,438	3,790,033
Total Primary Government	\$ 2,367,306	\$ 2,367,306	\$ 14,977,958	\$ 14,977,958

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

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

12. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 42,281,964	\$ 31,500,000	\$ (1,717,280)	\$ 72,064,684	\$ 4,290,000
General obligation bonds	14,845,000	-	(1,640,000)	13,205,000	1,700,000
Unamortized bond premium	2,977,327	-	(192,086)	2,785,241	-
Total bonds payable, net	60,104,291	31,500,000	(3,549,366)	88,054,925	5,990,000
Installment agreements	267,429	1,462,614	(111,433)	1,618,610	512,296
Compensated absences	6,982,260	1,300,496	(1,064,447)	7,218,309	934,886
Insurance claims payable	5,966,869	7,565,906	(7,496,447)	6,036,328	1,723,328
Total Governmental Activities	<u>\$ 73,320,849</u>	<u>\$ 41,829,016</u>	<u>\$ (12,221,693)</u>	<u>\$ 102,928,172</u>	<u>\$ 9,160,510</u>
Business-Type Activities:					
Revenue bonds	\$ 11,448,036	\$ -	\$ (1,892,720)	\$ 9,555,316	\$ 1,942,476
Installment agreements	109,439	182,800	(53,024)	239,215	149,905
Compensated absences	1,078,456	139,219	(131,777)	1,085,898	103,389
Total Business-Type Activities	<u>\$ 12,635,931</u>	<u>\$ 322,019</u>	<u>\$ (2,077,521)</u>	<u>\$ 10,880,429</u>	<u>\$ 2,195,770</u>

Debt service on revenue bonds and installment agreements is payable from available non-ad valorem revenues. Debt service on utility tax bonds 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 funds for business-type activities. Noncurrent liabilities, including current maturities, consisted of the following at September 30, 2017:

Revenue Bonds:	<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.	\$ 854,500	\$ 315,500
\$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.	1,700,184	99,816
\$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.	-	1,135,000

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2017

12. Noncurrent Liabilities (Continued)

Revenue Bonds (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<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>	\$ -	\$ 2,845,000
<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>	-	5,330,000
<p>\$39,020,000 Utilities Tax Revenue Refunding and Improvement Bonds, issued April 1, 2015 (Series 2015), due in principal amounts of \$400,000 to \$3,225,000 through June 1, 2035, with semi-annual interest payments at 3% to 5%, due June 1 and December 1, through June 1, 2035. The Bonds were issued to refund a portion of the Utility Tax Revenue Bonds, Series 2007; to pay a portion of the Bond Anticipation Revenue Improvement Note, Series 2013; and, to finance the costs of rebuilding Fire Station No. 3 and certain beach amenity projects.</p>	38,010,000	-
<p>\$31,500,000 Capital Improvement Revenue Bonds, issued June 23, 2017 (Series 2017), due in principal amounts of \$2,500,000 to \$3,480,000 through October 1, 2026, with semi-annual interest payments at 1.96%, due April 1 and October 1, through October 1, 2026. The Bonds were issued to finance certain infrastructure capital projects.</p>	31,500,000	-
Total Revenue Bonds	72,064,684	9,555,316
Unamortized bond premium	2,785,241	-
Total Revenue Bonds, Net	74,849,925	9,555,316
 General Obligation Bonds:		
<p>\$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.</p>	6,925,000	-

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2017

12. Noncurrent Liabilities (Continued)

General Obligation Bonds (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$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.	\$ 6,280,000	\$ -
Total General Obligation Bonds	13,205,000	-
 Other Noncurrent Liabilities:		
Installment agreements for equipment, 2.41% to 2.85% interest, maturing in 2024	1,618,610	239,215
Compensated absences payable	7,218,309	1,085,898
Insurance claims payable (see Note 15)	6,036,328	-
Total Noncurrent Liabilities, including current portion	\$ 102,928,172	\$ 10,880,429

Governmental Activities

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

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

The installment agreements financed the purchase of equipment. At September 30, 2017, the amount of the equipment held under these agreements was approximately \$2,610,000 and the accumulated amortization was approximately \$888,000. 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 maturity for the City's installment agreements as of September 30, 2017, are as follows:

Fiscal year ending September 30:	
2018	\$ 425,218
2019	331,605
2020	294,380
2021	269,024
2022	239,573
Thereafter	459,553
Total minimum payments	2,019,353
Less amount representing interest	(161,528)
Outstanding balance at September 30, 2017	\$ 1,857,825

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

12. Noncurrent Liabilities (Continued)

Governmental Activities (Continued)

Pledged Governmental Revenues: The City has pledged the future utilities service tax revenues of the City to repay the outstanding Utility Tax Revenue Bonds, Series 2015 issued to finance various capital improvements and repay outstanding debt. The utility tax bonds are payable solely from the utilities service tax revenues received by the City and are payable through 2035. 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 governmental activities/funds, was \$51,805,300 at September 30, 2017. Principal and interest paid during the current year was \$520,000 and \$1,541,400, respectively.

The City has also pledged the future non ad-valorem revenues of the City to repay the outstanding Series 2000 Revenue Bonds, Series 2003 Revenue Refunding and Improvement Bonds and Series 2017 Capital Improvement Revenue 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 2027. Annual principal and interest payments on the bonds are expected to require less than 10 percent of non-ad valorem revenues. Total principal and interest remaining to be paid on the Series 2000 and 2003 bonds, which is allocated to both the governmental activities/funds and business-type activities/funds at September 30, 2017, is \$3,162,360. Total principal and interest remaining to be paid on the Series 2017 Capital Improvement Bonds was \$34,583,570 at September 30, 2017. Non-ad valorem revenues received for the current year were approximately \$68.8 million. Principal and interest paid for the current year was \$1,390,000 and \$180,654, respectively.

Debt Extinguishment: On April 1, 2015, the City issued \$39,020,000 of Utilities Tax Revenue Refunding and Improvement Bonds, Series 2015, to advance refund \$24,330,000 of the outstanding balance of the Utility Tax Revenue Bonds, Series 2007. A portion of the Bonds were not defeased and a principal balance of \$70,000 was paid on October 1, 2016. Net proceeds of \$26,555,031 were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the Series 2007 Bonds. Accordingly, the Series 2007 Bonds were considered defeased and the liability for the outstanding bonds was removed from the City's financial statements. The refunding reduced the City's debt service payments by \$3,190,280 and resulted in an economic gain of \$2,502,129. The difference between the reacquisition price and net carrying amount of the Series 2007 Bonds of \$2,101,067 was reported as deferred outflow of resources on the statement of net position and amortized to operations over 17 years. The defeased Series 2007 bonds were called and fully paid on June 1, 2017.

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.

Interest Expense: Total interest costs incurred and paid on governmental activities debt for the year ended September 30, 2017 were \$2,306,897 and \$2,151,910, respectively, all of which was expensed.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

12. Noncurrent Liabilities (Continued)

Governmental Activities (Continued)

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, 2017:

Fiscal Year Ending September 30	Revenue Bonds		General Obligation Bonds		Total
	Principal	Interest	Principal	Interest	
2018	\$ 4,290,000	\$ 2,074,378	\$ 1,700,000	\$ 396,705	\$ 8,461,083
2019	4,859,684	2,081,962	1,750,000	341,898	9,033,544
2020	5,010,000	1,939,899	1,820,000	284,997	9,054,896
2021	5,160,000	1,781,075	1,880,000	225,795	9,046,870
2022	5,330,000	1,616,575	1,945,000	164,345	9,055,920
2023-2027	29,355,000	5,377,255	4,110,000	134,456	38,976,711
2028-2032	15,180,000	1,968,912	-	-	17,148,912
2033-2035	2,880,000	200,138	-	-	3,080,138
Total	\$ 72,064,684	\$ 17,040,194	\$ 13,205,000	\$ 1,548,196	\$ 103,858,074

Business-Type Activities

The provisions of the bond resolutions for the debt of the Water and Sewer Fund, Stormwater Fund and Municipal Golf Course 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 2006 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 25 percent of utility net revenues. Total principal and interest remaining to be paid on the water and sewer utility revenue bonds is \$10,145,689. Principal and interest paid and utility net revenues for the current year were \$2,221,534 and \$13,294,934, respectively.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

12. Noncurrent Liabilities (Continued)

Business-Type Activities (Continued)

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

Debt Maturities: The annual requirements to pay principal and interest to maturity on the business-type activities bonds outstanding as of September 30, 2017, are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2018	\$ 1,945,000	\$ 218,775	\$ 2,163,775
2019	1,985,316	166,699	2,152,015
2020	1,820,000	113,097	1,933,097
2021	1,880,000	68,716	1,948,716
2022	1,925,000	23,086	1,948,086
Total	\$ 9,555,316	\$ 590,373	\$ 10,145,689

Interest Expense: Total interest costs incurred and paid on business-type activities debt for the year ended September 30, 2017, were \$255,500 and \$283,161, respectively, all of which was expensed.

Segment Information: A portion of the City's Series 2000 Revenue Bonds and Series 2003 Revenue Refunding and Improvement Bonds, were used to finance improvements to the City's stormwater utility and municipal golf course. The City's stormwater utility and golf course are accounted for in two separate 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 stormwater utility and golf course.

Discretely Presented Component Unit - Delray Beach Community Redevelopment Agency

Changes in the noncurrent liabilities of the Delray Beach Community Redevelopment Agency (CRA) for the year ended September 30, 2017, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 6,139,225	\$ -	\$ (1,090,000)	\$ 5,049,225	\$ 1,140,000
Loans Payable to the City	3,519,948	-	(990,015)	2,529,933	361,419
Total Noncurrent Liabilities	\$ 9,659,173	\$ -	\$ (2,080,015)	\$ 7,579,158	\$ 1,501,419

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

12. Noncurrent Liabilities (Continued)

Discretely Presented Component Unit - Delray Beach Community Redevelopment Agency (Continued)

The CRA's outstanding revenue bonds at September 30, 2017, consist of the following:

4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019.	\$ 605,000
4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019.	1,725,000
2.10% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bond (Series 2012), issued as a draw-down bond to a financial institution with a maximum aggregate principal amount of \$4,000,000 available through October 1, 2018. Principal will be payable in equal installments on April 1 st and October 1 st , commencing the first April 1 st or October 1 st after the final draw date.	2,669,225
2.78% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bond (Series 2015), issued as a draw-down bond to a financial institution with a maximum aggregate principal amount of \$2,000,000 available through January 29, 2019. Principal will be payable in equal installments on April 1 st and October 1 st , commencing the first April 1 st or October 1 st after the final draw date.	50,000
Total Revenue Bonds	<u>\$ 5,049,225</u>

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City by the CRA at September 30, 2017, consisted of the following (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 US Highway 1 Improvements 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 obtained 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 paid 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 and interest at 3.25% is payable by the CRA in semi-annual installments of \$210,075 on June 1st and December 1st through maturity on June 1, 2024. The outstanding principal balance on the loan was \$2,529,933 at September 30, 2017.

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. The loan was paid in full in May 2017. The CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity.

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2017

12. Noncurrent Liabilities (Continued)

Discretely Presented Component Unit - Delray Beach Community Redevelopment Agency (Continued)

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2018	\$ 361,419	\$ 58,730	\$ 420,149
2019	361,419	58,730	420,149
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022	361,419	58,730	420,149
2023-2024	722,838	117,460	840,298
	<u>\$ 2,529,933</u>	<u>\$ 411,110</u>	<u>\$ 2,941,043</u>

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2017, for the CRA's outstanding noncurrent liabilities with scheduled maturities (excluding the Series 2012 and 2015 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
2018	\$ 1,501,419	\$ 161,914	\$ 1,663,333
2019	1,551,419	111,434	1,662,853
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022	361,419	58,730	420,149
2023-2024	722,838	117,460	840,298
	<u>\$ 4,859,933</u>	<u>\$ 566,998</u>	<u>\$ 5,426,931</u>

Interest Expense: Total interest costs incurred and paid by the CRA on its debt for the year ended September 30, 2017, were \$275,742 and \$289,180, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 1999, 2004, 2012 and 2015 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 650 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2017, was \$5,205,113, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$1,300,027 and \$17,030,686, respectively.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans

Description of the Plans

The City contributes to three 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 Delray Beach Police Officers' Retirement System covers all police employees. The Delray Beach Firefighters' Retirement System covers all 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.

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. Effective October 5, 2010, the normal form of benefit changed from a 60% joint and survivor annuity to a life annuity. This change did not apply to members who were within ten years of normal retirement eligibility as of October 5, 2010. Effective July 2005, participants had 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 the option to purchase all or a portion of prior service at the increased multiplier.

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 the employee's 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 \$6,498,758 at September 30, 2017.

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

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

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

Police Officers' and Firefighters Retirement System – The City of Delray Beach Police and Firefighters Retirement System (the “Legacy Plan”) was originally established in 1974 by the City of Delray Beach to provide pension benefits to all full-time City police officers and firefighters. Effective October 1, 2016, the City Commission adopted City Ordinance No. 17-16, which provided for the establishment of separate retirement systems for the City’s police officers and firefighters, a new board of trustees for each retirement system, changes in the allocation and use of Chapter 175 and 185 premium tax revenues, and changes to the retirement benefits of police officers and firefighters. Accordingly, during the year ended September 30, 2017, the assets of the Legacy Plan were allocated to the new Delray Beach Police Officers’ Retirement System and Delray Beach Firefighters’ Retirement System based on an actuarial impact statement dated September 6, 2016 that utilized the ratio of the present value of accrued benefits for each of the police officer and firefighter members (and beneficiaries of such members, if applicable) to the total present value of accrued benefits. The allocation method resulted in an allocation of 47.431% of the Legacy Plan assets to the new Police Officers’ Retirement System and 52.569% of the Legacy Plan assets to the new Firefighters’ Retirement System. The allocation percentages were not applied to the Excess State Monies Reserves and DROP that were allocated to the new plans based on the actual reserves and balances held for the respective groups. At September 30, 2017, all Legacy Plan assets were fully allocated and operation of the Legacy Plan as a City retirement plan was discontinued.

Police Officers' Retirement System - The benefit provisions and all other requirements of the Police Officers’ 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 Officers’ Retirement System Board of Trustees, consisting of two outside members appointed by the City Commission, two full-time City police officers elected by active members and a fifth member chosen by a majority of the other four members.

Vesting - Benefits fully vest after 10 years of service.

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

Annual Retirement Benefit - Police officers hired on or before July 7, 2015 may retire with normal benefits upon the earlier of: a) age 55 and 10 or more years of credited service; or b) 20 years of credited service regardless of age. For Police Officers hired after July 7, 2015, the earlier of: a) 25 years of credited service, regardless of age; or b) age 55 and the completion of 10 years of credited service. Retirement benefits are based on a multiplier of the participant’s average final compensation, defined as the average compensation during the highest consecutive 3 years of a participant’s employment for police officers hired on or before July 7, 2015, and the highest consecutive 5 years of the participant’s last 10 years of employment for police officers hired after July 7, 2015.

The normal retirement benefit, for participants with less than 20 years of service, is based on 2.5% of the participant’s average final compensation times the years of credited service. With more than 20 years of service, the benefit is based on 3.5% (if the enhanced multiplier is elected) or 3.0% (if the enhanced multiplier is not elected) of average final compensation with a maximum benefit of 87.5% of final average salary. Police officers hired on or after April 9, 2013 are not eligible to elect the enhanced multiplier. Police officers employed on July 7, 2015 with less than 20 years of service on that date have the following benefit multiplier times the years of credited service:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

- a) 3.0% unless they previously elected the enhanced multiplier of 3.5%.
- b) 3.5% for those electing the enhanced multiplier and retiring with 20 or more years of service.
- c) 2.5% for those electing the enhanced multiplier and retiring with less than 20 years of service.
- d) 3.0% for those not electing the enhanced multiplier and retiring with 20 or more years of service.
- e) 2.5% for those not electing the enhanced multiplier and retiring with less than 20 years of service.
- f) The maximum annual starting benefit is \$108,000, but not less than a 2.0% multiplier.

Police officers hired after July 7, 2015 receive a benefit based on 2.75% times the years of credited service, subject to a maximum annual starting benefit of \$108,000 (but not less than 2.0% times the years of credited service) and further subject to a maximum benefit of 68.75% of average compensation.

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 the employee's 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 \$8,843,346 at September 30, 2017.

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

Employee Contributions - Ordinance 42-11 effective October 4, 2011, increased the contribution amount for police officers to 6% of annual compensation. If an employee leaves covered employment prior to vesting, contributions are refunded to the employee with interest.

State of Florida Contributions - Pursuant to Chapters 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 Officers' Retirement System Fund. After adoption of Ordinance No. 17-16, all 185 tax monies up to \$606,595 will be used to offset the City's pension contribution for Police Officers.

After adoption of Ordinance No. 17-16, the accumulated excess 185 monies totaling approximately \$2.4 million were used to pay down the unfunded actuarial accrued liability for Police officers.

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

Firefighters' Retirement System - The benefit provisions and all other requirements of the 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 Firefighters' Retirement System Board of Trustees, consisting of two outside members appointed by the City Commission, two full-time City firefighters elected by the active members of the Plan, and a fifth member chosen by the majority of the other four members.

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, 2017

13. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

Annual Retirement Benefit - Firefighters hired on or before October 5, 2016 may retire with normal benefits upon the earlier of: a) age 55 and 10 or more years of credited service; or b) 20 years of credited service regardless of age. For firefighters hired after October 5, 2016, the earlier of: a) 25 years of credited service, regardless of age; or b) age 55 and the completion of 10 years of credited service. Retirement benefits are based on a multiplier of the participant's average final compensation, defined as the average compensation during the highest consecutive 3 years of a participant's employment for firefighters hired on or before September 8, 2016, and the average of the highest 5 years of the participant's last 10 years of employment for firefighters hired after September 8, 2016.

The normal retirement benefit, for participants with less than 20 years of service, is based on 2.5% of the participant's average final compensation times the years of credited service. With more than 20 years of service, the benefit is based on 3.5% (if the enhanced multiplier is elected) or 3.0% (if the enhanced multiplier is not elected) of average final compensation with a maximum benefit of 87.5% of final average salary. Firefighters hired on or after April 9, 2013 are not eligible to elect the enhanced multiplier. Firefighters employed on or before September 8, 2016 with less than 20 years of service on that date have the following benefit multiplier times the years of credited service:

- a) 3.0% unless they previously elected the enhanced multiplier of 3.5%.
- b) 3.5% for those electing the enhanced multiplier and retiring with 20 or more years of service.
- c) 2.5% for those electing the enhanced multiplier and retiring with less than 20 years of service.
- d) 3.0% for those not electing the enhanced multiplier and retiring with 20 or more years of service.
- e) 2.5% for those not electing the enhanced multiplier and retiring with less than 20 years of service.
- f) The maximum annual starting benefit is \$100,000, and increases 2.0% per year beginning on October 1, 2016.

Firefighters hired after September 8, 2016, receive a benefit based on 2.75% times the years of credited service, subject to a maximum annual starting benefit of \$100,000 (but not less than 2.0% times the years of credited service).

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 the employee's 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 \$11,090,847 at September 30, 2017.

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

Employee Contributions - 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%. After adoption of Ordinance No. 17-16, firefighters will contribute 9% of earnings. 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 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 Firefighters' Retirement System Fund. After adoption of Ordinance No. 17-16, all 175 monies in excess of \$1,206,994 will be used to offset the City's pension contribution for firefighters.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Membership

Membership data of the City’s pension plans as of October 1, 2016, the date of the most recent actuarial valuations, is summarized as follows:

	General Employees’ Pension Plan	Police Officers’ Retirement System	Firefighters’ Retirement System
Retirees and beneficiaries receiving benefits	321	133	127
Terminated employees entitled to benefits but not receiving them	73	3	0
Active members	321	142	112

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’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, 2017 was as follows:

Asset Class	General Employees’ Pension Plan	Police Officers’ Retirement System	Firefighters’ Retirement System
Fixed income	32.5%	27.5%	27.5%
Domestic equity	55.0	42.5	42.5
International equity	5.0	15.0	15.0
Real estate	0.0	10.0	10.0
Alternatives	7.5	5.0	5.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Rate of Return: The annual money-weighted rate of return on pension investments, net of pension investment expense, for the General Employees’ Pension Plan, the Police Officers’ Retirement System and Firefighters’ Retirement System, was 12.59%, 10.74% and 10.78%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Net Pension Liability (Asset)

The components of the net pension liability (asset) for the City's pension plans as of September 30, 2017, the measurement date for both plans, were as follows:

	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
Total pension liability	\$ 122,223,203	\$ 128,408,958	\$ 142,041,316
Plan fiduciary net position	124,951,385	88,015,641	97,835,949
Net pension liability (asset)	<u>\$ (2,728,182)</u>	<u>\$ 40,393,317</u>	<u>\$ 44,205,367</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>102.23%</u>	<u>68.5%</u>	<u>68.9%</u>

Actuarial Assumptions: The total pension liability for the City's pension plans was determined by actuarial valuations as of October 1, 2016, based on the following actuarial assumptions:

	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
Measurement date	September 30, 2017	September 30, 2017	September 30, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Post-retirement benefit increases	None	Annual increase of 1% plus available State revenue	Annual increase of 1% plus available State revenue
Amortization method	Level Dollar, Closed	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization period	25 years	20 years	20 years
Asset valuation method	5 year Smoothed Market	4 year Smoothed Market	4 year Smoothed Market
Actuarial assumptions:			
Investment rate of return*	7.25%	8.0%	8.0%
Projected salary increases*	4.4% - 7.2% based on service	5.0% - 6.25%	5.0% - 6.25%
Cost of living increases	None	1.0% per year	1.0% per year
Mortality	RP-2000 Combined Healthy Participant using Scale AA	RP-2000 Generational, Female - 100% White Collar, Male - 10% White Collar / 90% Blue Collar, Scale BB	RP-2000 Generational, Female - 100% White Collar, Male - 10% White Collar / 90% Blue Collar, Scale BB
* Includes inflation rate	3%	2.5%	2.5%

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Net Pension Liability (Asset) (Continued)

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, 2017 (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 Officers' Retirement System	Firefighters' Retirement System
Fixed income	2.5%	2.5%	2.5%
Domestic equity	7.5	7.5	7.5
International equity	8.5	8.5	8.5
Real estate	N/A	4.5	4.5
Alternatives	6.2	6.2	6.2

Discount Rate: The discount rate used to measure the total pension liability of the General Employees' Pension Plan was 7.25% and the Police Officers' and Firefighters' Retirement Systems was 8.0%. 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.

Changes in the Net Pension Liability (Asset)

The changes in the net pension liability (asset) of the General Employees' Pension Plan, Police Officers' Retirement System and the Firefighters' Retirement System were as follows for the year ended September 30, 2017:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
General Employees' Pension Plan			
Balances at October 1, 2016	\$ 116,887,238	\$ 114,839,850	\$ 2,047,388
Changes for the Current Year			
Service cost	2,119,345	-	2,119,345
Interest	8,375,249	-	8,375,249
Changes in assumptions	2,634,532	-	2,634,532
Difference between actual and expected experience	(821,344)	-	(821,344)
Contributions – City	-	1,969,163	(1,969,163)
Contributions – Employee	-	717,598	(717,598)
Net investment income	-	14,474,141	(14,474,141)
Benefit payments, including refunds of employee contributions	(6,971,817)	(6,971,817)	-
Administrative expenses	-	(77,550)	77,550
Net Changes	<u>5,335,965</u>	<u>10,111,535</u>	<u>(4,775,570)</u>
Balances at September 30, 2017	<u>\$ 122,223,203</u>	<u>\$ 124,951,385</u>	<u>\$ (2,278,182)</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Police Officers' Retirement System			
Balances at October 1, 2016	\$ -	\$ -	\$ -
Changes for the Current Year			
Service cost	2,257,858	-	2,257,858
Interest	9,439,367	-	9,439,367
Difference between actual and expected experience	4,431,186	-	4,431,186
Contributions – City	-	5,162,290	(5,162,290)
Contributions – State of Florida	-	742,419	(742,419)
Contributions – Employee	-	924,337	(924,337)
Net investment income	-	8,943,920	(8,943,920)
Allocation from Legacy Plan	119,187,914	79,306,442	39,881,472
Benefit payments, including refunds of employee contributions	(6,907,367)	(6,907,367)	-
Administrative expenses	-	(156,400)	156,400
Net Changes	<u>128,408,958</u>	<u>88,015,641</u>	<u>40,393,317</u>
Balances at September 30, 2017	<u>\$ 128,408,958</u>	<u>\$ 88,015,641</u>	<u>\$ 40,393,317</u>

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2017

13. Employee Retirement Plans (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Firefighters' Retirement System			
Balances at October 1, 2016	\$ -	\$ -	\$ -
Changes for the Current Year			
Service cost	2,278,992	-	2,278,992
Interest	10,477,015	-	10,477,015
Difference between actual and expected experience	4,606,418	-	4,606,418
Contributions – City	-	5,721,499	(5,721,499)
Contributions – State of Florida	-	1,134,704	(1,134,704)
Contributions – Employee	-	903,846	(903,846)
Net investment income	-	9,944,303	(9,944,303)
Allocation from Legacy Plan	132,688,489	88,287,564	44,400,925
Benefit payments, including refunds of employee contributions	(8,009,598)	(8,009,598)	-
Administrative expenses	-	(146,369)	146,369
Net Changes	142,041,316	97,835,949	44,205,367
Balances at September 30, 2017	\$ 142,041,316	\$ 97,835,949	\$ 44,205,367

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, the Police Officers' Retirement System and the Firefighters' Retirement System, calculated using the current discount rates of 7.25%, 8.0% and 8.0%, respectively, as well as what the net pension liability (asset) 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 Officers' Retirement System	Firefighters' Retirement System
One percentage point lower than current discount rate	\$ 11,392,776	\$ 55,698,963	\$ 61,135,916
Current discount rate	(2,278,182)	40,393,317	44,205,367
One percentage point higher than current discount rate	(14,619,220)	27,768,582	30,240,344

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$1,720,673, \$7,021,423 and \$7,493,505 for the General Employees' Pension Plan, the Police Officers' Retirement System and the Firefighters' Retirement System, respectively. At September 30, 2017, the City reported deferred inflows/outflows of resources related to the General Employees' Pension Plan, the Police Officers' Retirement System and Firefighters' Retirement System from the following sources:

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2017

13. Employee Retirement Plans (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions (Continued)

General Employees' Pension Plan	Deferred Inflows	Deferred Outflows
Differences between expected and actual experience	\$ 1,154,161	\$ 393,080
Change in assumptions	-	1,941,234
Net difference between projected and actual investment earnings on pension plan investments	4,010,760	-
Total	\$ 5,164,921	\$ 2,334,314
Police Officers' Retirement System		
Differences between expected and actual experience	\$ 2,753,200	\$ 3,869,317
Change in assumptions	-	2,103,200
Net difference between projected and actual investment earnings on pension plan investments	-	2,726,498
Total	\$ 2,753,200	\$ 8,699,015
Firefighters' Retirement System		
Differences between expected and actual experience	\$ 3,059,334	\$ 4,142,399
Change in assumptions	-	2,341,431
Net difference between projected and actual investment earnings on pension plan investments	-	3,035,333
Total	\$ 3,059,334	\$ 9,519,163

Amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
2018	\$ 105,252	\$ 2,427,262	\$ 2,542,143
2019	(156,802)	2,427,263	2,542,143
2020	(1,532,053)	1,210,213	1,187,232
2021	(1,247,004)	(118,923)	188,311

Pension Plans Fiduciary Net Position

The financial statements for the General Employees' Pension Fund, the Police Officers' Retirement System and Firefighters' Retirement System Fund as of and for the year ended September 30, 2017, are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Pension Plans Fiduciary Net Position (Continued)

Statements of Fiduciary Net Position			
	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
ASSETS			
Cash	\$ 557	\$ 3,986	\$ 4,277
Investments			
Money market mutual funds	1,449,202	1,815,867	2,236,985
U.S. Government securities	4,219,080	3,324,743	3,427,606
Mortgage and asset-backed securities	1,766,972	3,698,270	4,081,766
Collateralized mortgage obligations	3,639,506	387,473	163,646
Municipal obligations	810,908	105,378	138,655
Domestic corporate bonds	12,064,203	7,293,513	8,589,961
International fixed income investment fund	9,746,582	3,344,834	3,732,090
Foreign corporate bonds	726,797	-	-
Domestic common stocks	20,754,342	30,820,028	34,228,360
Domestic equity mutual funds	22,559,948	4,074,166	4,540,518
Domestic equity index funds	33,360,801	4,152,169	4,615,298
International equity mutual funds	4,073,037	15,280,959	16,936,281
Foreign stocks	202,513	149,440	165,197
Timber investment funds	-	2,667,398	2,956,346
Real estate investment trusts	159,314	453,058	497,290
Real estate investment funds	-	7,080,655	7,847,672
Fixed income alternative investment fund	-	3,015,220	3,341,847
Interest and dividends receivable	237,195	223,191	252,745
Due from broker for securities sold	9,329,019	174,409	205,074
Employee contributions receivable	-	39,054	32,337
Prepaid expenses and other	5,153	3,553	3,553
Total assets	<u>125,105,129</u>	<u>88,107,364</u>	<u>97,997,504</u>
LIABILITIES			
Accounts payable	45,754	56,863	57,812
Due to broker for securities purchased	107,990	34,860	103,743
Total liabilities	<u>153,744</u>	<u>91,723</u>	<u>161,555</u>
FIDUCIARY NET POSITION restricted for pension benefits	<u>\$ 124,951,385</u>	<u>\$ 88,015,641</u>	<u>\$ 97,835,949</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement Plans (Continued)

Pension Plans Fiduciary Net Position (Continued)

Statements of Changes in Fiduciary Net Position			
	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
ADDITIONS			
Contributions:			
Employer	\$ 1,969,163	\$ 5,162,290	\$ 5,721,499
State	-	742,419	1,134,704
Plan members	717,598	924,337	903,846
Total contributions	<u>2,686,761</u>	<u>6,829,046</u>	<u>7,760,049</u>
Investment earnings			
Net appreciation in fair value of investments	12,194,065	7,337,792	8,138,535
Interest, dividends and investment fund income	2,530,381	1,924,594	2,145,091
Other investment income	915	162,909	192,087
	<u>14,725,361</u>	<u>9,425,295</u>	<u>10,475,713</u>
Less investment expenses - custodian fees	251,220	481,375	531,410
Net investment earnings	14,474,141	8,943,920	9,944,303
Equity allocation from Legacy Pension Fund	-	79,306,442	88,287,564
Total additions	<u>17,160,902</u>	<u>95,079,408</u>	<u>105,991,916</u>
DEDUCTIONS			
Benefits	6,903,465	6,907,367	8,002,925
Refunds of contributions	68,352	-	6,673
Administrative expenses	77,550	156,400	146,369
Total deductions	<u>7,049,367</u>	<u>7,063,767</u>	<u>8,155,967</u>
Change in fiduciary net position	<u>10,111,535</u>	<u>88,015,641</u>	<u>97,835,949</u>
Fiduciary net position restricted for pension benefits at October 1, 2016	<u>114,839,850</u>	<u>-</u>	<u>-</u>
Fiduciary net position restricted for pension benefits at September 30, 2017	<u>\$ 124,951,385</u>	<u>\$ 88,015,641</u>	<u>\$ 97,835,949</u>

The Police Officers' Retirement System and Firefighters' Retirement System Fund issue a publicly available financial report that includes financial statements and required supplementary information. These reports are not posted on the internet, but 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.

Payables to the Pension Plans

There were no amounts payable to the General Employees' Pension Plan, the Police Officers' Retirement System or the Firefighters' Retirement System by the City at September 30, 2017.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

13. Employee Retirement 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 an 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.

The 401(a) pension plan is a separate defined contribution pension plan with participant directed investment accounts, over which the City has no fiduciary control and the plan is not considered part of the City's financial reporting entity. Activity in the 401(a) Plan for the year ended September 30, 2017, is summarized as follows:

Balance at October 1, 2016	\$ 931,070
Employer contributions	25,424
Employee contributions	25,424
Investment gain, net of expenses	103,782
Distributions	(96,499)
Balance at September 30, 2017	<u>\$ 989,201</u>

The City has also implemented a VantageCare Retirement Health Savings Plan (the "VantageCare Plan") effective August 2002, which allows employees in the calendar year prior to retirement, to make an election to deposit tax free part or all of their accumulated sick and vacation pay into the Plan. The Plan provides for tax free withdrawals if the funds are used for qualified medical expenses. In March 2007, the City was notified by ICMA, the administrator of the VantageCare Plan, that voluntary contributions were no longer allowed, except that employees in the plan prior to December 31, 2006 were allowed to contribute until December 31, 2007. The VantageCare Plan is a separate plan with participant directed investment accounts, over which the City has no fiduciary control and the plan is not considered part of the City's financial reporting entity. Activity in the VantageCare Plan for the year ended September 30, 2017, is summarized as follows:

Balance at October 1, 2016	\$ 487,267
Net investment earnings	48,483
Service fees	(641)
Distributions	(20,490)
Balance at September 30, 2017	<u>\$ 514,619</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, 2017

14. Other Postemployment Benefits (OPEB) (Continued)

Description of the Plans (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 \$474 to a maximum of \$1,142 for medical/prescription coverage and at a rate of \$.24 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, 2016	September 30, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post-retirement benefit increases	None	None

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Significant Assumptions (Continued)

	OPEB Plan	Retiree Benefit Fund
Health care cost trend rates	7.25% per year initially, reduced annually by .25% to an ultimate rate of 4.64% in 2040	N/A – Benefits are for fixed amounts and do not adjust for changes in health care costs
Amortization method	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Remaining amortization period	22 years	25 years
Asset valuation method	N/A ⁽¹⁾	Market Value of Assets
Actuarial assumptions:		
Investment rate of return	4.0% ⁽²⁾	7.5% net of investment related expenses
Projected salary increases*	4.4 – 7.2%	6.25%
* Includes inflation rate	2.5%	2.75%

- (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, 2016, 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 of 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
OPEB Plan			
2017	\$ 1,340,429	32%	\$ 7,212,966
2016	1,458,127	40	6,301,745
2015	1,405,725	35	5,420,666

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

14. Other Postemployment Benefits (OPEB) (Continued)

Contribution Requirements and Contributions Made (Continued)

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
Retiree Benefit Fund			
2017	\$ 976,716	64%	\$ 1,207,006
2016	860,655	66	855,105
2015	860,655	75	562,899

The changes in the City's net OPEB obligation related to the OPEB Plan and Retiree Benefit Fund for the year ended September 30, 2017 were as follows:

	OPEB Plan	Retiree Benefit Fund	Total
Annual required contribution	\$ 1,374,802	\$ 976,925	\$ 2,351,727
Interest on net OPEB obligation	252,070	64,133	316,203
Adjustment to annual required contribution	(286,443)	(64,342)	(350,785)
Annual OPEB cost	1,340,429	976,716	2,317,145
Contributions made	(429,208)	(624,815)	(1,054,023)
Change in net OPEB obligation	911,221	351,901	1,263,122
Net OPEB obligation at October 1, 2016	6,301,745	855,105	7,156,850
Net OPEB obligation at September 30, 2017	\$ 7,212,966	\$ 1,207,006	\$ 8,419,972

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	10/1/2016	\$ -	\$13,794,541	\$ 13,794,541	0.0%	\$ 46,915,142	29.4%
Retiree Benefit Fund	9/30/2017	5,371,176	13,102,059	7,730,883	41.0%	22,787,098	33.9%

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, 2017

15. Risk Management

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

The City has a Managed Retention, Protected Self-Insurance Program whereby the City is substantially self-insured for general and auto liability coverage. Workers' compensation, fidelity and property coverage are insured with large deductible self-insured retentions. There were no significant changes in insurance coverage from the prior year and the amounts of settlements did not exceed insurance coverage for any of the past three years. A loss fund of \$1,950,000 maximum applies per year over which an aggregate coverage of \$1,000,000 of commercial insurance would apply should the loss fund be exhausted in a given year. The City also maintains a self-insured health plan with United 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, 2017, charges of \$12,977,245 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 \$6,036,328 (\$1,723,328 current and \$4,313,000 noncurrent) at September 30, 2017, which is an increase of approximately \$69,000 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, 2015	\$ 5,654,742
Claims incurred	7,878,237
Claims paid	(7,566,110)
Balance at September 30, 2016	5,966,869
Claims incurred	7,565,906
Claims paid	(7,496,447)
Balance at September 30, 2017	<u>\$ 6,036,328</u>

The claims liability at September 30, 2017 and 2016, is summarized as follows:

	<u>2017</u>	<u>2016</u>
Current	\$ 1,723,328	\$ 1,643,869
Noncurrent	4,313,000	4,323,000
	<u>\$ 6,036,328</u>	<u>\$ 5,966,869</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

15. Risk Management (Continued)

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

16. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2017, the CRA's tax increment revenues include \$10,100,654 received from the City. CRA expenditures for the year ended September 30, 2017, include charges of \$4,108,200 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$3,140,286 for construction services related to redevelopment projects, \$450,000 for the downtown shuttle, and \$993,780 for sponsorship of City tennis tournaments. The CRA also received approximately \$232,000 in reimbursements from the City for various projects.

At September 30, 2017, the City had a payable to the CRA of \$198,599, a receivable from the CRA of \$3,148,298 for reimbursement of certain administrative and redevelopment expenditures, and notes receivable from the CRA of \$2,529,934 (see Note 5 - Notes Receivable). The CRA contracts with the City for various administrative services each fiscal year and budgeted approximately \$3.3 million for those services for the year ending September 30, 2018.

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, 2017, were as follows:

Capital Projects Funds	\$ 7,167,411
Water and Sewer Fund	1,319,882
Stormwater Utility Fund	91,333
City Marina Fund	<u>57,084</u>
Total Contract Commitments	<u>\$ 8,635,710</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 special revenue funds and capital projects funds have been capitalized in the government-wide financial statements as construction in progress.

Grants

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

17. Commitments and Contingencies (Continued)

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 materially affect the City's financial condition.

Discretely Presented Component Unit – Delray Beach Community Redevelopment Agency

CRA Contract Commitments: At September 30, 2017, the Delray Beach Community Redevelopment Agency (CRA) had outstanding construction commitments consisting of the following:

Project	Total Project Authorization	Expended Through September 30, 2017	Retainage Payable at September 30, 2017	Remaining Commitment at September 30, 2017
Arts Warehouse Project	\$ 2,252,458	\$ 2,072,605	\$ 108,186	\$ 71,667
SW 14 th Ave Streetscape	148,657	128,005	-	20,652
700 and 708 West Atlantic	71,850	9,425	1,047	61,378
SW 10 th Ave Sidewalk & Blocks				
8 & 20 Alley Improvements	30,030	29,374	-	656
Office Expansion	44,710	34,520	-	10,190
SW 2 nd St Beautification Phase II	23,279	13,649	-	9,630
Tree removal	18,600	12,900	-	5,700
221 SW 12 th Ave Duplex	14,970	496	-	14,474
Workload analysis	13,150	2,250	-	10,900
NW 5 th Ave Entrance Feature	5,810	2,304	-	3,506
Gateway Maintenance & Planning	4,985	-	-	4,985
Total contract commitments	<u>\$ 2,628,499</u>	<u>\$ 2,305,528</u>	<u>\$ 109,233</u>	<u>\$ 213,738</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 \$9,319,800 for the year ending September 30, 2018.

CRA Lease Commitments: The CRA had the following lease commitments as lessor at September 30, 2017:

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 commencing January 10, 2014 and extending through January 9, 2018. The lease was further extended from January 10, 2018 through January 9, 2021 for \$800 monthly base rent plus \$402 monthly condominium assessment. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$100,000 at September 30, 2017.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

17. Commitments and Contingencies (Continued)

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

Delray Beach Housing Group, Inc. - 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. All three leases were renewed through September 22, 2021. The apartments were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,130,000 at September 30, 2017.

Prime Delray Hotel, LLC - 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, 2017 was approximately \$2,420,000.

Monogram Closet Incorporated - On April 23, 2015, the CRA entered into an agreement to lease the property located at 182 NW 5th Ave to Monogram Closet Incorporated. The lease term is for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 and increases each year thereafter by \$1 per square foot, or \$2,054, \$2,175 and \$2,296 for years two through four, respectively. The parties may extend the terms of the lease for three additional one year terms upon execution of an amendment. The carrying value of the leased property at September 30, 2017 was approximately \$190,000.

Hatcher Construction & Development, Inc. - On June 22, 2017, the CRA entered into an agreement to lease the property located at 700 West Atlantic Ave to Hatcher Construction & Development, Inc. The lease term is for a two year period, commencing on the issuance of the building permit or sixty days from the effective date of the lease (August 21, 2017) with a monthly base rent amount of \$1,500. As additional consideration, Hatcher Construction & Development, Inc. shall make required repairs valued at approximately \$59,000, as outlined in the agreement. The lease term maybe extended for an additional one year term. The carrying value of the leased property at September 30, 2017 was approximately \$1,970,000.

CareerSource Palm Beach County, Inc. - On August 24, 2017, the CRA entered into an agreement to lease the property located at 186 NW 5th Ave to CareerSource Palm Beach County, Inc. The lease term is for a three year period, commencing on September 1, 2017 with a monthly base rent amount of \$1. An advance payment of \$36 was due for the full rental term. The parties may extend the terms of the lease for an additional one year term upon execution of an amendment. The carrying value of the leased property at September 30, 2017 was approximately \$190,000.

Upper Cutz Barbershop and Salon, Inc. - On August 24, 2017, the CRA entered into an agreement to lease the property located at 135 NW 5th Ave, Unit C5, to Upper Cutz Barbershop and Salon, Inc. The lease term is for a three year period, commencing on October 1, 2017 with a monthly base rent amount of \$1,000 with an increase of 6% to the monthly base rent on each anniversary. The parties may extend the terms of the lease for two additional one year terms upon execution of a written amendment. The carrying value of the leased property at September 30, 2017 was approximately \$100,000.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

17. Commitments and Contingencies (Continued)

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

The total carrying value of the CRA’s leased property listed above was approximately \$10,100,000 at September 30, 2017. Depreciation expense is not recorded on the redevelopment properties that are currently held for sale. All the leased properties were held for sale at September 30, 2017, except for the property leased to the Delray Beach Housing Group. Rental income for 2017 totaled \$112,703. The approximate future annual minimum rental income is as follows: 2018 - \$72,000; 2019 - \$66,000; 2020 - \$28,000 and 2021 - \$5,000.

Tax Increment Incentive Agreements: The CRA reimbursed \$109,632 to qualified private for-profit organizations under the CRA’s Development Infrastructure Assistance Program, pursuant to State statutory authority for public-private partnerships to rehabilitate and develop properties within a Community Redevelopment Area. The Development Infrastructure Assistance Program is a CRA incentive program in which the CRA reimburses 50% of the costs of eligible site improvements for an eligible commercial project, up to an amount not to exceed 50% of the projected Tax Increment Funds generated by the improvements over a 5 year period following project completion. The projects must be located in CRA Sub-Areas #3, #4, #5, #6, #7, or #8 and the final incentive agreement must be approved by the CRA Board. The remaining development infrastructure grant funding commitments of the CRA total approximately \$525,000 at September 30, 2017, and 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 50% of the actual tax increment revenues attributed to the project for any such year. The first payment of \$66,470 was made under the grant for 2017.

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. Payments of \$43,162 were made each year under the grant for years ended September 30, 2014 through 2017.

The CRA also entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2017:

City of Delray Beach – International Tennis Championships	\$ 1,000,000
City of Delray Beach – Trolley service	975,000
City of Delray Beach – Fire Prevention and Life Safety Captain	184,061
City of Delray Beach – Irrigation and landscape maintenance	100,000
City of Delray Beach – Transit Oriented Development	100,000
City of Delray Beach – Engineering Inspector	75,000
Delray Beach Community Land Trust, Inc.	194,700
Delray Beach Public Library Association, Inc.	453,000
Delray Beach Historical Society	125,000
Delray Beach Center for the Arts, Inc.	900,000
Creative City Collaborative, Inc.	275,000
EPOCH, Inc.	<u>111,000</u>
Total grant commitments	<u>\$ 4,492,761</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2017

17. Commitments and Contingencies (Continued)

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

Job Creation Bonus Program Grant: A Job Creation Bonus Program grant was awarded to Cloud Computing Concepts, LLC for an amount equal to 5% of all certifiable annual wages for a minimum of 5 qualifying jobs up to a maximum of 13 qualifying jobs. Grant funds to be paid by the CRA will not exceed \$7,605 on an annual basis and \$38,024 over a five year period. Payments of \$7,605 were made each year for the years ended September 30, 2015 through 2017.

Contracts for Sale of Properties: At September 30, 2017, the CRA had entered into contracts for the sale of properties with a carrying value of \$410,171.

18. Expenditures in Excess of Appropriations

Expenditures exceed appropriations for the following City departments for the year ended September 30, 2017:

City Commission	\$	18,669
City Manager		6,247
Finance		2,075
Cemetery		25,435
Law Enforcement		16,317
Fire Control		208,862
Planning and Zoning		3,148
Engineering		208,229
Parking Facilities		120,051
Public Works		<u>607,134</u>
Total departmental expenditures in excess of appropriations	\$	<u>1,216,167</u>

19. Subsequent Event

On April 3, 2018, the City Commission adopted Resolution No. 53-18 declaring the City Commission as the governing Board of the Delray Beach Community Redevelopment Agency pursuant to Florida Statutes Section 163.357. The Mayor and Vice-Mayor of the City will serve as the Chair and Vice-Chair, respectively, of the CRA Governing Board. The resolution further provides that the City Commission could appoint two additional members to the CRA Governing Board, which members were subsequently appointed in June 2018.

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 70,199,064	\$ 70,579,064	\$ 71,184,045	\$ 604,981
Fees and permits	11,395,378	10,849,378	14,557,921	3,708,543
Intergovernmental	7,287,474	7,462,466	7,652,863	190,397
Charges for services	13,001,429	12,298,126	11,925,470	(372,656)
Fines and forfeitures	1,252,626	1,263,626	1,205,951	(57,675)
Miscellaneous	9,448,156	9,710,456	10,057,859	347,403
Transfers in	3,591,728	3,591,728	3,591,728	-
Prior year surplus	400,000	6,120,797	-	(6,120,797)
Total Revenues	<u>116,575,855</u>	<u>121,875,641</u>	<u>120,175,837</u>	<u>(1,699,804)</u>
EXPENDITURES				
General government				
City commission	198,536	267,440	286,109	(18,669)
City manager	886,563	886,213	892,460	(6,247)
Economic development	409,930	127,021	91,194	35,827
Human resources	784,942	823,242	821,883	1,359
Public information office	62,295	110,388	110,100	288
City clerk	924,335	924,335	892,222	32,113
Finance	1,759,976	1,784,061	1,786,136	(2,075)
Information technology	3,956,143	3,819,366	3,167,897	651,469
City attorney	1,226,548	1,434,048	1,432,308	1,740
Purchasing	606,845	655,271	583,657	71,614
Cemetery	295,334	307,271	332,706	(25,435)
Nondepartmental	5,575,337	4,607,933	1,865,980	2,741,953
Transfers to component units	10,080,218	10,100,654	10,100,654	-
Public safety				
Law enforcement	31,340,179	32,529,178	32,545,495	(16,317)
Fire control	27,018,099	27,510,722	27,719,584	(208,862)
Community improvement administration	1,108,665	1,105,419	1,028,031	77,388
Planning and zoning	1,669,455	1,727,108	1,730,256	(3,148)
Building inspection	2,279,404	2,283,203	2,066,980	216,223
Code compliance	1,371,657	1,400,990	1,318,550	82,440
Physical environment				
Engineering	749,096	1,102,544	1,310,773	(208,229)
Parking facilities	1,211,643	1,296,643	1,416,694	(120,051)
Public works	3,363,705	4,324,673	4,931,807	(607,134)
Parks and recreation	11,632,848	11,605,647	11,366,785	238,862
Debt service	1,480,629	1,480,629	1,469,647	10,982
Transfers out	6,583,473	9,661,642	9,661,642	-
Total Expenditures	<u>116,575,855</u>	<u>121,875,641</u>	<u>118,929,550</u>	<u>2,946,091</u>
Expenditures in Excess of Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>1,246,287</u>	<u>\$ 1,246,287</u>
Fund balance - October 1, 2016			<u>39,084,081</u>	
Fund balance - September 30, 2017			<u>\$ 42,208,680</u>	

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

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 NEIGHBORHOOD SERVICES FUND
 For the Fiscal Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 435,890	\$ 913,730	\$ 395,527	\$ (518,203)
Miscellaneous	964,680	2,793,469	57,682	(2,735,787)
Transfers in	149,430	149,430	149,430	-
Total Revenues	<u>1,550,000</u>	<u>3,856,629</u>	<u>602,639</u>	<u>(3,253,990)</u>
EXPENDITURES				
General government				
Personal services	385,794	385,794	376,838	8,956
Operating	1,115,387	3,360,135	449,284	2,910,851
Grants and aid	-	72,716	68,133	4,583
Contingency	73,518	7,564	-	7,564
Capital outlay	-	212,218	84,675	127,543
Total Expenditures	<u>1,574,699</u>	<u>4,038,427</u>	<u>978,930</u>	<u>3,059,497</u>
Excess of Expenditures Over Revenues	<u>\$ (24,699)</u>	<u>\$ (181,798)</u>	<u>(376,291)</u>	<u>\$ (194,493)</u>
Fund balance - October 1, 2016			1,995,011	
Fund balance - September 30, 2017			<u>\$ 1,618,720</u>	

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

City of Delray Beach, Florida
Notes to Budgetary Comparison Schedules
September 30, 2017

1. Budgetary Accounting

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 and Neighborhood Services Fund, a major special revenue fund. The budget procedures are 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 legally adopted appropriated budgets are on the same modified-accrual basis used to reflect revenues and expenditures, except that for budgetary purposes, current year encumbrances and transfers out are treated as expenditures, transfers in are treated as revenues, 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 General Fund and Neighborhood Services Fund budget amendments totaling \$5,299,786 and \$2,463,728, respectively, during the year ended September 30, 2017. The One-Cent Sales Tax Fund was not budgeted in 2017.

2. Budget and Actual Comparisons

The budgetary comparison schedules are prepared on the basis of accounting used in preparing the appropriated budget. As indicated in Note 1, current year encumbrances and transfers 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
General Fund		
Transfers	\$ 3,591,728	\$ 9,661,642
On-behalf payments for pension benefits	(1,877,123)	(1,877,123)
Proceeds from the sale of capital assets	40,305	-
Encumbrances	-	1,878,312
Net differences - GAAP and budgetary basis	1,754,910	9,662,831
GAAP basis	118,420,927	109,266,719
Budgetary basis	\$ 120,175,837	\$ 118,929,550
Neighborhood Services Fund		
Transfers	\$ 149,430	\$ -
GAAP basis	453,209	978,930
Budgetary basis	\$ 602,639	\$ 978,930

City of Delray Beach, Florida

Required Supplementary Information - General Employees' Pension Plan
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

September 30, 2017

	Fiscal Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 2,119,345	\$ 2,192,881	\$ 2,203,317	\$ 2,249,595
Interest	8,375,249	8,161,229	7,791,771	7,502,443
Changes of benefit terms	-	522,720	-	-
Differences between expected and actual experience	(821,344)	(1,097,920)	1,375,784	-
Changes of assumptions	2,634,532	-	-	-
Benefit payments, including refunds	(6,971,817)	(6,535,065)	(5,993,746)	(5,436,303)
Net change in total pension liability	5,335,965	3,243,845	5,377,126	4,315,735
Total pension liability, beginning of fiscal year	116,887,238	113,643,393	108,266,267	103,950,532
Total pension liability, end of fiscal year (a)	\$ 122,223,203	\$ 116,887,238	\$ 113,643,393	\$ 108,266,267
Plan Fiduciary Net Position				
Contributions				
Employer	\$ 1,969,163	\$ 2,046,827	\$ 2,178,705	\$ 2,084,010
Plan members	717,598	618,705	948,466	1,126,054
Net investment income	14,474,141	10,986,275	438,253	12,191,062
Other income	-	18,858	7,008	5,387
Benefit payments, including refunds	(6,971,817)	(6,535,065)	(5,993,746)	(5,436,303)
Administration expense	(77,550)	(82,336)	(73,705)	(79,025)
Net change in plan fiduciary net position	10,111,535	7,053,264	(2,495,019)	9,891,185
Plan fiduciary net position, beginning of fiscal year	114,839,850	107,786,586	110,281,605	100,390,420
Plan fiduciary net position, end of fiscal year (b)	\$ 124,951,385	\$ 114,839,850	\$ 107,786,586	\$ 110,281,605
Net Pension Liability (Asset), end of fiscal year [(a)-(b)]	\$ (2,728,182)	\$ 2,047,388	\$ 5,856,807	\$ (2,015,338)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.2%	98.2%	94.8%	101.9%
Covered Employee Payroll	\$ 15,449,062	\$ 15,371,826	\$ 15,895,095	\$ 16,527,919
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(17.7)%	13.3 %	36.8 %	(12.2)%

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

City of Delray Beach, Florida

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

September 30, 2017

	Fiscal Year			
	2017	2016	2015	2014
Total Pension Liability - Note 1				
Service cost	\$ 2,257,858	\$ 4,161,533	\$ 4,116,670	\$ 4,215,639
Interest	9,439,367	16,394,667	19,332,804	16,854,289
Changes in excess State contributions	-	(1,741,230)	659,168	1,406,983
Changes of benefit terms	-	(1,121,765)	(347,798)	-
Differences between expected and actual experience	4,431,186	1,568,118	(2,020,566)	-
Contributions - buyback	-	32,218	34,696	128,140
Changes of assumptions	-	7,407,717	-	-
Benefit payments, including refunds	(6,907,367)	(13,532,591)	(13,282,705)	(12,180,870)
Net change in total pension liability	9,221,044	13,168,667	8,492,269	10,424,181
Total pension liability, beginning of fiscal year	119,187,914	238,707,736	230,215,467	219,791,286
Total pension liability, end of fiscal year (a)	\$ 128,408,958	\$ 251,876,403	\$ 238,707,736	\$ 230,215,467
Plan Fiduciary Net Position - Note 1				
Contributions				
Employer	\$ 5,162,290	\$ 10,789,457	\$ 10,837,369	\$ 9,057,075
State	742,419	1,909,358	1,896,237	1,951,084
Plan members	924,337	1,806,021	1,634,828	1,594,712
Net investment income (loss)	8,943,920	13,455,717	(1,922,565)	14,082,413
Other income	-	150,647	22,903	-
Equity allocation from Legacy Pension Fund	79,306,442	-	-	-
Benefit payments, including refunds	(6,907,367)	(13,532,591)	(13,282,705)	(12,180,870)
Administration expense	(156,400)	(245,221)	(231,434)	(232,362)
Net change in plan fiduciary net position	88,015,641	14,333,388	(1,045,367)	14,272,052
Plan fiduciary net position, beginning of fiscal year	-	153,260,618	154,305,985	140,033,933
Plan fiduciary net position, end of fiscal year (b)	\$ 88,015,641	\$ 167,594,006	\$ 153,260,618	\$ 154,305,985
Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 40,393,317	\$ 84,282,397	\$ 85,447,118	\$ 75,909,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.5%	66.5%	64.2%	67.0%
Covered Employee Payroll	\$ 10,738,126	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Net Pension Liability as a Percentage of Covered Employee Payroll	376.2%	429.1%	471.9%	460.8%

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Note 1 - Change in Reporting Entity

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan, referred to as the Legacy Pension Fund.

Note 2 - Changes of Benefit Terms

For the 2015 fiscal year, amounts reported as changes of benefit terms resulted from adoption of Ordinance 10-15 with an effective date of July 7, 2015, which provided that:

- A. Member contributions will be 9.0% of earnings until the member has earned the maximum normal retirement benefit payable under the system.

City of Delray Beach, Florida

Required Supplementary Information - Police Officers' Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)

September 30, 2017

Notes to Schedule (Continued):

Note 2 - Changes of Benefit Terms (Continued)

- B. For police officers who are employed on the effective date and have less than 20 years of continuous service as of that date the following shall apply:
 - 1. For service earned on and after the effective date, the benefit multiplier shall be 3.0% per year of continuous service.
 - 2. The benefit accrued prior to the effective date shall be based on whether or not the member elected the enhanced multiplier and the number of years of continuous service at retirement.
 - a. For those electing the enhanced multiplier and retiring with 20 or more years of continuous service, the benefit multiplier for service accrued prior to the effective date will be 3.5%.
 - b. For those electing the enhanced multiplier and retiring with less than 20 years of continuous service, the benefit multiplier for service accrued prior to the effective date will be 2.5%
 - c. For those not electing the enhanced multiplier (or hired on or after April 9, 2013) and retiring with 20 years or more of continuous service, the benefit multiplier shall be 3.0% for service prior to the effective date.
 - d. For those not electing the enhanced multiplier (or hired on or after April 9, 2013) and retiring with less than 20 years of continuous service, the benefit multiplier shall be 2.5% for service prior to the effective date.
 - 3. The maximum annual starting benefit shall be \$108,000.
- C. For police officers who are employed on the effective date and have less than 10 years of service as of the effective date, earnings shall mean base wages paid to the member including state education compensation, police basic education, police career education compensation and up to 25 hours of overtime per fiscal year earned through the effective date, but excluding overtime earned after the effective date, bonuses and other payments.
- D. For police officers hired on and after the effective date:
 - 1. Average monthly earnings shall mean one sixtieth of the arithmetical average for the highest 5 years of the last 10 years preceding the actual retirement or termination date.
 - 2. Earnings shall mean basic wages paid to the member including state education compensation, police basic education, police career education compensation, but excluding overtime compensation, bonuses and other payments.
 - 3. The normal retirement date shall be the earlier of:
 - a. 25 years of continuous service regardless of age.
 - b. Age 55 and the completion of 10 years of continuous service.
 - 4. The normal retirement benefit shall be 2.75% of average monthly earnings for each year of continuous service, subject to a maximum annual starting benefit of \$108,000 and further subject to a maximum benefit of 68.76% of average monthly earnings.
 - 5. No early retirement eligibility.
- E. As of the effective date, no further benefit enhancement or benefit adjustment shall be paid to police officers, other than the 2.0% per year benefit increase.

Upon adoption of Ordinance No. 17-16, effective for the September 30, 2016 measurement date, the following changes were effective for the Police Officers' Retirement System:

- A. All Chapter 185 tax monies up to \$606,595 will be used to offset the City's pension contribution for Police Officers.
- B. Accumulated excess 185 monies totaling approximately \$2.4 million were used to pay down the unfunded actuarial accrued liability for Police officers.

City of Delray Beach, Florida

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

September 30, 2017

	Fiscal Year			
	2017	2016	2015	2014
Total Pension Liability - Note 1				
Service cost	\$ 2,278,992	\$ 4,161,533	\$ 4,116,670	\$ 4,215,639
Interest	10,477,015	16,394,667	19,332,804	16,854,289
Changes in excess State contributions	-	(1,741,230)	659,168	1,406,983
Changes of benefit terms	-	(1,121,765)	(347,798)	-
Differences between expected and actual experience	4,606,418	1,568,118	(2,020,566)	-
Contributions - buyback	-	32,218	34,696	128,140
Changes of assumptions	-	7,407,717	-	-
Benefit payments, including refunds	(8,009,598)	(13,532,591)	(13,282,705)	(12,180,870)
Net change in total pension liability	9,352,827	13,168,667	8,492,269	10,424,181
Total pension liability, beginning of fiscal year	132,688,489	238,707,736	230,215,467	219,791,286
Total pension liability, end of fiscal year (a)	\$ 142,041,316	\$ 251,876,403	\$ 238,707,736	\$ 230,215,467
Plan Fiduciary Net Position - Note 1				
Contributions				
Employer	\$ 5,721,499	\$ 10,789,457	\$ 10,837,369	\$ 9,057,075
State	1,134,704	1,909,358	1,896,237	1,951,084
Plan members	903,846	1,806,021	1,634,828	1,594,712
Net investment income (loss)	9,944,303	13,455,717	(1,922,565)	14,082,413
Other income	-	150,647	22,903	-
Equity allocation from Legacy Pension Fund	88,287,564	-	-	-
Benefit payments, including refunds	(8,009,598)	(13,532,591)	(13,282,705)	(12,180,870)
Administration expense	(146,369)	(245,221)	(231,434)	(232,362)
Net change in plan fiduciary net position	97,835,949	14,333,388	(1,045,367)	14,272,052
Plan fiduciary net position, beginning of fiscal year	-	153,260,618	154,305,985	140,033,933
Plan fiduciary net position, end of fiscal year (b)	\$ 97,835,949	\$ 167,594,006	\$ 153,260,618	\$ 154,305,985
Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 44,205,367	\$ 84,282,397	\$ 85,447,118	\$ 75,909,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.9%	66.5%	64.2%	67.0%
Covered Employee Payroll	\$ 8,954,177	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Net Pension Liability as a Percentage of Covered Employee Payroll	493.7%	429.1%	471.9%	460.8%

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Note 1 - Change in Reporting Entity

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan, referred to as the Legacy Pension Fund.

City of Delray Beach, Florida

Required Supplementary Information - Firefighters' Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)

September 30, 2017

Notes to Schedule (Continued):

Note 2 - Changes of Benefit Terms

Upon adoption of Ordinance No. 17-16, effective for the September 30, 2016 measurement date, the following changes were effective for the Firefighters' Retirement System:

- A. The multiplier for Firefighters without an enhanced multiplier increased from 2.5% to 3% and the maximum benefit was limited to \$100,000, increased 2% per year.
- B. Firefighters will contribute 9.0% of earnings to the Plan.
- C. All Chapter 175 monies in excess of \$1,206,994 will be used to offset the City's pension contribution for Firefighters.

City of Delray Beach, Florida
 Required Supplementary Information - Pension Funds
 Schedules of Net Pension Liability (Asset)

September 30, 2017

General Employees' Pension Plan							
Fiscal Year Ended September 30, (Note 1)	Total		Plan Net Position	Net Pension Liability (Asset)	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll
2017	\$	122,223,203	\$ 124,951,385	\$ (2,728,182)	102.2%	\$ 15,449,062	(17.7)%
2016		116,887,238	114,839,850	2,047,388	98.2%	15,371,826	13.3%
2015		113,643,393	107,786,586	5,856,807	94.8%	15,895,095	36.8%
2014		108,266,267	110,281,605	(2,015,338)	101.9%	16,527,919	(12.2)%

Police Officers' Retirement System							
Fiscal Year Ended September 30, (Note 1)	Total		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
2017	\$	128,408,958	\$ 88,015,641	\$ 40,393,317	68.5%	\$ 10,738,126	376.2 %
2016		251,876,403	167,594,006	84,282,397	66.5%	19,643,308	429.1%
2015		238,707,736	153,260,618	85,447,118	64.2%	18,107,436	471.9%
2014		230,215,467	154,305,985	75,909,482	67.0%	16,474,658	460.8 %

Firefighters' Retirement System							
Fiscal Year Ended September 30, (Note 1)	Total		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
2017	\$	142,041,316	\$ 97,835,949	\$ 44,205,367	68.9%	\$ 8,954,177	493.7 %
2016		251,876,403	167,594,006	84,282,397	66.5%	19,643,308	429.1%
2015		238,707,736	153,260,618	85,447,118	64.2%	18,107,436	471.9%
2014		230,215,467	154,305,985	75,909,482	67.0%	16,474,658	460.8 %

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Note 1 - Change in Reporting Entity

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan.

City of Delray Beach, Florida

Required Supplementary Information - Pension Funds
Schedules of City Contributions

September 30, 2017

	Fiscal Year			
	2017	2016 (Note 1)	2015 (Note 1)	2015 (Note 1)
General Employees' Pension Plan				
Actuarially determined contribution	\$ 1,969,163	\$ 2,046,827	\$ 2,178,705	\$ 2,084,010
Contributions in relation to actuarially determined contribution	1,969,163	2,046,827	2,178,705	2,084,010
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 15,449,062</u>	<u>\$ 15,371,826</u>	<u>\$ 15,895,095</u>	<u>\$ 16,527,919</u>
Contributions as a percentage of covered employee payroll	<u>12.7%</u>	<u>13.3%</u>	<u>13.7%</u>	<u>12.6%</u>
Police and Officers' Retirement System				
Actuarially determined contribution	\$ 5,503,513	\$ 11,294,379	\$ 11,293,235	\$ 9,209,334
Contributions in relation to actuarially determined contribution	5,904,709	11,294,379	11,342,291	9,561,997
Contribution deficiency (excess)	<u>\$ (401,196)</u>	<u>\$ -</u>	<u>\$ (49,056)</u>	<u>\$ (352,663)</u>
Covered employee payroll	<u>\$ 10,738,126</u>	<u>\$ 19,643,308</u>	<u>\$ 18,107,436</u>	<u>\$ 16,474,658</u>
Contributions as a percentage of covered employee payroll	<u>55.0%</u>	<u>57.5%</u>	<u>62.6%</u>	<u>58.0%</u>
Firefighters' Retirement System				
Actuarially determined contribution	\$ 5,332,347	\$ 11,294,379	\$ 11,293,235	\$ 9,209,334
Contributions in relation to actuarially determined contribution	6,856,203	11,294,379	11,342,291	9,561,997
Contribution deficiency (excess)	<u>\$ (1,523,856)</u>	<u>\$ -</u>	<u>\$ (49,056)</u>	<u>\$ (352,663)</u>
Covered employee payroll	<u>\$ 8,954,177</u>	<u>\$ 19,643,308</u>	<u>\$ 18,107,436</u>	<u>\$ 16,474,658</u>
Contributions as a percentage of covered employee payroll	<u>76.6%</u>	<u>57.5%</u>	<u>62.6%</u>	<u>58.0%</u>

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Note 1 - Change in Reporting Entity

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan.

City of Delray Beach, Florida

Required Supplementary Information - Pension Funds
Schedules of City Contributions (Continued)

September 30, 2017

Notes to Schedule (Continued)	General Employees	Police Officers'	Firefighters'
Actuarial valuation date	10/1/2016	10/1/2016	10/1/2016
Measurement date	9/30/2017	9/30/2017	9/30/2017
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	Entry Age Normal
Amortization method	Level Dollar, Closed	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization period	25 years	20 years	20 years
Asset valuation method	5 Year Smoothed	4 Year Smoothed	4 Year Smoothed
Inflation	3.0% / year	2.5% / year	2.5% / year
Salary increases (with inflation)	4.4% - 7.2% / year	6.25% / year for first 10 years, 5.0% thereafter	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	8.0% / year
Cost of living adjustments	None	1.0% / year	1.0% / year
Retirement age	Experienced-based table of rates	25% retire on normal retirement date, 10% each next two years	25% retire on normal retirement date, 10% each next two years
Mortality	RP-2000 Combined Healthy Participant Mortality Table using Scale AA	RP-2000 Generational, Female - 100% White Collar, Male - 10% White Collar/90% Blue Collar, Scale BB	RP-2000 Generational, Female - 100% White Collar, Male - 10% White Collar/90% Blue Collar, Scale BB

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

September 30, 2017

Fiscal Year Ended September 30,	Annual money-weighted rate of return, net of investment expenses		
	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
2017	12.59%	10.74 %	10.78 %
2016	10.30%	8.86 %	8.86 %
2015	0.43%	(1.23)%	(1.23)%
2014	12.26%	9.32 %	9.32 %

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan.

City of Delray Beach, Florida
 Required Supplementary Information -
 Schedules of Other Postemployment Benefits (OPEB) Funding Progress

September 30, 2017

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]
10/1/2016	\$ -	\$ 13,794,541	\$ 13,794,541	0.0 %	\$ 46,915,142	29.4 %
10/1/2014	-	15,924,852	15,924,852	0.0	41,830,950	38.1
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]
9/30/2017	\$ 5,371,176	\$ 13,102,059	\$ 7,730,883	41.0 %	\$ 22,787,098	33.9 %
10/1/2014	4,540,237	11,332,702	6,792,465	40.1	19,636,805	34.6
10/1/2011	3,155,585	9,581,135	6,425,550	32.9	20,647,352	31.1

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.

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 was used to account for assets held by the City to provide maintenance for the cemetery grounds. The fund was closed during 2017 and the net position transferred to a new enterprise Cemetery Fund.

Debt Service Funds

Debt Service Funds are used to account for assets and revenues to be used for the repayment of principal and interest on debt reported in the government-wide financial statements.

General Obligation Debt Service Fund – This fund is used to account for the repayment of principal and interest on general obligation debt paid from ad valorem tax revenues.

Utilities Tax Fund – This fund is used to account for the repayment of principal and interest on special obligation debt paid from utilities tax revenues.

Capital Projects Funds

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 capital facilities financed by the 2015 Utilities Tax Bonds and projects not accounted for in the City's other capital projects funds.

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, 2017

	Special Revenue					Debt Service		Capital Projects			Total Non-Major Governmental Funds
	Law Enforcement Trust	Developers Land Contribution	SHIP	Beautification	Special Projects	General Obligation Debt	Utilities Tax	Capital Improvement	2004 GO Bond	Beach Restoration	
ASSETS											
Cash and cash equivalents	\$ 347,698	\$ 1,204,062	\$ -	\$ 1,220,098	\$ 1,040,548	\$ 43,762	\$ 1,511,244	\$ 376,698	\$ 230,595	\$ 684,453	\$ 6,659,158
Investments	-	-	-	-	2,602,136	-	-	10,645,068	-	-	13,247,204
Accounts receivable, net	-	-	-	-	122,704	-	-	-	-	-	122,704
Notes receivable	-	-	1,172,270	-	-	-	-	-	-	-	1,172,270
Interest receivable	-	-	-	-	7,867	-	-	13,448	-	-	21,315
Due from component unit	-	-	-	4,054	-	-	-	2,160,095	-	-	2,164,149
Total Assets	<u>\$ 347,698</u>	<u>\$ 1,204,062</u>	<u>\$ 1,172,270</u>	<u>\$ 1,224,152</u>	<u>\$ 3,773,255</u>	<u>\$ 43,762</u>	<u>\$ 1,511,244</u>	<u>\$ 13,195,309</u>	<u>\$ 230,595</u>	<u>\$ 684,453</u>	<u>\$ 23,386,800</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
LIABILITIES											
Accounts payable and accrued items	\$ -	\$ -	\$ -	\$ 34,402	\$ 46,136	\$ -	\$ -	\$ 806,016	\$ -	\$ 6,412	\$ 892,966
Deposits payable	-	-	-	-	14,635	-	-	-	-	-	14,635
Due to component unit	-	-	-	-	100,000	-	-	45,763	-	-	145,763
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,402</u>	<u>160,771</u>	<u>-</u>	<u>-</u>	<u>851,779</u>	<u>-</u>	<u>6,412</u>	<u>1,053,364</u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue	-	-	1,172,270	-	-	-	-	686,411	-	-	1,858,681
FUND BALANCES											
Restricted for:											
Debt service	-	-	-	-	-	43,762	1,511,244	-	-	-	1,555,006
Law enforcement	347,698	-	-	-	819,226	-	-	-	-	-	1,166,924
Capital improvements	-	-	-	-	-	-	-	-	230,595	-	230,595
Assigned to:											
Public safety	-	-	-	-	178,284	-	-	-	-	-	178,284
Parks and recreation	-	-	-	-	302,628	-	-	-	-	-	302,628
Capital improvements	-	1,204,062	-	1,189,750	2,312,346	-	-	11,657,119	-	678,041	17,041,318
Total Fund Balances	<u>347,698</u>	<u>1,204,062</u>	<u>-</u>	<u>1,189,750</u>	<u>3,612,484</u>	<u>43,762</u>	<u>1,511,244</u>	<u>11,657,119</u>	<u>230,595</u>	<u>678,041</u>	<u>20,474,755</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 347,698</u>	<u>\$ 1,204,062</u>	<u>\$ 1,172,270</u>	<u>\$ 1,224,152</u>	<u>\$ 3,773,255</u>	<u>\$ 43,762</u>	<u>\$ 1,511,244</u>	<u>\$ 13,195,309</u>	<u>\$ 230,595</u>	<u>\$ 684,453</u>	<u>\$ 23,386,800</u>

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, 2017

	Special Revenue					Debt Service		Capital Projects			Total Non-Major Governmental Funds	
	Law Enforcement Trust	Developers Land Contribution	SHIP	Beautification	Special Projects	Cemetery Perpetual Care	General Obligation Debt	Utilities Tax	Capital Improvement	2004 GO Bond		Beach Restoration
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,133,338	\$ -	\$ -	\$ -	\$ -	\$ 2,133,338
Intergovernmental	-	-	311,677	-	-	-	-	-	6,704	-	-	318,381
Charges for services	-	-	-	-	535,939	-	-	-	-	-	-	535,939
Fines and forfeitures	28,266	-	-	-	281,486	-	-	-	-	-	-	309,752
Miscellaneous	-	150,501	101,186	6,255	115,317	-	146	4,679,758	-	-	-	5,053,163
Total Revenues	28,266	150,501	412,863	6,255	932,742	-	2,133,338	146	4,686,462	-	-	8,350,573
EXPENDITURES												
Current:												
General government	-	-	412,863	-	106,983	-	-	-	499,339	-	-	1,019,185
Public safety	74,979	-	-	-	63,844	-	-	-	187,388	-	-	326,211
Physical environment	-	-	-	823,142	-	-	-	-	-	-	-	823,142
Parks and recreation	-	-	-	-	363,355	-	-	-	226,315	-	105,878	695,548
Capital outlay	152,325	361,661	-	-	142,985	-	-	-	10,646,162	-	-	11,303,133
Debt service:												
Principal retirement	-	-	-	-	-	-	1,640,000	520,000	-	-	-	2,160,000
Interest and fiscal charges	-	-	-	-	-	-	449,576	1,541,400	-	-	-	1,990,976
Total Expenditures	227,304	361,661	412,863	823,142	677,167	-	2,089,576	2,061,400	11,559,204	-	105,878	18,318,195
Excess of revenues over (under) expenditures	(199,038)	(211,160)	-	(816,887)	255,575	-	43,762	(2,061,254)	(6,872,742)	-	(105,878)	(9,967,622)
OTHER FINANCING SOURCES (USES)												
Proceeds from sale of capital assets	-	-	-	-	2,004	-	-	-	-	-	-	2,004
Transfers in	-	-	-	947,348	51,960	-	-	2,061,400	6,526,919	-	66,735	9,654,362
Transfers out	-	-	-	-	(52,000)	(1,375,523)	-	(1,800)	(51,960)	(45,000)	-	(1,526,283)
Total Other Financing Sources (Uses)	-	-	-	947,348	1,964	(1,375,523)	-	2,059,600	6,474,959	(45,000)	66,735	8,130,083
Net change in fund balance	(199,038)	(211,160)	-	130,461	257,539	(1,375,523)	43,762	(1,654)	(397,783)	(45,000)	(39,143)	(1,837,539)
Fund balances - October 1, 2016	546,736	1,415,222	-	1,059,289	3,354,945	1,375,523	-	1,512,898	12,054,902	275,595	717,184	22,312,294
Fund balances - September 30, 2017	\$ 347,698	\$ 1,204,062	\$ -	\$ 1,189,750	\$ 3,612,484	\$ -	\$ 43,762	\$ 1,511,244	\$ 11,657,119	\$ 230,595	\$ 678,041	\$ 20,474,755

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.

Cemetery Fund – This fund is used to account for the operation and maintenance of the City's cemetery.

COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
September 30, 2017

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Cemetery	Total Non-Major Enterprise Funds
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 553,984	\$ 311,953	\$ 603,557	\$ 758,816	\$ 830,969	\$ 3,059,279
Investments	-	-	938,967	2,082,708	624,313	3,645,988
Accounts receivable, net	5,795	-	-	631,943	14,828	652,566
Interest receivable	-	-	2,839	6,297	1,888	11,024
Inventories	69,596	13,723	-	-	-	83,319
Prepaid expenses	33,601	7,790	-	-	-	41,391
Restricted assets						
Cash and cash equivalents	50,354	-	-	-	-	50,354
Total Current Assets	<u>713,330</u>	<u>333,466</u>	<u>1,545,363</u>	<u>3,479,764</u>	<u>1,471,998</u>	<u>7,543,921</u>
Noncurrent Assets:						
Property, land and equipment						
Land	1,415,482	1,963,894	42,840	-	-	3,422,216
Buildings	2,309,544	140,718	-	-	-	2,450,262
Improvements other than buildings	1,200,973	899,663	1,131,622	11,958	-	3,244,216
Equipment	1,337,087	269,885	86,026	21,054	-	1,714,052
Construction in progress	38,350	-	41,870	-	-	80,220
Accumulated depreciation	(3,247,600)	(801,120)	(1,160,337)	(32,318)	-	(5,241,375)
Other asset						
Net pension asset	-	-	-	23,462	-	23,462
Total Noncurrent Assets	<u>3,053,836</u>	<u>2,473,040</u>	<u>142,021</u>	<u>24,156</u>	<u>-</u>	<u>5,693,053</u>
Total Assets	<u>3,767,166</u>	<u>2,806,506</u>	<u>1,687,384</u>	<u>3,503,920</u>	<u>1,471,998</u>	<u>13,236,974</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount related to pensions	-	-	-	20,075	-	20,075
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,075</u>	<u>-</u>	<u>20,075</u>
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued expenses	147,460	26,702	4,118	1,347,493	243	1,526,016
Unearned revenue	-	-	36,438	-	-	36,438
Current maturities of installment agreements	121,758	28,147	-	-	-	149,905
Refundable deposits payable	122,959	-	19,864	-	-	142,823
Total Current Liabilities	<u>392,177</u>	<u>54,849</u>	<u>60,420</u>	<u>1,347,493</u>	<u>243</u>	<u>1,855,182</u>
Current Liabilities Payable from Restricted Assets:						
Accrued interest on long-term debt	1,778	-	-	-	-	1,778
Current maturities of revenue bonds	48,576	-	-	-	-	48,576
Total Current Liabilities	<u>50,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,354</u>
Total Liabilities	<u>442,531</u>	<u>54,849</u>	<u>60,420</u>	<u>1,347,493</u>	<u>243</u>	<u>1,905,536</u>
Noncurrent Liabilities:						
Revenue bonds payable, net	51,240	-	-	-	-	51,240
Installment agreements	35,253	54,057	-	-	-	89,310
Compensated absences payable	-	-	-	52,260	-	52,260
Net OPEB obligation	-	-	-	32,974	-	32,974
Total Noncurrent Liabilities	<u>86,493</u>	<u>54,057</u>	<u>-</u>	<u>85,234</u>	<u>-</u>	<u>225,784</u>
Total Liabilities	<u>529,024</u>	<u>108,906</u>	<u>60,420</u>	<u>1,432,727</u>	<u>243</u>	<u>2,131,320</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred amount related to pensions	-	-	-	44,418	-	44,418
NET POSITION						
Net investment in capital assets	2,797,009	2,390,836	142,021	694	-	5,330,560
Restricted for debt service	48,576	-	-	-	-	48,576
Unrestricted (deficit)	392,557	306,764	1,484,943	2,046,156	1,471,755	5,702,175
Total Net Position	<u>\$ 3,238,142</u>	<u>\$ 2,697,600</u>	<u>\$ 1,626,964</u>	<u>\$ 2,046,850</u>	<u>\$ 1,471,755</u>	<u>\$ 11,081,311</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, 2017

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Cemetery	Total Non-Major Enterprise Funds
OPERATING REVENUES						
Charges for services	\$ 3,113,583	\$ 646,391	\$ 239,205	\$ 4,200,945	\$ 92,890	\$ 8,293,014
Other operating revenue	32,742	5,649	2,476	80,276	600	121,743
Total Operating Revenues	<u>3,146,325</u>	<u>652,040</u>	<u>241,681</u>	<u>4,281,221</u>	<u>93,490</u>	<u>8,414,757</u>
OPERATING EXPENSES						
Personal services	-	-	-	290,474	-	290,474
Other operating expenses	2,710,371	474,841	98,634	4,906,751	800	8,191,397
Depreciation	191,275	85,553	9,179	238	-	286,245
Total Operating Expenses	<u>2,901,646</u>	<u>560,394</u>	<u>107,813</u>	<u>5,197,463</u>	<u>800</u>	<u>8,768,116</u>
Operating Income (loss)	244,679	91,646	133,868	(916,242)	92,690	(353,359)
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	-	-	5,327	11,816	3,542	20,685
Rent revenue	25,907	-	67	155,290	-	181,264
Interest expense	(9,016)	(3,193)	-	-	-	(12,209)
Total Nonoperating Revenues (Expenses)	<u>16,891</u>	<u>(3,193)</u>	<u>5,394</u>	<u>167,106</u>	<u>3,542</u>	<u>189,740</u>
Income (loss) Before Capital Contributions and Transfers	261,570	88,453	139,262	(749,136)	96,232	(163,619)
Transfers in	-	-	-	-	1,375,523	1,375,523
Transfers out	(18,000)	(5,000)	(51,016)	(215,684)	-	(289,700)
Change In Net Position	243,570	83,453	88,246	(964,820)	1,471,755	922,204
Net Position - October 1, 2016	2,994,572	2,614,147	1,538,718	3,011,670	-	10,159,107
Net Position - September 30, 2017	<u>\$ 3,238,142</u>	<u>\$ 2,697,600</u>	<u>\$ 1,626,964</u>	<u>\$ 2,046,850</u>	<u>\$ 1,471,755</u>	<u>\$ 11,081,311</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2017

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Cemetery	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,126,160	\$ 646,934	\$ 245,001	\$ 4,186,181	\$ 78,662	\$ 8,282,938
Receipts from others	25,907	-	67	155,290	-	181,264
Payments to suppliers	(2,708,518)	(468,309)	(91,885)	(3,846,655)	(557)	(7,115,924)
Payments to employees	-	-	-	(279,195)	-	(279,195)
Net cash provided by operating activities	443,549	178,625	153,183	215,621	78,105	1,069,083
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	-	-	-	-	1,375,523	1,375,523
Transfers to other funds	(18,000)	(5,000)	(51,016)	(215,684)	-	(289,700)
Net cash provided by (used in) noncapital financing activities	(18,000)	(5,000)	(51,016)	(215,684)	1,375,523	1,085,823
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(45,212)	-	-	-	-	(45,212)
Proceeds from installment agreement	182,800	-	-	-	-	182,800
Principal paid on capital debt	(68,134)	(24,439)	-	-	-	(92,573)
Interest paid on capital debt	(13,591)	(5,989)	-	-	-	(19,580)
Net cash provided by (used in) capital and related financing activities	55,863	(30,428)	-	-	-	25,435
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	-	-	(10,525)	(23,344)	(628,272)	(662,141)
Interest on investments	-	-	10,524	23,344	5,613	39,481
Net cash used in investing activities	-	-	(1)	-	(622,659)	(622,660)
Net change in cash and cash equivalents	481,412	143,197	102,166	(63)	830,969	1,557,681
Cash and cash equivalents - October 1, 2016	122,926	168,756	501,391	758,879	-	1,551,952
Cash and cash equivalents - September 30, 2017	\$ 604,338	\$ 311,953	\$ 603,557	\$ 758,816	\$ 830,969	\$ 3,109,633
Reconciliation of cash and cash equivalents to statement of net position:						
Unrestricted cash and cash equivalents	\$ 553,984	\$ 311,953	\$ 603,557	\$ 758,816	\$ 830,969	\$ 3,059,279
Restricted cash and cash equivalents	50,354	-	-	-	-	50,354
Cash and cash equivalents - September 30, 2017	\$ 604,338	\$ 311,953	\$ 603,557	\$ 758,816	\$ 830,969	\$ 3,109,633
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 244,679	\$ 91,646	\$ 133,868	\$ (916,242)	\$ 92,690	\$ (353,359)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	191,275	85,553	9,179	238	-	286,245
Rent revenue	25,907	-	67	155,290	-	181,264
Change in assets and liabilities:						
Accounts receivable	(5,569)	-	-	(95,040)	(14,828)	(115,437)
Inventories	(1,865)	(5,106)	-	-	-	(6,971)
Prepaid expenses	(33,601)	(7,790)	-	-	-	(41,391)
Deferred amount related to pensions	-	-	-	38,932	-	38,932
Accounts payable and accrued expenses	35,454	14,322	6,749	1,060,096	243	1,116,864
Unearned revenue	-	-	1,459	-	-	1,459
Refundable deposits payable	(12,731)	-	1,861	-	-	(10,870)
Compensated absences payable	-	-	-	9,251	-	9,251
Net OPEB obligation	-	-	-	4,166	-	4,166
Net pension liability (asset)	-	-	-	(41,070)	-	(41,070)
Total adjustments	198,870	86,979	19,315	1,131,863	(14,585)	1,422,442
Net cash provided by operating activities	\$ 443,549	\$ 178,625	\$ 153,183	\$ 215,621	\$ 78,105	\$ 1,069,083
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES						
Amortization of bond premiums	\$ (4,575)	\$ (2,796)	\$ -	\$ -	\$ -	\$ (7,371)
Realized and unrealized loss on investments	-	-	(5,954)	(13,206)	(3,959)	(23,119)

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, 2017

	Insurance	Central Garage	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,411,042	\$ 2,241,664	\$ 7,652,706
Investments	5,099,388	2,911,795	8,011,183
Accounts receivable, net	30,001	-	30,001
Interest receivable	15,545	8,803	24,348
Inventories	-	92,445	92,445
Total Current Assets	<u>10,555,976</u>	<u>5,254,707</u>	<u>15,810,683</u>
Noncurrent Assets:			
Property and equipment			
Buildings	-	88,185	88,185
Equipment	132,964	28,612,350	28,745,314
Accumulated depreciation	(107,828)	(19,201,861)	(19,309,689)
Other asset			
Net pension asset	30,828	57,292	88,120
Total Noncurrent Assets	<u>55,964</u>	<u>9,555,966</u>	<u>9,611,930</u>
Total Assets	<u>10,611,940</u>	<u>14,810,673</u>	<u>25,422,613</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount related to pensions	<u>26,378</u>	<u>49,021</u>	<u>75,399</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	309,595	872,270	1,181,865
Current maturities of installment agreements	-	194,181	194,181
Current portion of compensated absences	8,362	3,211	11,573
Current portion of insurance claims payable	1,723,328	-	1,723,328
Total Current Liabilities	<u>2,041,285</u>	<u>1,069,662</u>	<u>3,110,947</u>
Noncurrent Liabilities:			
Installment agreements	-	1,268,433	1,268,433
Compensated absences payable	13,581	108,307	121,888
Insurance claims payable	4,313,000	-	4,313,000
Net OPEB obligation	41,217	115,407	156,624
Total Noncurrent Liabilities	<u>4,367,798</u>	<u>1,492,147</u>	<u>5,859,945</u>
Total Liabilities	<u>6,409,083</u>	<u>2,561,809</u>	<u>8,970,892</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to pensions	<u>58,364</u>	<u>108,463</u>	<u>166,827</u>
NET POSITION			
Net investment in capital assets	25,136	8,036,060	8,061,196
Unrestricted	4,145,735	4,153,362	8,299,097
Total Net Position	<u>\$ 4,170,871</u>	<u>\$ 12,189,422</u>	<u>\$ 16,360,293</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, 2017

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 12,977,245	\$ 2,615,019	\$ 15,592,264
Other operating revenue	297,230	2,155,291	2,452,521
Total Operating Revenues	<u>13,274,475</u>	<u>4,770,310</u>	<u>18,044,785</u>
OPERATING EXPENSES			
Personal services	370,636	888,626	1,259,262
Other operating expenses	12,731,048	1,986,638	14,717,686
Depreciation	9,462	1,997,537	2,006,999
Total Operating Expenses	<u>13,111,146</u>	<u>4,872,801</u>	<u>17,983,947</u>
Operating income (loss)	163,329	(102,491)	60,838
Investment earnings			
NONOPERATING REVENUES			
Investment earnings	28,930	16,518	45,448
Interest expense	-	(28,945)	(28,945)
Insurance recoveries	-	12,319	12,319
Gain on disposal of equipment	-	53,885	53,885
Total Nonoperating Revenues	<u>28,930</u>	<u>53,777</u>	<u>82,707</u>
Income (Loss) Before Capital Contributions and Transfers	192,259	(48,714)	143,545
Capital contributions	-	177,946	177,946
Transfers in	-	98,915	98,915
Change In Net Position	192,259	228,147	420,406
Net Position - October 1, 2016	3,978,612	11,961,275	15,939,887
Net Position - September 30, 2017	<u>\$ 4,170,871</u>	<u>\$ 12,189,422</u>	<u>\$ 16,360,293</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2017

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 13,260,880	\$ 4,770,310	\$ 18,031,190
Receipts from others	-	12,319	12,319
Payments to suppliers	(12,601,357)	(1,543,333)	(14,144,690)
Payments to employees	(374,422)	(864,161)	(1,238,583)
Net cash provided by operating activities	<u>285,101</u>	<u>2,375,135</u>	<u>2,660,236</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(3,835,806)	(3,835,806)
Proceeds from the sale of capital assets	-	59,346	59,346
Interest paid on capital debt	-	(28,945)	(28,945)
Net cash used in capital and related financing activities	<u>-</u>	<u>(3,805,405)</u>	<u>(3,805,405)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(57,157)	(32,636)	(89,793)
Interest on investments	57,157	32,636	89,793
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	285,101	(1,430,270)	(1,145,169)
Cash and cash equivalents - October 1, 2016	5,125,941	3,671,934	8,797,875
Cash and cash equivalents - September 30, 2017	<u>\$ 5,411,042</u>	<u>\$ 2,241,664</u>	<u>\$ 7,652,706</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 163,329	\$ (102,491)	\$ 60,838
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	9,462	1,997,537	2,006,999
Insurance recoveries	-	12,319	12,319
Change in assets and liabilities:			
Accounts receivable	(13,595)	-	(13,595)
Inventories	-	(18,882)	(18,882)
Prepaid expenses	449	-	449
Deferred amount related to pensions	49,120	99,648	148,768
Accounts payable and accrued expenses	59,783	462,187	521,970
Compensated absences payable	(6,606)	16,053	9,447
Insurance claims payable	69,459	-	69,459
Net OPEB obligation	5,207	14,579	19,786
Net pension liability (asset)	(51,507)	(105,815)	(157,322)
Total adjustments	<u>121,772</u>	<u>2,477,626</u>	<u>2,599,398</u>
Net cash provided by operating activities	<u>\$ 285,101</u>	<u>\$ 2,375,135</u>	<u>\$ 2,660,236</u>
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES			
Equipment contributed from governmental capital assets	\$ -	\$ 177,946	\$ 177,946
Equipment acquired with capital lease installment agreement	<u>\$ -</u>	<u>\$ 1,462,614</u>	<u>\$ 1,462,614</u>
Equipment transferred from enterprise fund capital assets	<u>\$ -</u>	<u>\$ 98,915</u>	<u>\$ 98,915</u>
Realized and unrealized loss on investments	<u>\$ (32,335)</u>	<u>\$ (18,463)</u>	<u>\$ (50,798)</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 Officers' and Firefighters' Retirement System Funds.

Police Officers' Retirement System Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all non-civilian police department employees of the City. The fund was established by City Ordinance No. 17-16 which created a separate retirement system for all non-civilian police department employees, effective October 1, 2016.

Firefighters' Retirement System Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all non-civilian fire department employees of the City. The fund was established by City Ordinance No. 17-16 which created a separate retirement system for all non-civilian fire department employees, effective October 1, 2016.

Police and Firefighters' Legacy Pension Fund – This fund is used to account for assets held in a trustee capacity for the retirement pensions of all non-civilian police and fire department employees of the City prior to the adoption of City Ordinance No. 17-16. During 2017, the assets of the fund related to pensions for police officers and firefighters were segregated and transferred to the new *Police Officers' Retirement System Fund* and *Firefighters' Retirement System Fund*.

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF PLAN NET POSITION
 PENSION TRUST FUNDS
 September 30, 2017

	General Employees' Pension	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
ASSETS				
Cash	\$ 557	\$ 3,986	\$ 4,277	\$ 8,820
Investments:				
Money market mutual funds	1,449,202	1,815,867	2,236,985	5,502,054
U.S. Government securities	4,219,080	3,324,743	3,427,606	10,971,429
Mortgage and asset-backed securities	1,766,972	3,698,270	4,081,766	9,547,008
Collateralized mortgage obligations	3,639,506	387,473	163,646	4,190,625
Municipal obligations	810,908	105,378	138,655	1,054,941
Domestic corporate bonds	12,064,203	7,293,513	8,589,961	27,947,677
International fixed income investment fund	9,746,582	3,344,834	3,732,090	16,823,506
Foreign corporate bonds	726,797	-	-	726,797
Domestic common stocks	20,754,342	30,820,028	34,228,360	85,802,730
Domestic equity mutual funds	22,559,948	4,074,166	4,540,518	31,174,632
Domestic equity index funds	33,360,801	4,152,169	4,615,298	42,128,268
International equity mutual funds	4,073,037	15,280,959	16,936,281	36,290,277
Foreign stocks	202,513	149,440	165,197	517,150
Timber investment funds	-	2,667,398	2,956,346	5,623,744
Real estate investment trusts	159,314	453,058	497,290	1,109,662
Real estate investment funds	-	7,080,655	7,847,672	14,928,327
Fixed income alternative investment fund	-	3,015,220	3,341,847	6,357,067
Interest and dividends receivable	237,195	223,191	252,745	713,131
Due from broker for securities sold	9,329,019	174,409	205,074	9,708,502
Employee contributions receivable	-	39,054	32,337	71,391
Prepaid expenses and other	5,153	3,553	3,553	12,259
Total Assets	<u>125,105,129</u>	<u>88,107,364</u>	<u>97,997,504</u>	<u>311,209,997</u>
LIABILITIES				
Accounts payable	45,754	56,863	57,812	160,429
Due to broker for securities purchased	107,990	34,860	103,743	246,593
Total Liabilities	<u>153,744</u>	<u>91,723</u>	<u>161,555</u>	<u>407,022</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 124,951,385</u>	<u>\$ 88,015,641</u>	<u>\$ 97,835,949</u>	<u>\$ 310,802,975</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2017

	General Employees' Pension	Police Officers' Retirement System	Firefighters' Retirement System	Police and Firefighters' Legacy Pension Fund	Total Pension Trust Funds
ADDITIONS					
Contributions					
Employer	\$ 1,969,163	\$ 5,162,290	\$ 5,721,499	\$ -	\$ 12,852,952
State of Florida	-	742,419	1,134,704	-	1,877,123
Plan members	717,598	924,337	903,846	-	2,545,781
Total contributions	2,686,761	6,829,046	7,760,049	-	17,275,856
Investment earnings					
Net appreciation in fair value of investments	12,194,065	7,337,792	8,138,535	-	27,670,392
Interest, dividends and investment fund income	2,530,381	1,924,594	2,145,091	-	6,600,066
Other investment income	915	162,909	192,087	-	355,911
	14,725,361	9,425,295	10,475,713	-	34,626,369
Less investment expenses - custodian fees	(251,220)	(481,375)	(531,410)	-	(1,264,005)
Net investment earnings	14,474,141	8,943,920	9,944,303	-	33,362,364
Equity allocation from Legacy Pension Fund	-	79,306,442	88,287,564	(167,594,006)	-
Total additions	17,160,902	95,079,408	105,991,916	(167,594,006)	50,638,220
DEDUCTIONS					
Benefits	6,903,465	6,907,367	8,002,925	-	21,813,757
Refunds of contributions	68,352	-	6,673	-	75,025
Administrative expenses	77,550	156,400	146,369	-	380,319
Total deductions	7,049,367	7,063,767	8,155,967	-	22,269,101
Change In Plan Net Position	10,111,535	88,015,641	97,835,949	(167,594,006)	28,369,119
Net Position Restricted for Pension Benefits at October 1, 2016	114,839,850	-	-	167,594,006	282,433,856
Net Position Restricted for Pension Benefits at September 30, 2017	\$ 124,951,385	\$ 88,015,641	\$ 97,835,949	\$ -	\$ 310,802,975

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, 2017

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:				
Taxes:				
Ad valorem	\$ 58,406,121	\$ 58,896,121	\$ 59,282,428	\$ 386,307
Sales and use	1,384,036	1,434,036	1,521,167	87,131
Utility	6,610,873	6,410,873	6,572,763	161,890
Communications Services Tax	2,968,365	2,968,365	2,896,019	(72,346)
Business tax receipts	829,669	869,669	911,668	41,999
Total taxes	70,199,064	70,579,064	71,184,045	604,981
Licenses and permits:				
Building permits	3,978,596	3,978,596	7,247,861	3,269,265
Franchise fees	5,630,776	5,061,776	5,209,446	147,670
Miscellaneous	1,664,965	1,687,965	2,022,397	334,432
License fees	121,041	121,041	78,217	(42,824)
Total fees and permits	11,395,378	10,849,378	14,557,921	3,708,543
Intergovernmental:				
Federal shared revenue:				
Hazmat Sustainment	-	42,000	48,227	6,227
Highway Safety Grants	-	-	22,074	22,074
Justice Assistance Grants	32,476	45,468	35,468	(10,000)
Total federal shared revenue	32,476	87,468	105,769	18,301
State shared revenue:				
State revenue sharing	1,980,000	2,030,000	2,103,060	73,060
Local government sales tax	4,960,000	4,985,000	5,029,603	44,603
Alcoholic beverage licenses tax	82,065	82,065	107,158	25,093
Municipal fuel tax refund	52,598	52,598	24,627	(27,971)
Mobile home licenses tax	-	-	368	368
Fire incentive	72,882	72,882	71,497	(1,385)
State grants	-	45,000	45,347	347
Total state shared revenue	7,147,545	7,267,545	7,381,660	114,115
Shared revenue from local units:				
County occupational licenses	107,453	107,453	140,444	32,991
Palm Beach County Grants	-	-	24,990	24,990
Total shared revenue from local units	107,453	107,453	165,434	57,981
Total intergovernmental	7,287,474	7,462,466	7,652,863	190,397

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, 2017

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):				
Charges for services:				
General government	\$ 871,496	\$ 861,135	\$ 1,102,901	\$ 241,766
Public safety	8,405,807	7,838,365	7,965,730	127,365
Physical environment	115,666	115,666	135,141	19,475
Parking	1,997,276	1,857,276	1,570,975	(286,301)
Culture and recreation	1,611,184	1,625,684	1,150,723	(474,961)
Total charges for services	13,001,429	12,298,126	11,925,470	(372,656)
Fines and forfeitures:				
Court	1,014,571	997,571	962,857	(34,714)
Penalties on licenses and permits	42,263	55,263	73,355	18,092
Violations of local ordinances	195,792	210,792	169,739	(41,053)
Total fines and forfeitures	1,252,626	1,263,626	1,205,951	(57,675)
Miscellaneous:				
Interest	230,435	541,933	627,081	85,148
Rents and special assessments	135,604	125,282	131,434	6,152
Sale of capital assets	-	-	40,305	40,305
Contributions and donations	5,135,385	5,093,385	5,704,161	610,776
Recovery of administrative costs	3,655,300	3,655,300	3,466,500	(188,800)
Other	291,432	294,556	88,378	(206,178)
Total miscellaneous	9,448,156	9,710,456	10,057,859	347,403
Total revenue	112,584,127	112,163,116	116,584,109	4,420,993
Other financing sources:				
Prior year surplus	400,000	6,120,797	-	(6,120,797)
Transfers in:				
Water and Sewer Fund	3,043,870	3,043,870	3,043,870	-
Municipal and Lakeview Golf Course Funds	23,000	23,000	23,000	-
City Marina Fund	51,016	51,016	51,016	-
Utilities Tax Fund	1,800	1,800	1,800	-
Sanitation Fund	107,684	107,684	107,684	-
Stormwater Utility Fund	352,358	352,358	352,358	-
Special Projects Fund	12,000	12,000	12,000	-
Total transfers in	3,591,728	3,591,728	3,591,728	-
Total other financing sources	3,991,728	9,712,525	3,591,728	(6,120,797)
Total revenue and other financing sources	\$ 116,575,855	\$ 121,875,641	120,175,837	\$ (1,699,804)
Reconciliation to GAAP basis statements:				
On-behalf payments			1,877,123	
Revenue and other financing sources - GAAP basis			<u>\$ 122,052,960</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, 2017

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:						
City commission	\$ 198,536	\$ 267,440	\$ 267,359	\$ 18,750	\$ 286,109	\$ (18,669)
City manager	886,563	886,213	878,310	14,150	892,460	(6,247)
Economic development	409,930	127,021	91,194	-	91,194	35,827
Human resources	784,942	823,242	821,883	-	821,883	1,359
Public information office	62,295	110,388	110,100	-	110,100	288
City clerk	924,335	924,335	892,222	-	892,222	32,113
Finance	1,759,976	1,784,061	1,746,162	39,974	1,786,136	(2,075)
Information technology	3,956,143	3,819,366	3,115,101	52,796	3,167,897	651,469
City attorney	1,226,548	1,434,048	1,432,308	-	1,432,308	1,740
Purchasing	606,845	655,271	583,657	-	583,657	71,614
Cemetery	295,334	307,271	306,306	26,400	332,706	(25,435)
Grants and Aids:						
Library	1,453,500	1,453,500	1,453,500	-	1,453,500	-
Other grants and aids	498,450	239,200	238,700	-	238,700	500
Miscellaneous and contingency	3,623,387	2,915,233	173,780	-	173,780	2,741,453
Transfers to component units	10,080,218	10,100,654	10,100,654	-	10,100,654	-
Total general government	26,767,002	25,847,243	22,211,236	152,070	22,363,306	3,483,937
Public safety:						
Law enforcement	31,340,179	32,529,178	32,446,048	99,447	32,545,495	(16,317)
Fire control	27,018,099	27,510,722	27,447,529	272,055	27,719,584	(208,862)
Community improvement administration	1,108,665	1,105,419	1,020,213	7,818	1,028,031	77,388
Planning and zoning	1,669,455	1,727,108	1,530,821	199,435	1,730,256	(3,148)
Building inspection	2,279,404	2,283,203	2,066,980	-	2,066,980	216,223
Code compliance	1,371,657	1,400,990	1,318,550	-	1,318,550	82,440
Total public safety	64,787,459	66,556,620	65,830,141	578,755	66,408,896	147,724
Physical environment:						
Engineering	749,096	1,102,544	1,071,217	239,556	1,310,773	(208,229)
Parking facilities	1,211,643	1,296,643	1,266,102	150,592	1,416,694	(120,051)
Public works:						
Traffic operations	399,220	391,406	372,766	135	372,901	18,505
Administration	186,544	186,544	166,858	-	166,858	19,686
Street lighting	832,072	795,072	768,255	-	768,255	26,817
Street maintenance	865,440	734,440	666,203	15,008	681,211	53,229
Building maintenance	1,080,429	2,217,211	2,236,983	705,599	2,942,582	(725,371)
Total physical environment	5,324,444	6,723,860	6,548,384	1,110,890	7,659,274	(935,414)

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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, 2017

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:						
Administration	\$ 773,343	\$ 745,831	\$ 736,453	\$ -	\$ 736,453	\$ 9,378
Out of school program	329,375	354,875	346,859	-	346,859	8,016
Teen center	305,113	327,213	326,251	-	326,251	962
Catherine Strong Park	298,411	298,411	289,413	-	289,413	8,998
Community center	282,640	308,320	307,832	-	307,832	488
Veteran's park recreation facility	160,017	172,617	172,640	-	172,640	(23)
Pompey Park recreation facility	772,189	803,889	804,662	-	804,662	(773)
Parks maintenance	3,845,171	3,754,560	3,699,919	36,597	3,736,516	18,044
Special events	138,533	152,533	152,378	-	152,378	155
Tennis centers	1,284,620	1,202,462	1,067,543	-	1,067,543	134,919
Tennis stadium	2,518,020	2,493,020	2,434,196	-	2,434,196	58,824
Aquatics	439,046	443,146	441,900	-	441,900	1,246
Athletics	486,370	548,770	550,142	-	550,142	(1,372)
Total parks and recreation	11,632,848	11,605,647	11,330,188	36,597	11,366,785	238,862
Debt service:						
Principal retirement	1,318,938	1,318,938	1,308,713	-	1,308,713	10,225
Interest and fiscal charges	161,691	161,691	160,934	-	160,934	757
Total debt service	1,480,629	1,480,629	1,469,647	-	1,469,647	10,982
Total expenditures and encumbrances	109,992,382	112,213,999	107,389,596	1,878,312	109,267,908	2,946,091
Other financing uses:						
Transfers out to other funds:						
Neighborhood Services Fund	149,430	149,430	149,430	-	149,430	-
Beautification Fund	930,000	942,158	942,158	-	942,158	-
Utilities Tax Fund	2,061,400	2,061,400	2,061,400	-	2,061,400	-
Capital Improvement Fund	3,375,908	6,441,919	6,441,919	-	6,441,919	-
Beach Restoration Fund	66,735	66,735	66,735	-	66,735	-
Total other financing uses	6,583,473	9,661,642	9,661,642	-	9,661,642	-
Total expenditures, encumbrances and other financing uses	\$ 116,575,855	\$ 121,875,641	\$ 117,051,238	\$ 1,878,312	118,929,550	\$ 2,946,091
Reconciliation to GAAP basis statements:						
Current year encumbrances outstanding					(1,878,312)	
On-behalf payments					1,877,123	
Expenditures and other financing uses - GAAP basis					\$ 118,928,361	

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 and Note	Water and Sewer Revenue Bonds	Installment Agreements	Total Requirements
2018	\$ 2,096,705	\$ 6,364,378	\$ 2,163,775	\$ 425,218	\$ 11,050,076
2019	2,091,898	6,941,646	2,152,015	331,605	11,517,164
2020	2,104,997	6,949,899	1,933,097	294,380	11,282,373
2021	2,105,795	6,941,075	1,948,716	269,024	11,264,610
2022	2,109,345	6,946,575	1,948,086	239,573	11,243,579
2023	2,115,489	6,945,350	-	229,755	9,290,594
2024	2,128,967	6,947,650	-	229,798	9,306,415
2025	-	6,947,725	-	-	6,947,725
2026	-	6,940,526	-	-	6,940,526
2027	-	6,951,004	-	-	6,951,004
2028	-	3,428,500	-	-	3,428,500
2029	-	3,432,850	-	-	3,432,850
2030	-	3,429,500	-	-	3,429,500
2031	-	3,429,812	-	-	3,429,812
2032	-	3,428,250	-	-	3,428,250
2033	-	1,028,438	-	-	1,028,438
2034	-	1,027,050	-	-	1,027,050
2035	-	1,024,650	-	-	1,024,650
	<u>\$ 14,753,196</u>	<u>\$ 89,104,878</u>	<u>\$ 10,145,689</u>	<u>\$ 2,019,353</u>	<u>\$ 116,023,116</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
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>\$ 13,205,000</u>	<u>\$ 1,548,196</u>	<u>\$ 14,753,196</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			
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>\$ 6,925,000</u>	<u>\$ 601,440</u>	<u>\$ 457,746</u>	<u>\$ 457,746</u>	<u>\$ 7,984,186</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			
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>\$ 6,280,000</u>	<u>\$ 278,574</u>	<u>\$ 210,436</u>	<u>\$ 6,769,010</u>			

- Original Authorization – \$9,000,000
- Issued – \$8,810,000
- Date of Issue – November 21, 2013
- 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 – 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 Governmental Activities Revenue Bonds
Debt Service Requirements (Principal and Interest)

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2018	\$ 4,290,000	\$ 2,074,378	\$ 6,364,378	\$ 82,740,500
2019	4,859,684	2,081,962	6,941,646	75,798,854
2020	5,010,000	1,939,899	6,949,899	68,848,955
2021	5,160,000	1,781,075	6,941,075	61,907,880
2022	5,330,000	1,616,575	6,946,575	54,961,305
2023	5,500,000	1,445,350	6,945,350	48,015,955
2024	5,680,000	1,267,650	6,947,650	41,068,305
2025	5,865,000	1,082,725	6,947,725	34,120,580
2026	6,050,000	890,526	6,940,526	27,180,054
2027	6,260,000	691,004	6,951,004	20,229,050
2028	2,855,000	573,500	3,428,500	16,800,550
2029	2,945,000	487,850	3,432,850	13,367,700
2030	3,030,000	399,500	3,429,500	9,938,200
2031	3,125,000	304,812	3,429,812	6,508,388
2032	3,225,000	203,250	3,428,250	3,080,138
2033	930,000	98,438	1,028,438	2,051,700
2034	960,000	67,050	1,027,050	1,024,650
2035	990,000	34,650	1,024,650	-
	<u>\$ 72,064,684</u>	<u>\$ 17,040,194</u>	<u>\$ 89,104,878</u>	

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

City of Delray Beach, Florida
Schedule of Revenue Bonds (Series 2000)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal June 1	December 1	June 1	June 1			
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>\$ 1,170,000</u>	<u>\$ 46,418</u>	<u>\$ 46,418</u>	<u>\$ 1,262,836</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% 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				
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>\$ 1,800,000</u>	<u>\$ 49,762</u>	<u>\$ 49,762</u>	<u>\$ 1,899,524</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, NA
 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 Capital Improvement Revenue Bonds (Series 2017)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal October 1		April 1	October 1			
2018	\$ 2,500,000	\$	168,070	\$ 284,200	\$ 2,952,270	\$ 31,631,300	1.96%
2019	2,980,000		284,200	254,996	3,519,196	28,112,104	1.96
2020	3,035,000		254,996	225,253	3,515,249	24,596,855	1.96
2021	3,095,000		225,253	194,922	3,515,175	21,081,680	1.96
2022	3,155,000		194,922	164,003	3,513,925	17,567,755	1.96
2023	3,220,000		164,003	132,447	3,516,450	14,051,305	1.96
2024	3,280,000		132,447	100,303	3,512,750	10,538,555	1.96
2025	3,345,000		100,303	67,522	3,512,825	7,025,730	1.96
2026	3,410,000		67,522	34,104	3,511,626	3,514,104	1.96
2027	3,480,000		34,104	-	3,514,104	-	1.96
	<u>\$ 31,500,000</u>	<u>\$</u>	<u>1,625,820</u>	<u>\$ 1,457,750</u>	<u>\$ 34,583,570</u>		

- Original Authorization – \$31,500,000
- Issued – \$31,500,000 Serial Bonds
- Date of Issue – June 23, 2017
- Maturity Range – Serial Bonds: October 1, 2018 through October 1, 2026
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – April 1 and October 1 of each year
- Pledged Revenue – Non-ad valorem tax revenues
- Denomination – N/A
- Call Features – Optional redemption for bonds maturing on or after June 1, 2026 at 100%
- Paying Agent – Bank of America
- Ratings – N/A

Projects: The bonds were issued to finance the costs of certain infrastructure capital projects.

City of Delray Beach, Florida

Schedule of Utilities Tax Revenue Refunding and Improvement Bonds (Series 2015)

Fiscal Year Ending September 30	Serial Bond			Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal June 1	Interest December 1	Interest June 1			
2018	\$ 545,000	\$ 757,700	\$ 757,700	\$ 2,060,400	\$ 49,744,900	5.00%
2019	570,000	744,075	744,075	2,058,150	47,686,750	5.00
2020	1,975,000	729,825	729,825	3,434,650	44,252,100	5.00
2021	2,065,000	680,450	680,450	3,425,900	40,826,200	5.00
2022	2,175,000	628,825	628,825	3,432,650	37,393,550	5.00
2023	2,280,000	574,450	574,450	3,428,900	33,964,650	5.00
2024	2,400,000	517,450	517,450	3,434,900	30,529,750	5.00
2025	2,520,000	457,450	457,450	3,434,900	27,094,850	5.00
2026	2,640,000	394,450	394,450	3,428,900	23,665,950	5.00
2027	2,780,000	328,450	328,450	3,436,900	20,229,050	5.00
2028	2,855,000	286,750	286,750	3,428,500	16,800,550	5.00
2029	2,945,000	243,925	243,925	3,432,850	13,367,700	3.00
2030	3,030,000	199,750	199,750	3,429,500	9,938,200	3.00
2031	3,125,000	152,406	152,406	3,429,812	6,508,388	3.00
2032	3,225,000	101,625	101,625	3,428,250	3,080,138	3.13
2033	930,000	49,219	49,219	1,028,438	2,051,700	3.25
2034	960,000	33,525	33,525	1,027,050	1,024,650	3.25
2035	990,000	17,325	17,325	1,024,650	-	3.38
	<u>\$ 38,010,000</u>	<u>\$ 6,897,650</u>	<u>\$ 6,897,650</u>	<u>\$ 51,805,300</u>		

- Original Authorization – \$44,000,000
- Issued – \$39,020,000 Serial Bonds
- Date of Issue – April 1, 2015
- Maturity Range – Serial Bonds: June 1, 2016 through June 1, 2035
- Principal Payment Date – June 1 of each year
- Interest Payment Dates – June 1 and December 1 of each year
- Pledged Revenue – Utilities service tax revenues
- Denomination – N/A
- Call Features – Optional redemption for bonds maturing on or after June 1, 2026 at 100%
- Paying Agent – Commerce Bank
- Ratings – S&P AA-, Moody's Aa3

Projects: The bonds were issued to refund a portion of the Utility Tax Revenue Bonds, Series 2007; to pay a portion of the Bond Anticipation Revenue Improvement Note, Series 2013; and, to finance the costs of rebuilding Fire Station No. 3 and certain beach amenity projects.

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
2018	\$ 1,945,000	\$ 218,775	\$ 2,163,775	\$ 7,981,914
2019	1,985,316	166,699	2,152,015	5,829,899
2020	1,820,000	113,097	1,933,097	3,896,802
2021	1,880,000	68,716	1,948,716	1,948,086
2022	1,925,000	23,086	1,948,086	-
	<u>\$ 9,555,316</u>	<u>\$ 590,373</u>	<u>\$ 10,145,689</u>	

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

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				
2018	\$ 180,000	\$ 19,204	\$ 15,622	\$ 214,826	\$ 848,782	3.98%	
2019	185,000	15,622	11,940	212,562	636,220	3.98	
2020	195,000	11,940	8,060	215,000	421,220	3.98	
2021	200,000	8,060	4,080	212,140	209,080	3.98	
2022	205,000	4,080	-	209,080	-	3.98	
	<u>\$ 965,000</u>	<u>\$ 58,906</u>	<u>\$ 39,702</u>	<u>\$ 1,063,608</u>			

- Original Authorization – \$2,350,000
- Issued – \$2,350,000
- Date of Issue – November 17, 2006
- Maturity Range – Serial Bonds: October 1, 2007 through October 1, 2021
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – October 1 and April 1 of each year
- Pledged Revenue – Utility system net revenues
- Denomination – N/A
- Call Features – Penalty for early payment
- Paying Agent – SunTrust Bank, NA
- 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				
2018	\$ 540,000	\$ 31,437	\$ 25,470	\$ 596,907	\$ 2,408,593	2.21%	
2019	555,000	25,470	19,337	599,807	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>\$ 2,845,000</u>	<u>\$ 95,969</u>	<u>\$ 64,531</u>	<u>\$ 3,005,500</u>			

- Original Authorization – \$5,430,000
- Issued – \$5,430,000
- Date of Issue – September 29, 2011
- Maturity Range – Serial Bonds: October 1, 2012 through October 1, 2021
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – October 1 and April 1 of each year
- Pledged Revenue – Utility system net revenues
- Denomination – None
- Call Features – 1% penalty for early payment
- Paying Agent – Branch Banking and Trust Company
- Ratings – N/A

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

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Refunding Bonds (Series 2011B)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal October 1		October 1	April 1			
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>\$ 5,330,000</u>	<u>\$</u>	<u>179,562</u>	<u>\$ 120,667</u>	<u>\$ 5,630,229</u>		

- Original Authorization – \$8,160,000
- Issued – \$8,160,000
- Date of Issue – October 18, 2011
- Maturity Range – Serial Bonds: October 1, 2012 through October 1, 2021
- Principal Payment Date – October 1 of each year
- Interest Payment Dates – October 1 and April 1 of each year
- Pledged Revenue – Utility system net revenues
- Denomination – N/A
- Call Features – 1% penalty for early payment
- Paying Agent – Branch Banking and Trust Company
- Ratings – N/A

Projects: The bonds were issued to refund the 2007 Water and Sewer Revenue Bond Issue. The 2007 Water and Sewer Revenue 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

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2018	\$ 381,515	\$ 43,703	\$ 425,218	\$ 1,594,135
2019	296,316	35,289	331,605	1,262,530
2020	266,039	28,341	294,380	968,150
2021	247,093	21,931	269,024	699,126
2022	223,545	16,028	239,573	459,553
2023	218,974	10,781	229,755	229,798
2024	224,343	5,455	229,798	-
	<u>\$ 1,857,825</u>	<u>\$ 161,528</u>	<u>\$ 2,019,353</u>	

Schedule of installment agreements consists of the following:

- SunTrust Leasing – Original amount of principal—\$825,000, 84-month term, 2.8546% interest, payable monthly December 6, 2012 through December 6, 2018, secured by public safety hardware and software.
- De Lage Landen Public Finance LLC – Original amount of principal—\$140,100, 60-month term, 2.74% interest, payable monthly October 1, 2016 through August 1, 2020, secured by golf carts at Delray Beach Golf Course.
- PNC Leasing – Original amount of principal—\$182,800, 60-month term, 2.85% interest, payable monthly January 7, 2017 through December 7, 2021, secured by golf carts at Delray Beach Golf Course.
- PNC Leasing – Original amount of principal—\$1,462,569, 84-month term, 2.432% interest, payable monthly December 7, 2017 through December 7, 2023, secured by two fire pumper trucks.

City of Delray Beach, Florida

Combined Schedule of Community Redevelopment Agency Tax Increment
Redevelopment Revenue Bonds (Series 1999, Series 2004, Series 2012 and Series 2015)

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			
2018	\$ 1,140,000	\$ 103,184	\$ 103,184	\$ 1,243,184	\$ 1,242,704	4.2982 - 4.8000	%
2019	1,190,000	52,704	52,704	1,242,704	-	4.2982 - 4.8000	
	<u>2,330,000</u>	<u>\$ 155,888</u>	<u>\$ 155,888</u>	<u>\$ 2,485,888</u>			
Series 2012 and 2015 draws with no fixed maturity	<u>2,719,225</u>						
	<u>\$ 5,049,225</u>						
Original Authorization	<ul style="list-style-type: none"> - \$9,715,000 (Series 1999A - Tax-exempt) - \$10,000,000 (Series 2004A - Tax-exempt) - \$4,000,000 (Series 2012 - Tax-exempt draw down bond) - \$2,000,000 (Series 2015 - Tax-exempt draw down bond) 						
Issued	<ul style="list-style-type: none"> - \$9,715,000 (Series 1999A - Tax-exempt) - \$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) - \$2,669,225 draws to September 30, 2017 (Series 2012 - Tax-exempt) - \$50,000 draws to September 30, 2017 (Series 2015 - Tax-exempt) 						
Date of Issue	<ul style="list-style-type: none"> - June 25, 1999 (1999 Series) - May 19, 2004 (2004 Series) - February 10, 2012 (2012 Series) - January 29, 2016 (2015 Series) 						
Maturity Range	- Serially September 1, 2001 through September 1, 2019 (Series 2004A&B and 1999A)						
Principal Payment Date	<ul style="list-style-type: none"> - <u>Series 1999A</u>: September 1 of each year, commencing September 1, 2001 - <u>Series 2004A</u>: September 1 of each year, commencing September 1, 2005 - <u>Series 2012</u>: September 1 and April 1 of each year, commencing the first September 1 or April 1 after final draw - <u>Series 2015</u>: September 1 and April 1 of each year, commencing the first September 1 or April 1 after final draw 						
Interest Rate	<ul style="list-style-type: none"> - <u>Series 1999A</u>: 4.80% until September 1, 2019 - <u>Series 2004A</u>: 4.2982% until September 1, 2019 - <u>Series 2012</u>: 2.10% on outstanding balance commencing October 1, 2012 and 2.78% on outstanding balance commencing April 1, 2016 - <u>Series 2015</u>: 2.78% on outstanding balance commencing April 1, 2016 						
Pledged Revenue	- Tax increment revenues						
Denomination	- N/A						
Call Features	- No penalty for early payment for taxable debt only						
Paying Agent/Registrar	<ul style="list-style-type: none"> - Bank of America (Series 2004A and 1999A) - City National Bank of Florida (Series 2012) - City National Bank of Florida (Series 2015) 						
Ratings	- N/A						
Project:	The Series 2015, 2012, 2004A and 1999A proceeds were issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects.						

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.....	130
<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.....	144
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	147
<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	151
<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.....	153
<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			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 70,521,186	\$ 76,546,448	\$ 77,727,858	\$ 78,779,535
Restricted	12,644,718	10,728,740	13,592,226	6,520,365
Unrestricted (deficit)	23,694,418	23,962,095	21,879,827	26,242,684
Total governmental activities net position	\$ 106,860,322	\$ 111,237,283	\$ 113,199,911	\$ 111,542,584
Business-type activities				
Net investment in capital assets	\$ 65,505,859	\$ 66,198,545	\$ 69,465,739	\$ 69,465,739
Restricted	6,658,262	1,592,060	7,116,700	7,116,700
Unrestricted	38,161,102	43,117,847	39,543,220	39,543,220
Total business-type activities net position	\$ 110,325,223	\$ 110,908,452	\$ 116,125,659	\$ 116,125,659
Primary government				
Net investment in capital assets	\$ 136,027,045	\$ 142,744,993	\$ 147,193,597	\$ 148,245,274
Restricted	19,302,980	12,320,800	20,708,926	13,637,065
Unrestricted	61,855,520	67,079,942	61,423,047	65,785,904
Total primary government net position	\$ 217,185,545	\$ 222,145,735	\$ 229,325,570	\$ 227,668,243

Note: GASB Statement No. 68 was adopted for 2015 resulting in the reduction of unrestricted net position by approximately \$74 million for net pension liabilities of the City's defined benefit pension plans.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 78,326,444	\$ 70,077,233	\$ 69,969,843	\$ 67,883,652	\$ 83,352,304	62,998,408
1,801,017	1,618,934	1,745,885	2,991,799	3,102,189	37,247,894
35,072,705	43,858,427	51,496,227	(6,748,871)	(10,566,092)	(16,349,766)
<u>\$ 115,200,166</u>	<u>\$ 115,554,594</u>	<u>\$ 123,211,955</u>	<u>\$ 64,126,580</u>	<u>\$ 75,888,401</u>	<u>\$ 83,896,536</u>
\$ 76,043,338	\$ 79,245,276	\$ 85,086,776	\$ 88,760,143	\$ 97,070,159	100,024,904
4,620,831	4,428,595	2,222,394	3,880,165	3,572,645	3,604,806
43,705,842	46,849,014	49,393,057	50,522,734	53,312,727	57,526,842
<u>\$ 124,370,011</u>	<u>\$ 130,522,885</u>	<u>\$ 136,702,227</u>	<u>\$ 143,163,042</u>	<u>\$ 153,955,531</u>	<u>\$ 161,156,552</u>
\$ 154,369,782	\$ 149,322,509	\$ 155,056,619	\$ 156,643,795	\$ 180,422,463	\$ 163,023,312
6,421,848	6,047,529	3,968,279	6,871,964	6,674,834	40,852,700
78,778,547	90,707,441	100,889,284	43,773,863	42,746,635	41,177,076
<u>\$ 239,570,177</u>	<u>\$ 246,077,479</u>	<u>\$ 259,914,182</u>	<u>\$ 207,289,622</u>	<u>\$ 229,843,932</u>	<u>\$ 245,053,088</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 25,137,520	\$ 22,331,793	\$ 22,451,901	\$ 18,350,964
Public safety	56,742,719	54,234,648	56,042,835	56,586,070
Physical environment	8,130,445	9,859,520	8,378,489	7,559,512
Parks and recreation	14,457,336	14,790,100	15,334,070	15,647,602
Interest on long-term debt	2,832,011	3,278,142	2,863,293	2,701,776
Total governmental activities expenses	<u>107,300,031</u>	<u>104,494,203</u>	<u>105,070,588</u>	<u>100,845,924</u>
Business-type activities:				
Water and Sewer	23,932,410	25,636,462	26,196,959	29,558,007
Municipal Golf Course	3,265,478	2,952,315	3,006,373	2,976,846
Lakeview Golf Course	704,782	744,544	669,681	676,158
City Marina	121,004	131,235	137,095	136,955
Sanitation	3,476,663	4,443,701	4,391,569	4,293,784
Stormwater Utility	1,506,764	1,390,004	1,490,446	1,677,612
Cemetery	-	-	-	-
Total business-type activities expenses	<u>33,007,101</u>	<u>35,298,261</u>	<u>35,892,123</u>	<u>39,319,362</u>
Total primary government expenses	<u>\$ 140,307,132</u>	<u>\$ 139,792,464</u>	<u>\$ 140,962,711</u>	<u>\$ 140,165,286</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,622,167	\$ 3,216,555	\$ 3,279,505	\$ 3,623,718
Public safety	6,543,112	6,739,002	7,346,627	7,022,063
Physical environment	649,216	971,381	1,371,036	1,419,279
Parks and recreation	1,282,353	1,465,722	1,578,023	1,726,011
Operating grants and contributions:				
General government	3,945,992	4,645,288	4,930,159	2,529,998
Public safety	2,292,523	1,986,484	1,921,898	1,844,661
Physical environment	103,357	24,979	92,887	-
Parks and recreation	997,425	143,090	89,883	466,706
Capital grants and contributions:				
General government	622,993	848,436	598,366	414,403
Public safety	749,250	200,900	-	-
Physical environment	8,250,000	40,977	160,346	18,424
Total governmental activities program revenues	<u>30,058,388</u>	<u>20,282,814</u>	<u>21,368,730</u>	<u>19,065,263</u>
Business-type activities:				
Charges for services:				
Water and Sewer	29,245,949	33,445,652	31,861,348	31,962,663
Municipal Golf Course	3,459,044	3,303,511	2,995,351	2,820,197
Lakeview Golf Course	681,561	749,367	666,964	666,591
City Marina	208,598	204,467	185,435	209,145
Sanitation	3,383,499	4,942,922	4,770,585	4,739,150
Stormwater Utility	2,090,146	2,095,636	2,105,069	2,112,375
Cemetery	-	-	-	-
Operating grants and contributions:				
Water and Sewer	2,595,258	1,092,926	386,822	511,829
Municipal Golf Course	43,969	37,040	43,671	51,769
Lakeview Golf Course	5,410	5,985	5,643	5,855
City Marina	884	35,653	9,997	1,628
Sanitation	417,250	130,030	780,500	322,010
Stormwater Utility	17,509	17,366	13,260	12,757
Cemetery	-	-	-	-
Capital grants and contributions:				
Water and Sewer	996,447	1,102,611	872,684	713,526
Municipal Golf Course	-	-	-	2,762
Stormwater Utility	-	-	-	72,644
Total business-type activities program revenues	<u>43,145,524</u>	<u>47,163,166</u>	<u>44,697,329</u>	<u>44,204,901</u>
Total primary government program revenues	<u>\$ 73,203,912</u>	<u>\$ 67,445,980</u>	<u>\$ 66,066,059</u>	<u>\$ 63,270,164</u>
Net (expense)/revenue				
Governmental activities	\$ (77,241,643)	\$ (84,211,389)	\$ (83,701,858)	\$ (81,780,661)
Business-type activities	10,138,423	11,864,905	8,805,206	4,885,539
Total primary government net expense	<u>\$ (67,103,220)</u>	<u>\$ (72,346,484)</u>	<u>\$ (74,896,652)</u>	<u>\$ (76,895,122)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 19,076,155	\$ 18,456,193	\$ 23,014,006	\$ 18,050,754	\$ 22,968,532	\$ 26,679,900
54,742,173	57,249,952	58,417,444	62,013,271	65,918,444	70,348,624
7,638,881	8,110,979	7,984,163	8,143,146	7,714,515	10,366,782
15,241,008	24,399,517	15,370,063	13,400,031	13,311,802	14,195,210
2,551,029	2,414,349	2,090,947	3,259,673	2,229,468	2,306,897
<u>99,249,246</u>	<u>110,630,990</u>	<u>106,876,623</u>	<u>104,866,875</u>	<u>112,142,761</u>	<u>123,897,413</u>
25,957,121	24,799,536	24,462,318	24,335,317	24,467,001	26,741,734
2,932,249	3,060,771	3,073,076	2,934,725	3,098,149	2,909,445
614,895	605,393	575,059	556,711	566,898	563,587
122,499	80,426	93,963	94,090	88,509	107,813
4,640,061	4,686,520	4,677,510	6,326,114	3,748,162	5,195,029
1,694,769	1,660,899	1,476,036	1,631,007	1,546,867	1,893,877
-	-	-	-	-	800
<u>35,961,594</u>	<u>34,893,545</u>	<u>34,357,962</u>	<u>35,877,964</u>	<u>33,515,586</u>	<u>37,412,285</u>
<u>\$ 135,210,840</u>	<u>\$ 145,524,535</u>	<u>\$ 141,234,585</u>	<u>\$ 140,744,839</u>	<u>\$ 145,658,347</u>	<u>\$ 161,309,698</u>
\$ 5,651,807	\$ 5,566,254	\$ 6,104,202	\$ 7,583,178	\$ 7,378,380	\$ 10,451,376
7,842,116	8,046,157	7,971,996	8,912,161	9,031,132	9,481,433
1,605,704	1,753,619	1,985,081	2,048,277	2,063,648	1,706,116
2,011,941	1,766,249	1,860,432	2,125,935	1,825,824	1,686,662
3,432,599	3,035,452	4,031,439	3,711,327	960,763	3,474,068
2,362,428	2,280,986	2,162,469	2,717,267	2,604,202	2,123,336
-	10,000	-	-	-	-
281,651	1,864,383	7,334,572	102,871	210,948	24,990
119,652	136,689	435,039	615,926	944,673	429,737
-	-	-	-	-	-
37,408	3,963,421	120,248	-	-	-
<u>23,345,306</u>	<u>28,423,210</u>	<u>32,005,478</u>	<u>27,816,942</u>	<u>25,019,570</u>	<u>29,377,718</u>
30,855,031	30,771,956	31,571,968	32,482,206	32,815,643	34,135,162
2,807,593	2,998,040	3,005,811	3,127,554	3,129,388	3,113,583
655,175	610,313	635,489	662,453	610,903	646,391
195,627	209,625	243,234	219,286	223,401	239,205
5,046,386	5,183,866	4,969,127	4,693,015	4,132,645	4,200,945
2,135,445	2,158,887	2,128,772	2,108,862	2,111,117	2,160,127
-	-	-	-	-	92,890
351,852	590,080	343,532	55,970	430,950	986,210
53,799	57,160	60,962	63,652	78,803	58,649
5,443	5,118	4,612	5,378	8,544	5,649
4,682	1,914	2,570	2,281	11,743	2,543
305,901	229,518	207,656	206,278	254,232	235,566
12,859	388	12,334	23,466	22,986	11,239
-	-	-	-	-	600
913,308	1,808,752	877,588	1,354,457	1,092,373	842,618
545	-	-	-	-	-
-	60,101	48,442	13,294	-	65,810
<u>43,343,646</u>	<u>44,685,718</u>	<u>44,112,097</u>	<u>45,018,152</u>	<u>44,922,728</u>	<u>46,797,187</u>
<u>\$ 66,688,952</u>	<u>\$ 73,108,928</u>	<u>\$ 76,117,575</u>	<u>\$ 72,835,094</u>	<u>\$ 69,942,298</u>	<u>\$ 76,174,905</u>
\$ (75,903,940)	\$ (82,207,780)	\$ (74,871,145)	\$ (77,049,933)	\$ (87,123,191)	\$ (94,519,695)
7,382,052	9,792,173	9,754,135	9,140,188	11,407,142	9,384,902
<u>\$ (68,521,888)</u>	<u>\$ (72,415,607)</u>	<u>\$ (65,117,010)</u>	<u>\$ (67,909,745)</u>	<u>\$ (75,716,049)</u>	<u>\$ (85,134,793)</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 55,302,837	\$ 53,984,307	\$ 56,656,596	\$ 47,467,480
Franchise fees	5,247,442	5,333,561	4,986,589	4,857,533
Utility service taxes	8,338,282	8,958,175	9,038,143	8,777,975
Sales taxes	1,365,552	1,308,213	1,301,502	1,293,963
Local business tax	-	789,705	616,861	702,394
Intergovernmental, unrestricted	6,532,854	5,917,818	5,763,694	5,983,120
Investment earnings	2,064,705	322,165	227,535	306,887
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	7,320,429	8,425,515	7,479,767	7,022,162
Transfers	2,659,368	3,547,891	3,593,799	3,711,820
Total governmental activities	<u>88,831,469</u>	<u>88,587,350</u>	<u>89,664,486</u>	<u>80,123,334</u>
Business-type activities				
Investment earnings	495,237	6,897	5,800	29,609
Gain (loss) on disposal of capital assets	-	-	-	-
Transfers	(2,659,368)	(3,547,891)	(3,593,799)	(3,711,820)
Total business-type activities	<u>(2,164,131)</u>	<u>(3,540,994)</u>	<u>(3,587,999)</u>	<u>(3,682,211)</u>
Total primary government	<u>\$ 86,667,338</u>	<u>\$ 85,046,356</u>	<u>\$ 86,076,487</u>	<u>\$ 76,441,123</u>
Changes in Net Position				
Governmental activities	\$ 11,589,826	\$ 11,833,506	\$ 1,962,628	\$ (1,657,327)
Business-type activities	7,974,292	8,323,911	5,217,207	1,203,328
Total primary government	<u>\$ 19,564,118</u>	<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>	<u>\$ (453,999)</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 46,224,759	\$ 47,036,144	\$ 47,695,425	\$ 51,971,057	\$ 56,876,767	\$ 59,282,428
4,758,027	4,640,568	5,134,527	5,269,680	5,132,170	5,209,446
8,805,643	8,958,647	9,307,370	9,462,152	9,383,744	9,468,782
1,307,897	1,310,488	1,341,267	1,397,627	1,426,451	3,654,505
700,100	748,768	737,231	786,579	839,208	911,668
5,864,142	6,261,001	6,795,748	7,143,751	7,174,725	7,381,660
275,451	363,285	258,802	308,589	306,237	873,235
-	2,240,888	-	29,100	37,765	28,361
8,307,853	7,725,615	7,533,386	12,793,025	16,829,794	13,411,235
3,317,650	3,685,290	3,724,750	3,562,620	878,151	2,306,510
<u>79,561,522</u>	<u>82,970,694</u>	<u>82,528,506</u>	<u>92,724,180</u>	<u>98,885,012</u>	<u>102,527,830</u>
77,359	90,795	132,999	270,617	248,146	123,770
-	-	16,958	-	15,352	(1,141)
<u>(3,317,650)</u>	<u>(3,685,290)</u>	<u>(3,724,750)</u>	<u>(3,562,620)</u>	<u>(878,151)</u>	<u>(2,306,510)</u>
<u>(3,240,291)</u>	<u>(3,594,495)</u>	<u>(3,574,793)</u>	<u>(3,292,003)</u>	<u>(614,653)</u>	<u>(2,183,881)</u>
<u>\$ 76,321,231</u>	<u>\$ 79,376,199</u>	<u>\$ 78,953,713</u>	<u>\$ 89,432,177</u>	<u>\$ 98,270,359</u>	<u>\$ 100,343,949</u>
\$ 3,657,582	\$ 762,914	\$ 7,657,361	\$ 15,674,247	\$ 11,761,821	\$ 8,008,135
4,141,761	6,197,678	6,179,342	5,848,185	10,792,489	7,201,021
<u>\$ 7,799,343</u>	<u>\$ 6,960,592</u>	<u>\$ 13,836,703</u>	<u>\$ 21,522,432</u>	<u>\$ 22,554,310</u>	<u>\$ 15,209,156</u>

CITY OF DELRAY BEACH, FLORIDA

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

Accrual Basis of Accounting

Fiscal Year	Property Taxes	Franchise Fees	Utility Service Taxes	Sales and Use Tax	Local Business Tax⁽¹⁾	Total
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	4,986,589	9,038,143	1,301,502	616,861	68,599,691
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
2015	51,971,057	5,269,680	9,462,152	1,397,627	786,579	68,887,095
2016	56,876,767	5,132,170	9,383,744	1,426,451	839,208	73,658,340
2017	59,282,428	5,209,446	9,468,782	3,654,505	911,668	78,526,829

(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

	2008	2009	2010	2011
General fund				
Reserved	\$ 4,328,761	\$ 3,992,760	\$ 3,723,755	\$ -
Unreserved	18,593,915	19,747,589	20,337,823	-
Nonspendable:				
Inventories	-	-	-	27,178
Prepaid items	-	-	-	719,973
Long-term notes receivable	-	-	-	3,165,084
Restricted for:				
Capital improvements	-	-	-	5,984
Committed for:				
Economic development	-	-	-	-
Assigned to:				
General government	-	-	-	151,013
Public safety	-	-	-	-
Physical environment	-	-	-	-
Parks and recreation	-	-	-	-
Subsequent year's budget	-	-	-	-
Unassigned	-	-	-	18,682,823
Total General Fund	<u>\$ 22,922,676</u>	<u>\$ 23,740,349</u>	<u>\$ 24,061,578</u>	<u>\$ 22,752,055</u>
All other governmental funds				
Reserved	\$ 2,563,856	\$ 767,398	\$ 789,940	\$ -
Unreserved, reported in:				
Capital Project Funds	11,584,321	9,962,213	7,421,960	-
Special revenue funds	3,389,886	3,500,989	5,377,312	-
Nonspendable:				
Prepaid items	-	-	-	289
Long-term notes receivable	-	-	-	1,726,988
Restricted for:				
Debt service	-	-	-	505,430
Law enforcement	-	-	-	1,066,733
Capital improvements	-	-	-	-
Community development	-	-	-	322,144
Assigned to:				
Public safety	-	-	-	130,456
Parks and recreation	-	-	-	1,230,965
Capital improvements	-	-	-	7,629,593
Unassigned				
Special Revenue Funds (deficit)	-	-	-	(640,364)
Total all other governmental funds	<u>\$ 17,538,063</u>	<u>\$ 14,230,600</u>	<u>\$ 13,589,212</u>	<u>\$ 11,972,234</u>

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

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
27,688	31,810	22,270	20,467	20,091	18,465
828,555	796,362	803,979	912,548	669,738	32,809
3,173,159	3,139,659	3,139,659	7,282,742	3,500	-
5,984	5,984	5,984	5,984	5,985	5,984
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
151,304	209,672	373,543	-	-	152,070
-	-	-	-	-	578,755
-	-	-	-	-	1,110,890
-	-	-	-	-	36,597
1,600,000	-	-	-	400,000	-
19,741,367	22,864,687	23,700,352	31,843,644	36,984,767	39,273,110
<u>\$ 26,528,057</u>	<u>\$ 28,048,174</u>	<u>\$ 29,045,787</u>	<u>\$ 41,065,385</u>	<u>\$ 39,084,081</u>	<u>\$ 42,208,680</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	935	750	-
-	-	-	-	-	-
505,178	520,914	519,593	1,514,496	1,512,898	1,555,006
1,000,591	815,232	946,004	1,195,724	1,307,711	1,166,924
289,264	276,804	274,304	275,595	275,595	34,519,980
985,816	733,533	556,557	1,890,147	1,995,011	1,618,720
121,420	126,383	127,523	124,615	137,876	178,284
1,385,951	1,328,551	1,404,962	1,586,977	1,773,431	302,628
8,155,302	12,170,799	20,530,505	22,686,037	17,304,033	17,041,318
-	(11,483)	-	-	-	-
<u>\$ 12,443,522</u>	<u>\$ 15,960,733</u>	<u>\$ 24,359,448</u>	<u>\$ 29,274,526</u>	<u>\$ 24,307,305</u>	<u>\$ 56,382,860</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2008	2009	2010	2011
Revenues				
Taxes	\$ 65,006,671	\$ 65,040,400	\$ 63,613,102	\$ 58,241,812
Licenses and permits	9,693,973	8,393,462	7,848,364	7,957,960
Intergovernmental	13,872,151	12,717,659	12,798,521	10,824,485
Charges for services	7,985,973	8,579,286	9,122,062	9,418,571
Fines and forfeitures	664,344	753,473	1,591,354	1,272,073
Miscellaneous	9,171,109	8,683,421	7,624,308	7,285,098
Total revenues	106,394,221	104,167,701	102,597,711	94,999,999
Expenditures				
Current				
General government	22,856,837	21,001,014	20,223,169	17,848,375
Public safety	55,274,605	54,034,021	55,750,747	55,095,307
Physical environment	5,981,177	7,253,871	5,695,353	4,849,851
Parks and recreation	12,302,491	12,491,281	13,044,535	12,874,379
Capital outlay	15,406,527	8,021,386	6,056,493	4,758,088
Debt service				
Principal retirement	4,543,545	4,553,835	3,357,533	3,490,360
Interest and other fiscal charges	2,987,110	3,134,074	2,873,815	2,723,863
Bond issue costs	25,365	-	-	-
Total expenditures	119,377,657	110,489,482	107,001,645	101,640,223
Excess of revenues over (under) expenditures	(12,983,436)	(6,321,781)	(4,403,934)	(6,640,224)
Other financing sources (uses)				
Installment agreement issued	-	260,600	-	-
Bonds issued	3,000,000	-	-	-
Bond anticipation note issued	-	-	-	-
Proceeds from sale of capital assets	2,590	49,802	22,161	1,903
Redemption of bonds	-	-	-	-
Transfers in	9,707,274	9,214,199	7,548,409	7,983,124
Transfers out	(7,046,314)	(5,692,610)	(3,486,795)	(4,271,304)
Total other financing sources (uses)	5,663,550	3,831,991	4,083,775	3,713,723
Net change in fund balances	\$ (7,319,886)	\$ (2,489,790)	\$ (320,159)	\$ (2,926,501)
Debt service as a percentage of non-capital expenditures	7.24%	7.50%	6.17%	6.41%

	2012	2013	2014	2015	2016	2017
\$	57,038,399	\$ 58,054,047	\$ 59,081,293	\$ 63,617,415	\$ 68,526,170	\$ 73,317,383
	9,534,404	9,281,304	10,431,335	12,124,145	11,364,551	14,557,921
	11,940,820	13,451,822	20,324,228	13,675,216	10,950,638	13,004,054
	11,132,277	11,300,477	11,357,851	12,148,312	12,468,984	12,461,409
	1,202,914	1,191,070	1,267,052	1,666,774	1,597,619	1,515,703
	8,550,807	8,130,876	7,900,378	14,592,475	17,785,403	15,230,734
	99,399,621	101,409,596	110,362,137	117,824,337	122,693,365	130,087,204
	17,900,248	17,639,897	21,181,580	18,948,238	23,125,406	24,211,901
	53,017,993	54,885,089	56,479,283	61,070,530	65,947,616	67,581,678
	4,950,217	5,427,738	5,474,282	5,828,266	5,557,126	7,371,526
	12,759,647	21,758,749	12,942,976	11,718,153	11,936,500	11,973,800
	4,360,188	5,367,587	7,184,219	7,950,057	9,839,169	11,806,866
	3,734,924	6,932,904	5,489,848	14,676,629	11,197,870	3,468,713
	2,574,191	2,423,784	2,128,407	2,157,085	2,350,249	2,151,910
	-	18,574	42,030	620,925	-	70,560
	99,297,408	114,454,322	110,922,625	122,969,883	129,953,936	128,636,954
	102,213	(13,044,726)	(560,488)	(5,145,546)	(7,260,571)	1,450,250
	825,000	-	-	-	-	-
	-	2,629,000	8,810,000	42,285,456	-	31,500,000
	-	11,799,612	6,190,036	1,799,244	-	-
	1,727	889	-	934	790	42,309
	-	-	(8,767,970)	(25,568,032)	-	-
	6,723,835	8,049,046	7,096,181	6,159,463	10,953,739	13,395,520
	(3,405,485)	(4,396,496)	(3,371,431)	(2,596,843)	(10,644,483)	(11,187,925)
	4,145,077	18,082,051	9,956,816	22,080,222	310,046	33,749,904
\$	4,247,290	\$ 5,037,325	\$ 9,396,328	\$ 16,934,676	\$ (6,950,525)	\$ 35,200,154
	6.65%	8.58%	7.34%	14.64%	11.28%	4.81%

CITY OF DELRAY BEACH, FLORIDA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

Fiscal Year	Property Taxes	Utility Service Taxes	Sales and Use Tax	Local Business Tax⁽¹⁾	Total
2008	\$ 55,302,837	\$ 8,338,282	\$ 1,365,552	\$ -	\$ 65,006,671
2009	53,984,307	8,958,175	1,308,213	789,705	65,040,400
2010	52,656,596	9,038,143	1,301,502	616,861	63,613,102
2011	47,467,480	8,777,975	1,293,963	702,394	58,241,812
2012	46,224,759	8,805,643	1,307,897	700,100	57,038,399
2013	47,036,144	8,958,647	1,310,488	748,768	58,054,047
2014	47,695,425	9,307,370	1,341,267	737,231	59,081,293
2015	51,971,057	9,462,152	1,397,627	786,579	63,617,415
2016	56,876,767	9,383,744	1,426,451	839,208	68,526,170
2017	59,282,428	9,468,782	3,654,505	911,668	73,317,383

(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

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

Fiscal Year Ending September 30,	Tax Roll Year	Just Value			Total
		Real Property	Personal Property	Centrally Assessed Property	
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
2015	2014	9,466,869,392	313,309,504	4,639,408	9,784,818,304
2016	2015	10,791,342,859	335,931,328	4,706,897	11,131,981,084
2017	2016	12,083,392,284	352,041,563	5,116,264	12,440,550,111

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
\$ 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%
2,545,422,652	7,239,395,652	7.4639	8,495,771,769	85.21%
3,156,786,813	7,975,194,271	7.3367	9,266,850,397	86.06%
3,632,397,474	8,808,152,637	7.2107	10,147,517,950	86.80%

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
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	4.9853	2.3154	22.8820
2014	7.1611	0.3453	7.5064	7.5859	4.9853	2.2800	22.3576
2015	7.1611	0.3028	7.4639	7.5940	4.9732	2.1732	22.2043
2016	7.0611	0.2756	7.3367	7.5120	4.9277	2.0974	21.8738
2017	6.9611	0.2496	7.2107	7.0700	4.9142	1.9453	21.1402

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, 2017

	2017				2008			
	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.	\$ 104,144,915	\$ 750,958	1	1.18%	\$ -	\$ -	-	-
Fairfield Spring Harbors LLC	68,777,096	495,931	2	0.78%	-	-	-	-
Granite Worthing LLC	67,558,874	487,147	3	0.77%	-	-	-	-
Citation Club Investors	58,163,420	419,399	4	0.66%	44,665,339	293,822	4	0.53%
Tenet Healthcare Corp	55,142,577	397,617	5	0.63%	45,148,899	297,003	3	0.54%
Alta Congress Owner LLC	53,953,091	389,040	6	0.61%	-	-	-	-
Ocean Properties Ltd.	49,704,976	358,408	7	0.56%	36,810,422	242,150	5	0.44%
Linton Delray LLC	48,156,471	347,242	8	0.55%	59,905,751	394,078	2	0.71%
Lifespace Communities Inc.	40,060,735	288,866	9	0.46%	-	-	-	-
Morse Operations Inc.	35,108,124	253,154	10	0.40%	-	-	-	-
MS LPC South Congress Holdings, LLC	-	-	-	-	83,223,173	547,467	1	0.99%
Spring Harbor 288, LLC	-	-	-	-	38,530,471	253,465	6	0.46%
Life Care Retirement Communities, Inc.	-	-	-	-	34,941,398	229,855	7	0.41%
Realty Associates Fund V	-	-	-	-	28,051,776	184,533	8	0.33%
125 Via Deste Apartments Investors, LLC	-	-	-	-	27,807,792	182,928	9	0.33%
Linton Lake Land Trust	-	-	-	-	27,331,225	179,793	10	0.32%
Totals	\$ 580,770,279	\$ 4,187,762		6.60%	\$ 426,416,246	\$ 2,805,094		5.06%

Source: Palm Beach County Property Appraiser's Office

Net Tax Levy:

Fiscal Year 2017	63,449,114
Fiscal Year 2008	55,452,218

City Millage Rate:

Fiscal Year 2017	7.2107
Fiscal Year 2008	6.5783

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
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%
2015	58,557,569	51,884,261	88.60%	86,796	51,971,057	88.75%
2016	58,512,469	56,283,096	96.19%	593,671	56,876,767	97.20%
2017	63,449,114	59,106,808	93.16%	175,620	59,282,428	93.43%

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 2008-2013 and gross for 2014-2017.

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			
2008	\$ 33,980,000	\$ 38,550,798	\$ 445,551	\$ 47,533,675	\$ 7,580,901	\$ 173,843	\$ 128,264,768	3.61%	\$ 1,997
2009	31,760,000	39,524,722	148,082	42,654,753	8,377,883	112,203	122,577,643	3.25%	1,922
2010	29,465,000	37,405,774	268,795	37,398,701	9,062,171	136,681	113,737,122	3.22%	1,879
2011	27,090,000	36,499,201	192,835	32,179,828	9,774,887	97,245	105,833,996	5.18%	1,740
2012	24,605,000	35,558,216	128,460	26,271,178	7,789,967	64,782	94,417,603	3.29%	1,535
2013	22,081,834	35,216,172	803,924	23,717,698	8,496,031	31,410	90,347,069	3.15%	1,462
2014	17,970,000	47,875,872	503,906	15,396,205	-	-	81,745,983	2.70%	1,266
2015	16,435,000	54,939,822	386,854	13,761,371	-	-	85,523,047	2.78%	1,278
2016	14,845,000	45,259,291	267,429	11,448,036	-	109,439	71,929,195	2.29%	1,124
2017	13,205,000	74,849,925	1,618,610	9,555,316	-	239,215	99,468,066	4.35%	1,512

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
2008	\$ 33,980,000	\$ -	\$ 33,980,000	\$ 8,692,058,600	0.39%	64,220	\$ 529.12
2009	31,760,000	-	31,760,000	8,149,606,528	0.39%	63,789	497.89
2010	29,465,000	-	29,465,000	7,010,118,472	0.42%	60,522	486.85
2011	27,090,000	-	27,090,000	6,249,668,019	0.43%	60,831	445.33
2012	24,605,000	-	24,605,000	6,149,055,201	0.40%	61,495	400.11
2013	22,081,834	-	22,081,834	6,207,019,373	0.36%	61,801	357.31
2014	17,970,000	-	17,970,000	6,594,864,216	0.27%	64,582	278.25
2015	16,435,000	-	16,435,000	7,239,395,652	0.23%	66,904	245.65
2016	14,845,000	-	14,845,000	7,975,194,271	0.19%	63,972	232.05
2017	13,205,000	43,762	13,161,238	8,808,152,637	0.15%	65,804	200.01

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, 2017

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 89,673,535	100.00%	\$ 89,673,535
Overlapping:			
Palm Beach County	103,305,000	4.99%	5,154,920
Palm Beach County School District			
Capital Outlay Bond	14,002,000	4.94%	691,699
Certificates of Participation	1,466,758,000	4.94%	72,457,845
Total overlapping debt	1,584,065,000		78,304,464
Total direct and overlapping debt	\$ 1,673,738,535		\$ 167,977,999
Population			65,804
Total direct and overlapping debt per capita			\$ 2,552.70

⁽¹⁾ Estimates based on 2017 ratio of assessed taxable values.

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

Overlapping debt is the proportionate share of the debt of local jurisdictions located in part within the City limits. This schedule is intended to demonstrate the total debt City property tax payers will be expected to pay. The amount of debt applicable to the City is computed by (a) determining what portion of total assessed value of the overlapping jurisdiction lies within the limits of the City and (b) applying this percentage to the total governmental activities debt of the overlapping jurisdiction.

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
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		31,418,727	18,806,440	12,612,287	5,882,394	2.14
2015	(4)	32,717,661	19,392,578	13,325,083	434,399	30.67
2016	(4)	33,402,805	19,693,777	13,709,028	2,057,854	6.66
2017	(4)	35,198,510	21,903,576	13,294,934	2,058,376	6.46

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

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

(3) Excludes expenses totaling \$8,053,985 and \$3,085,995 in Fiscal Years 2008 and 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.

(4) Reduction of debt service for 2015 and thereafter due to final payment on October 1, 2014 for the Series 1993 Capital Appreciation Bonds.

CITY OF DELRAY BEACH, FLORIDA

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Delray Medical Center	1,280	1	3.49%	1,500	2	4.44%
Palm Beach County School District	1,102	2	3.01%	-	-	-
Lifespace Communities	950	3	2.59%	-	-	-
City of Delray Beach	835	4	2.28%	-	-	-
Publix Supermarkets	488	5	1.33%	607	3	1.80%
Ed Morse Delray Toyota & Scion	450	6	1.23%	-	-	-
Walmart	301	7	0.82%	-	-	-
Pinecrest Rehabilitation Hospital	300	8	0.82%	-	-	0.00%
Schumacher Automotive Group	288	9	0.79%	-	-	-
Marriott Hotels	250	10	0.68%	470	5	-
Office Depot	-	-	-	2,620	1	7.76%
Addison Reserve Main Gate	-	-	-	500	4	1.48%
Jetflite Inc.	-	-	-	425	6	1.26%
Ancco Services	-	-	-	400	7	1.18%
Hardrives of Delray, Inc.	-	-	-	365	8	1.08%
Home Depot	-	-	-	356	9	1.05%
Delray Lincoln Mercury	-	-	-	350	10	1.04%
Totals	6,244		17.04%	7,593		21.09%

Note: Total Employment, Delray Beach 2017: 36,640

Source: Business Development Board of Palm Beach County.

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⁾
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	46,641	2,868,188,295	45.5	7,745	8.7%
2013	61,801	1,345,652	46,434	2,869,667,634	45.5	7,745	7.0%
2014	62,700	1,360,238	48,224	3,023,644,800	45.7	8,059	6.4%
2015	63,175	1,378,417	48,706	3,077,001,550	45.1	7,760	6.4%
2016	63,972	1,391,741	49,193	3,146,974,596	44.9	7,473	4.4%
2017	65,804	1,414,144	34,728	2,285,241,312	44.8	7,139	3.2%

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	71	69	68	68	67	67	59	62.5	72.5	80.5
Public Safety										
Community Improvement	4.5	5	5	5	5	5	5	7.5	6	12
Planning & Zoning	16	16	16	16	16	16	12.5	14	15	16
Building Inspection	21	20	20	20	20	20	16	14	19	20
Code Compliance	17	18	17	17	17	17	15	18.5	18	18
Law Enforcement	238	236	242	242	239	229	225	212.5	216.5	222
Fire Control	154	154	154	156	155	160	157	173	182.5	186
Community Development										
Block Grant	7.5	7	7	7	7	7	6	5	9.5	6
Insurance	4	4	4	4	4	4	4	3	4	2
City Garage	12	12	12	12	12	12	12	10	13	14.5
Physical Environment										
Public Works	25.5	25.5	25.5	25.5	25.5	25.5	27	21.5	20.5	22
Engineering	7	7	7	7	7	7	7	6	6	7
Sanitation	4	4	4	4	4	4	4	4	4	4
Stormwater Utility	6	6	6	6	6.5	6.5	6	5	7	6.5
Parks and Recreation	115	113	113	112	110	105	136	110.5	105	107
Water & Sewer Utility	117.5	117.5	116.5	116.5	118	118	117	111	114	111
Total	820	814	817	818	813	803	808.5	778	812.5	834.5

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Stations	2	3	3	3	3	3	3	3	3	2
Patrol units	163	219	219	217	208	181	201	209	212	206
Fire										
Fire stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	16	16	15	16	12	10	10	9	9	12
ALS rescue vehicles	9	9	9	9	9	9	9	9	9	12
Leisure Services										
Ballfields - lighted	15	15	16	16	16	15	15	15	15	15
Basketball courts	5	5	5	5	5	5	5	5	5	5
Football/Soccer fields ⁽²⁾	7	7	7	7	7	7	7	7	7	7
Tennis courts	47	47	48	48	48	48	48	48	48	48
Parks	17	17	17	22	22	22	22	23	24	24
Roads and Streets										
Lane miles ⁽³⁾	305	305	305	314	314	321	321	308	308	309

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 are based on the City's GIS system.

CITY OF DELRAY BEACH, FLORIDA

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Physical arrests	3,161	2,534	2,331	2,620	2,342	2,068	2,012	2,014	1,793	2,262
Traffic violations	10,882	11,249	11,443	11,314	12,393	10,135	10,913	19,702	19,703	17,815
Fire										
Number of calls	12,410	11,905	11,960	12,008	12,282	13,171	13,406	13,255	12,136	16,404
Parks and Recreation										
Library										
Circulation	270,590	274,611	257,950	252,179	237,755	234,029	226,938	191,759	187,400	180,989
Programs offered	1,287	1,224	1,284	1,145	1,194	975	808	791	756	1,506
Program attendance	35,116	33,770	29,237	24,021	25,905	25,052	23,055	24,488	22,232	19,663
Leisure Services										
Youth athletic participants	19,537	20,965	18,125	17,837	24,389	20,238	38,220	35,638	29,573	24,000
Camp program participants	561	699	395	352	384	525	382	2,021	1,845	953
Class participants	19,662	24,700	22,756	28,328	36,556	54,839	59,342	50,747	49,786	36,605
Water/Sewer Utility										
Water customers	21,056	21,156	21,320	21,407	21,596	21,795	22,010	22,132	22,212	20,392
Water main breaks	434	442	476	408	442	401	374	477	373	305
Sewer customers	21,006	21,088	21,225	21,093	20,935	20,950	20,505	20,784	20,329	20,475
Sewer main breaks	4	3	2	-	3	-	-	-	1	1
Avg daily water consumption (thousands of gallons)	10,040	10,944	11,643	11,356	10,953	11,029	10,925	11,000	11,759	12,008

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

Compliance Section



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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2017, 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 June 27, 2018.

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 City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, 2017-001 and 2017-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2017-003, 2017-004 and 2017-005 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 matters 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 June 27, 2018.

City's Responses to Findings

The responses by City management to the findings identified in our audit are described in the *Views of Responsible Officials and Planned Corrective Actions* in the accompanying schedule of findings and questioned costs. 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.

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

West Palm Beach, Florida
June 27, 2018

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2017

Grantor / Program Title	CFDA Number	Grant Number/ Pass-through Entity Identifying Number	2017 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-14-MC-12-0033	\$ 92,600	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-12-0033	69,802	7,333
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-12-0033	274,867	65,383
Total U.S. Department of Housing and Urban Development			437,269	72,716
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Award				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0875	35,468	-
Total U.S. Department of Justice			35,468	-
U.S. Department of Transportation				
Pass-through Award from the State of Florida Department of Transportation				
Highway Planning and Construction	20.205	ARS-57	422,985	-
Delray Beach Police Speed/Aggressive Driving Enforcement Program	20.600	G0531	22,074	-
Total U.S. Department of Transportation			445,059	-
U.S. Department of Homeland Security				
Pass-through Award from Florida Division of Emergency Management				
Disaster Grants - Public Assistance (Hurricane Matthew)	97.036	17-PA-US-10-60-01-111	274,095	-
Homeland Security Preparedness Technical Assistance Program	97.067	17-DS-T9-10-60-02-217	2,727	-
Homeland Security Preparedness Technical Assistance Program	97.067	17-DS-V4-10-60-23-380	3,500	-
Total U.S. Department of Homeland Security			280,322	-
Total Federal Awards			\$ 1,198,118	\$ 72,716

See notes to schedule of expenditures of federal awards.

City of Delray Beach, Florida

Notes to Schedule of Expenditures of Federal Awards

September 30, 2017

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, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2017 did not exceed the \$750,000 threshold for a State Single Audit.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City has elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

4. Contingency

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



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**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2017. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on U.S. Department of Transportation Highway Planning and Construction Program - CFDA 20.205

As described in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding U.S. Department of Transportation Highway Planning and Construction Program - CFDA 20.205 as described in findings number 2017-010 for Activities Allowed or Unallowed and 2017-011 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on U.S. Department of Transportation Highway Planning and Construction Program - CFDA 20.205

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on U.S. Department of Transportation Highway Planning and Construction Program - CFDA 20.205 for the year ended September 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City 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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended September 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as findings number 2017-012 and 2017-013. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the City of Delray Beach, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit 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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-006, 2017-007 and 2017-008 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-009 to be a significant deficiency.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

West Palm Beach, Florida
June 27, 2018

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2017

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? X Yes No
Significant deficiencies identified? X Yes No
Noncompliance material to financial statements noted? Yes X No

Federal Award Programs

Internal control over major Federal Award Programs:

Material weakness(es) identified? X Yes No
Significant deficiencies identified? X Yes No
Type of auditor's report issued on compliance for major Federal Award Programs: *Modified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of Major Programs:

Major Federal Award Programs

CFDA No.

U.S. Department of Transportation

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

20.205

U.S. Department of Homeland Security

Pass-through Award from State of Florida,
Florida Division of Emergency Management
Disaster Grants – Public Assistance (Hurricane Matthew)

97.036

Dollar threshold used to distinguish between Type A and Type B Federal award programs:

 \$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

**Finding
Number**

Finding

MATERIAL WEAKNESSES

2016-001 Bank Reconciliations

Criteria: Bank reconciliations should be prepared and reviewed on a timely basis and reconciling items should be promptly investigated and substantiated. This finding was reported as a significant deficiency, finding 2016-001, in the 2016 Schedule of Findings and Questioned Costs.

Prior Year Condition: There was a delay of several months in reconciling the City's bank accounts during the last quarter of the fiscal year. There were also a number of reconciling items listed on the bank reconciliations that represented cash received by the City that was not yet posted to the general ledger at September 30, 2016. None of the items we noted on the bank reconciliations indicated that any City funds were missing or unaccounted for at September 30, 2016. The bank reconciliation for the pooled cash account at September 30, 2016 did not agree to the general ledger due to an erroneous journal entry that was corrected following our inquiry.

Current Year Condition: Based on our testing, it does not appear that the City's bank accounts were properly reconciled during the fiscal year ended September 30, 2017. During interim testing in October 2017, we selected three months of bank reconciliations for testing. The August 2017 pooled cash reconciliation was not completed or available for review as of October 20, 2017. Additionally, we noted a \$22,960 unreconciled difference on the June 2017 bank reconciliation. We also noted a number of reconciling items, some for significant amounts, listed on the bank reconciliations that represented cash received by the City that was not yet posted to the general ledger and other unreconciled items.

During our year end testing in February 2018, we noted that there was a \$1.9 million cash account in the trial balance for which the City did not have a reconciliation or other supporting documentation for the account. A portion of the account balance was identified in March 2018 as being duplicate cash entries caused by the City's new accounting software isolating employee withholding amounts into a separate fund at year end. The remaining portion of the unreconciled balance was determined to be deposits in transit and errors in the reconciliation of e-payable payments which cleared the bank. These remaining differences were reconciled in June 2018.

We also noted that the City had four separate general ledger accounts for health claims imprest cash accounts for which bank reconciliations were not prepared.

Cause: Lack of proper reconciliation procedures for the bank accounts.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

MATERIAL WEAKNESSES (Continued)

**2016-001
(Continued)**

Bank Reconciliations (Continued)

Effect: Bank reconciliations are a critical internal control over financial reporting that ensures the completeness and accuracy of financial information and the safeguarding of the City's assets. When bank reconciliations are not performed and reviewed on a timely basis, there is an increased risk that significant financial reporting errors or misstatements may not be identified and corrected in a timely manner.

Recommendation: We recommend that bank reconciliations be prepared and reviewed in a timely manner, generally within 30 days of month end. The reconciling items for amounts already deposited in the bank should be immediately investigated by Finance staff and posted to the general ledger. Generally, all reconciling items should be cleared within a reasonable time, such as 60 days.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. Issues encountered during and after the ERP conversion prevented the timely reconciliation of the bank accounts during the last quarter of the fiscal year. The City's Finance Department will ensure that the accounting policy of reconciliation of the bank accounts within 60 days of month-end is adhered to. Timely reconciliation will be accomplished through the designation of an accountant whose primary function will be to reconcile the bank accounts daily and to research the unreconciled items within 45 days. In addition, the bank reconciliations will be reviewed and approved by the Chief Accounting Officer who will ensure that they are properly reconciled to the accounting records.

2016-002

Pension Plan Reconciliations

Criteria: Policies and procedures should be in place to ensure transactions are properly recorded on a timely basis and closing procedures should be performed each month sufficient to produce accurate and reliable financial information. This finding was reported as a significant deficiency, finding 2016-002, in the 2016 Schedule of Findings and Questioned Costs.

Prior Year Condition: We noted that certain investment accounts for the General Employees' Pension Plan were not reconciled and in agreement with the City's general ledger at September 30, 2016 and some accounts had the same balance at September 30, 2016 as the prior year.

Current Year Condition: In addition to the General Employees' Pension Plan, we also audited the City's Police Officers' Retirement System and the Firefighters' Retirement

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

<u>Finding Number</u>	<u>Finding</u>
	MATERIAL WEAKNESSES (Continued)
2016-002 (Continued)	Pension Plan Reconciliations (Continued) <p>System for the year ended September 30, 2017. We noted that none of investment accounts for the City's three pension plans were reconciled during the year ended September 30, 2017 and the original trial balances provided to us for the 2017 audit of the three pension plans required significant adjustments.</p> <p>In addition, the Deferred Retirement Option Plan (DROP) accounts for the Police Officers' Retirement System and Firefighters' Retirement System were not separated and reconciled during the year ended September 30, 2017.</p> <p><i>Cause:</i> There were no formal closing procedures or account reconciliations prepared for the General Employees' Pension Fund at September 30, 2016. There were no formal closing procedures or account reconciliations prepared for the General Employees' Pension Fund, Police Officers' Retirement System and the Firefighters' Retirement System as of and for the year ended September 30, 2017.</p> <p><i>Effect:</i> Lack of monthly account reconciliations increases the risk that significant financial reporting errors or misstatements may not be identified and corrected in a timely manner.</p> <p><i>Recommendation:</i> We recommend that the City follow formal monthly closing procedures to ensure the investment activity for the pension plans is accurately reconciled to the general ledger and that the reconciliations are reviewed and approved monthly by the Finance Director. In addition, the year-end reconciliations should include the market value adjustments necessary for the investment and related income accounts.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions:</i> Management agrees with the finding. The City's Finance Department will revise current procedures to ensure that the transactions are recorded and reported at market value. The three pension plan reconciliation schedules will be properly prepared in a timely manner by accounting staff. The reconciliations will be reviewed by management to ensure correct presentation in both the financial statements and the year-end schedules.</p>
2017-001	Vender Master File Changes <p><i>Criteria:</i> Vendor master file information and changes should be securely maintained and subject to safeguards and internal controls that provide for documenting, corroborating and approving new vendors and changes to existing vendors.</p>

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

MATERIAL WEAKNESSES (Continued)

**2017-001
(Continued)**

Vender Master File Changes (Continued)

Condition: The City's vendor master file is maintained by the Purchasing Department independent of the Finance Department; however, following implementation of the City's New World accounting software package in July 2017, it appears that Finance Department personnel responsible for accounts payable and other functions now have direct access to modify vendor master file information.

Cause: The internal controls and software user restrictions utilized in the prior accounting software were not incorporated into the City's New World accounting software package.

Effect: The City's risk of vendor fraud is significantly increased due to the lack of proper safeguards and internal control over the vendor master file and changes.

Recommendation: We recommend that the City immediately review the processes and software user controls in place for the vendor master file and accounts payable functions and eliminate the direct access and ability to change vendor master file information by accounts payable and other Finance Department personnel. In addition, the City should also perform a complete and thorough review of the purchasing and accounts payable functions to determine and document the current processes, safeguards and internal controls in place to ensure that other safeguards and internal controls were not eliminated in the process of implementing the City's New World accounting software package in July 2017. The City should refer to and consider the recommendations of the Government Finance Officers Association (GFOA) 2017 Advisory on *Electronic Vendor Fraud*, as well as related GFOA Best Practices recommendations, as part of its review of the purchasing and accounts payable functions. GFOA Best Practices and Advisories are available free of charge on the GFOA website.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. Accounts payable staff and other incompatible functions no longer have access to modify the vendor master file. The City's Finance Department in collaboration with the Information Technology Department will perform a thorough assessment of the New World accounting software user access controls for the Purchasing and Accounts Payable functions. Accounts payable staff will be granted access permissions and rights associated with their job functions only. This will ensure that roles and access authorization criteria are properly established in consideration of both job responsibilities and proper segregation of duties.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

MATERIAL WEAKNESSES (Continued)

2017-002 Schedule of Expenditures of Federal Awards

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that the recipient of grant awards must be able to prepare an accurate schedule of expenditures and be able to identify in its accounts all federal awards received and expended.

Condition: The Schedule of Expenditures of Federal Awards (SEFA) provided for audit was not accurately prepared in accordance with the Uniform Guidance. The SEFA provided by the City's staff misclassified Federal Awards as State grants and incorrectly reported grant/contract numbers and CFDA numbers for individual grants. The original SEFA schedule provided by the City indicated that expenditures of Federal awards for the year ended September 30, 2017 were less than the \$750,000 threshold required for a Federal Single Audit. Ultimately; the correct amount of Federal Award expenditures for 2017 was determined to be approximately \$1,200,000 and a Federal Single Audit was required.

Cause: The City staff assigned to prepare the SEFA was not familiar with or sufficiently trained in accounting for Federal Awards and the requirements for preparing the SEFA.

Effect: The SEFA was not accurately prepared and could result in incorrect reporting of expenditures to federal agencies.

Recommendation: We recommend that the staff responsible for preparation of the SEFA and monitoring of Federal Awards be adequately trained and knowledgeable of Federal Awards and program requirements. The SEFA should be reviewed and approved by the Finance Director or Assistant Finance Director with appropriate support for the information on the SEFA.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The City's Finance Department will ensure that both the grant accountant and the grant reporting supervisor are properly trained to prepare the Schedule of Expenditures of Federal Awards. Staff will perform the Federal grant reporting on a regular basis to ensure that expenditures are accurately reported and that source documents are used to verify the amounts reported.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES

2016-003 Financial Closing and Reconciliation Procedures

Criteria: Policies and procedures should be in place to ensure that transactions are recorded correctly as to account, amount and period and that reconciliation and closing procedures are sufficient to produce accurate and reliable financial information. This finding was reported in the 2016 Management Letter as an Other Matter, finding 2016-003.

Prior Year Condition: Our 2016 audit field work initially began on November 7, 2016, however, after only a few days we had not received the City's trial balance or the majority of the requested audit schedules. After consulting with the City's Chief Financial Officer, we re-scheduled the audit fieldwork to begin in mid-February 2017 when the CFO advised us the City's books would be closed and the final trial balances and audit schedules would be completed and ready for audit. Even with this delay, we noted the City's accounting records for certain cash, investments, receivables, prepaid assets, payables, capital leases, revenues, and grants had not been fully reconciled and the reviews and approvals throughout the fiscal year were not complete or were not performed timely. As a result, over 50 adjusting journal entries were required for the City's various funds and accounts after the final year-end trial balances were provided to us for audit. While some of the adjustments relate to accruals that are only made at year-end, such as pension and insurance claims based on the annual actuarial valuations, many adjustments were for asset and liability accounts that should be reconciled each month in order to provide accurate financial information for the City's management and City Commission.

Current Year Condition: Our 2017 audit field work initially began on November 13, 2017, however, after only a few days we had not received the City's trial balance or the majority of the requested audit schedules and we re-scheduled the audit fieldwork to begin in mid-February 2018. Even with this delay, we noted the City's accounting records for cash, pensions, receivables, accounts payable, revenues, and grants had not been fully reconciled and the reviews and approvals throughout the fiscal year were not complete or were not performed timely for most accounts. As a result, a substantial number of adjusting journal entries were required for the City's various funds and accounts after the final year-end trial balances were provided to us for audit.

Cause: There were no formal timetables for preparing account reconciliations or closing procedures and reviews and approvals were not performed timely.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

**2016-003
(Continued)**

Financial Closing and Reconciliation Procedures (Continued)

Effect: Lack of timely and complete reconciliation procedures increases the risk of inaccurate financial information and financial reporting errors that may not be identified in a timely manner.

Recommendation: We recommend the City establish formal month end and year end reconciliation and closing procedures to ensure financial accounts are reviewed and approved by management on a timely basis.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. While the significant reduction in the number of client generated adjustments is a positive trend, it is the City's intent to eliminate the need for these adjusting entries. The City's Finance Department will revise the month-end and year-end and procedures to strengthen the monitoring of transactions and review process. Specific control steps, checklists and closing memos will be added on a daily, monthly and annual basis. These additional procedures will be coupled with regular status meetings regarding audit preparation throughout the year. Finally, we will ensure that all client provided items are completed, reviewed and submitted prior to the commencement of the audit fieldwork.

2017-003

Purchasing Cards

Criteria: City personnel should adhere to approved policies and internal controls for purchasing card transactions and document the approval, business purpose and amount of each transaction.

Condition: The City uses purchasing cards for a variety of small dollar purchases other than travel expenses. We noted a total of 145 employees were issued City purchasing cards and that the monthly charges on the cards totaled approximately \$100,000 to \$120,000. Many of these charges were for items which were clearly for City business while other charges were not, such as food purchases, movie tickets, computer supplies, and similar items. We selected a sample of 25 purchasing card transactions during the year and noted that 17 of the selected transactions did not have a Department Approval Report or a Transmittal Form as required by the City's Purchasing Card Policy. The Department Head (Director) and Purchasing Coordinator are required by this policy to sign one of these forms to indicate review and approval of the charges made by their respective departments.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

**2017-003
(Continued)**

Purchasing Cards (Continued)

Condition: We also noted that appropriate supporting documentation was not obtained for all disbursements and for some of the charges, the purchasing card statement was the only support for the disbursement. Following the implementation of the New World accounting software in July 2017, the City Finance Department no longer prepared the required approval forms for the purchasing card transactions. At present, An Excel Spreadsheet is prepared by an Administrative employee of each department on a monthly basis which details all charges made by the employees for the month. However, this spreadsheet is sent to the Finance Department without the approval of the Department Head or Purchasing Coordinator. In most cases, the only approval process taking place each month is the signature of the employees' supervisors on the purchasing card statements.

Cause: The City's policy for purchasing cards was not followed and appropriate documentation of the amount and City purpose of the charges was not obtained.

Effect: Failure to follow approved City policies for purchasing card transactions exposes the City to increased risk of inappropriate purchases and misappropriation of City funds.

Recommendation: We recommend that the City review the current purchasing card policy in the context of the New World accounting software implemented in 2017 and consider any necessary revisions to ensure that all purchasing card transactions are properly documented as to approval, business purpose and amount of each transaction.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding. While these transactions are reviewed and approved at the supervisory level through the new ERP system; to comply with the established P-Card policy, Department Head approval will be required along with support documenting the business purpose. The current P-Card Approval Form will be revised to collect all required signatures, define the business purpose and confirm that receipts are attached prior to processing the transaction in the accounting software.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

2017-004 Cash Disbursements and Internal Controls

Criteria: Internal controls for cash disbursements should ensure that transactions are properly approved and recorded correctly as to account, amount and period.

Condition: The City's cash disbursement process in prior years included complementary controls providing for the review and approval of the preliminary check register by the Chief Accounting Officer, Chief Purchasing Officer, or Accounting Manager prior to the final check register being generated and the checks printed. Reviewing the check register verified that the payee, amount, and check number were correct and reduced the risk of an improper vendor payment. During our testing of cash disbursements, we identified 49 instances in our sample of 60 disbursements where no documentation could be provided for the review and approval of the check register prior to releasing the printed checks.

Cause: We were advised that the approved check registers were reviewed but not retained. We also noted that the check processing procedures were significantly changed upon implementation of the New World accounting software package in July 2017.

Effect: The elimination of these internal controls exposes the City to increased risk of improper vendor payments and misappropriation of City funds.

Recommendation: We recommend that the City review the current internal controls over cash disbursements based on the New World accounting software implemented in 2017. The new process should be formally documented and reviewed to ensure that appropriate internal controls are in place for vendor payments.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding. All check registers, and therefore disbursements are required to be approved electronically through the ERP system prior to check processing. The City's Finance Department will revise the documented cash disbursement policies and procedures in connection with the ERP software implementation. The newly automated controls will be documented in the revised policy and communicated to staff.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

2017-005 Revenue Reconciliation

Criteria: Reconciliation procedures should be in place to ensure revenue transactions are properly recorded as to account, amount and period on a timely basis each month. Billed amounts should be followed up for collection in accordance with established City policies.

Condition: In previous years, the City prepared a daily reconciliation of all revenue, cash receipts and wire transfers to ensure that all cash was deposited and properly recorded. Following implementation of the City's New World accounting software package in July 2017, the revenue reconciliation no longer included EMS receipts and wire transfers. As a result the reconciliation did not include the reconciliation of all cash receipts posted to the City's accounts and general ledger.

Cause: City staff believed the New World accounting software package implemented in July 2017 would eliminate the need to prepare the daily revenue reconciliation.

Effect: Lack of a timely and complete reconciliation of all receipts to the daily cash balance increases the risk of errors, fraud and incomplete financial information.

Recommendation: We recommend that the City reconcile all revenue sources, including wire transfers and EMS receipts, as part of the daily cash reconciliation spreadsheet. The revenues spreadsheet should include sufficient detail and information to allow the reviewer to verify that the related journal entry is correctly posted as to account, amount and period. We recommend that the Chief Accounting Officer or Finance Director review and approve the daily revenue reconciliation and document their review by signing and dating the reconciliation.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding. The City's Finance Department will revise the revenue reconciliation schedule to ensure that all funds are properly recorded and reconciled monthly. Management will review and approve the reconciliation to verify that all funds are properly accounted for timely.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>U.S. Department of Transportation Pass-through Award from State of Florida, Department of Transportation Highway Planning and Construction - CFDA # 20.205 Grant No. ARS-57 Grant Period: March 25, 2015 through June 30, 2018</p> <p>U.S. Department of Homeland Security Pass-through Award from State of Florida, Florida Division of Emergency Management Disaster Grants – Public Assistance (Hurricane Matthew) CFDA # 97.036 Grant No. 17-PA-US-10-60-01-111 Grant Period: October 8, 2016 through April 8, 2018</p>	
2017-006	<p>Bank Reconciliations</p> <p><i>Material Weakness:</i> As discussed in Finding 2016-001, bank accounts were not reconciled properly on a timely basis, including bank accounts used for disbursements of Federal awards. Because of the lack of proper safeguards and internal control over the bank reconciliation process, improper payments and expenditures may be charged to Federal awards without the knowledge of management. Procedures should be implemented to provide for the timely and accurate preparation of bank reconciliations and the proper review and approval of the completed reconciliations. See Finding 2016-001 for Management Response.</p>	\$ 0
2017-007	<p>Vendor Master File</p> <p><i>Material Weakness:</i> As discussed in Finding 2017-001, the vendor master file may be accessed and modified by Finance Department personnel responsible for accounts payable and other cash disbursement functions, including disbursements charged to Federal awards. Because of the lack of proper safeguards and internal control over the vendor master file, improper payments and expenditures may be charged to Federal awards without the knowledge of management. Procedures should be implemented to provide proper review and approval of vendor master files changes and provide for adequate segregation of duties. See Finding 2017-001 for Management Response.</p>	0

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

**SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS
(Continued)**

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>U.S. Department of Transportation Pass-through Award from State of Florida. Department of Transportation Highway Planning and Construction - CFDA # 20.205 Grant No. ARS-57 Grant Period: March 25, 2015 through June 30, 2018</p> <p>U.S. Department of Homeland Security Pass-through Award from State of Florida, Florida Division of Emergency Management Disaster Grants – Public Assistance (Hurricane Matthew) CFDA # 97.036 Grant No. 17-PA-US-10-60-01-111 Grant Period: October 8, 2016 through April 8, 2018</p>	
2017-008	<p>Schedule of Expenditures of Federal Awards</p> <p><i>Material Weakness:</i> As discussed in Finding 2017-002, the Schedule of Expenditures of Federal Awards (SEFA) was not accurately prepared in accordance with the Uniform Guidance. Because the SEFA included inaccurate amounts for expenditures of Federal awards, inaccurate CFDA numbers and grant/contract numbers, and misclassified Federal and State awards, Federal awards may be inaccurately accounted for and reported on the SEFA. Procedures should be implemented to provide for the accurate preparation and the proper review and approval by management of the SEFA. See Finding 2017-002 for Management Response.</p>	\$ 0
2017-009	<p>Cash Disbursements and Internal Control</p> <p><i>Significant Deficiency:</i> As discussed in Finding 2017-006, cash disbursement internal control procedures do not provide for the review and approval of the final check register before the checks are printed. Reviewing the check register verifies that the payee, amount, and check number are correct and reduces the risk of an improper vendor payment, including disbursements charged to Federal awards. Because of the lack of proper review and approval of the check register, improper payments and expenditures may be charged to Federal awards without the knowledge of management. Procedures should be implemented to provide proper review and approval of the check register prior to printing the final checks. See Finding 2017-004 for Management Response.</p>	0

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

**SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS
(Continued)**

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>U.S. Department of Transportation Pass-through Award from State of Florida Department of Transportation Highway Planning and Construction - CFDA # 20.205 Grant No. ARS-57 Grant Period: March 25, 2015 through June 30, 2018</p>	
2017-010	<p>Activities Allowed or Unallowed</p> <p><i>Criteria:</i> Federal funds can be used only to reimburse costs that are in accordance with the conditions contained in the project agreement and the plans, specifications, and estimates for the project.</p> <p><i>Condition:</i> During the course of our audit procedures, we were advised that the materials used by the contractor for the project were not in accordance with the specifications of the Florida Department of Transportation (FDOT) and the project was under investigation by the FDOT Office of Inspector General.</p> <p><i>Cause:</i> The cause is under investigation and has not been determined as of the date of our report.</p> <p><i>Effect:</i> The City was not in compliance with the terms of the FDOT project agreement.</p> <p><i>Recommendation:</i> We recommend that the City follow the provisions of the project agreement.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions:</i> Management agrees with the finding. Contractor oversight procedures will be revised to ensure that federal awards are utilized in compliance with the laws, regulations and provisions of grant agreements without exception.</p>	Not Determined

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

**SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS
(Continued)**

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>U.S. Department of Transportation Pass-through Award from State of Florida Department of Transportation Highway Planning and Construction - CFDA # 20.205 Grant No. ARS-57 Grant Period: March 25, 2015 through June 30, 2018</p>	
2017-011	<p>Special Tests and Provisions</p> <p><i>Criteria:</i> Entities shall include in their construction contracts pursuant to grant contract and compliance requirements wage rate requirements (formally known as Davis-Bacon Act). This provision requires that the contractor comply with the requirements of wage rate and Department of Labor (DOL) regulations and requires employees be paid a prevailing wage rate for the area or location. The contractor is required to submit to the City, for each week in which any contract work is performed, a copy of the certified payroll and statement of compliance.</p> <p><i>Condition:</i> The City could not provide certified payrolls. The City was not monitoring the grant contract for this requirement.</p> <p><i>Cause:</i> The City did not obtain contractor payroll certifications when the contractor submitted reimbursement requests.</p> <p><i>Effect:</i> The City was not in compliance with the wage rate requirements.</p> <p><i>Recommendation:</i> We recommend that the City obtain copies of the certified payrolls when the contractor submits for reimbursement and the City Finance staff should review the certified payrolls for compliance with the applicable wage rate requirements.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions:</i> Management agrees with the finding. The City will obtain the certified payrolls timely in the future. Checklists will be utilized to ensure that contractors provide the required documentation during the transaction approval process.</p>	\$ 422,985

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

**SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS
(Continued)**

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>U.S. Department of Homeland Security Pass-through Award from State of Florida, Florida Division of Emergency Management Disaster Grants – Public Assistance (Hurricane Matthew) CFDA # 97.036 Grant No. 17-PA-US-10-60-01-111 Grant Period: October 8, 2016 through April 8, 2018</p>	
2017-012	<p>Reporting</p> <p><i>Criteria:</i> The Compliance Supplement requires Federal Financial Reports (SF-425) be submitted for this grant.</p> <p><i>Condition:</i> The City did not file the Federal Financial Reports as required.</p> <p><i>Cause:</i> Personnel responsible for this oversight of the grant were unfamiliar with the reporting requirements.</p> <p><i>Effect:</i> The City was not in compliance with the Single Audit reporting requirements for this grant.</p> <p><i>Recommendation:</i> We recommend that the City file these reports by the required due dates.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions:</i> Management agrees with the finding. The City will ensure that the Single Audit reports are prepared and submitted in accordance with the appropriate reporting requirements. The recently appointed Chief Accounting Officer and Grant Accountant will be trained to accurately prepare the reports in a timely manner.</p>	<p>\$ 0</p>
2017-013	<p>Allowable Costs/Allowable Activities</p> <p><i>Criteria:</i> Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), section 200.430 provides the cost principles for charging personnel costs to Federal Awards. Accounting records must be supported by source documentation, such as payrolls and time and attendance records. The records must be supported by a system of</p>	<p>37,267</p>

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2017

**SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS
(Continued)**

<u>Finding Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	<p>U.S. Department of Homeland Security Pass-through Award from State of Florida, Florida Division of Emergency Management Disaster Grants – Public Assistance (Hurricane Matthew) CFDA # 97.036 Grant No. 17-PA-US-10-60-01-111 Grant Period: October 8, 2016 through April 8, 2018</p>	
2017-013 (Continued)	<p>Allowable Costs/Allowable Activities (Continued)</p> <p>internal control which provides reasonable assurance that the time being charged is accurate, allowable and properly allocated.</p> <p><i>Condition:</i> The City was not able to provide the payroll records to substantiate the employee overtime and hours of equipment usage costs submitted for reimbursement. For the 25 items tested, the City was not able to provide time sheets for 2 items related to employee overtime hours and 2 items for equipment usage charges.</p> <p><i>Cause:</i> The City did not obtain or retain the necessary payroll and equipment usage documentation for the costs charged to the program.</p> <p><i>Effect:</i> The City did not have documentation for charges made to the grant.</p> <p><i>Recommendation:</i> We recommend that the City obtain copies of the necessary payroll information when the costs are accumulated for reimbursement. The City Finance staff should review the costs submitted for reimbursement and the supporting documentation to ensure appropriate documentation is retained for the reimbursement request.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions:</i> Management agrees with the finding. General Accounting staff will obtain the necessary documentation from the program areas. Accounting staff will also create checklists to ensure that all required documentation is submitted and approved prior to the completion of the grant reporting documents.</p>	<p>\$</p>
	Total Questioned Costs	<u>\$ 460,252</u>



CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2017. The findings from the Schedule of Findings and Questioned Costs for the year ended September 30, 2017, are discussed below. The findings are numbered consistently with the number assigned in the Schedule of Findings and Questioned Costs.

A. FINDINGS – FINANCIAL STATEMENT AUDIT

<u>Finding Number</u>	<u>Finding</u>
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MATERIAL WEAKNESSES

2016-001 Bank Reconciliations

Criteria: Bank reconciliations should be prepared and reviewed on a timely basis and reconciling items should be promptly investigated and substantiated.

Prior Year Condition: There was a delay of several months in reconciling the City’s bank accounts during the last quarter of the fiscal year. There were also a number of reconciling items listed on the bank reconciliations that represented cash received by the City that was not yet posted to the general ledger at September 30, 2016. None of the items we noted on the bank reconciliations indicated that any City funds were missing or unaccounted for at September 30, 2016. The bank reconciliation for the pooled cash account at September 30, 2016 did not agree to the general ledger due to an erroneous journal entry that was corrected following our inquiry.

Current Year Condition: Based on our testing, it does not appear that the City’s bank accounts were properly reconciled during the fiscal year ended September 30, 2017. During interim testing in October 2017, we selected three months of bank reconciliations for testing. The August 2017 pooled cash reconciliation was not completed or available for review as of October 20, 2017. Additionally, we noted a \$22,960 unreconciled difference on the June 2017 bank reconciliation. We also noted a number of reconciling items, some for significant amounts, listed on the bank reconciliations that represented cash received by the City that was not yet posted to the general ledger and other unreconciled items.

During our year end testing in February 2018, we noted that there was a \$1.9 million cash account in the trial balance for which the City did not have a reconciliation or other supporting documentation for the account. A portion of the account balance was identified in March 2018 as being duplicate cash entries caused by the City’s new accounting software isolating employee withholding amounts into a separate fund at year end. The remaining portion of the unreconciled balance was determined to be deposits in transit and errors in the reconciliation of e-payable payments which cleared the bank. These remaining differences were reconciled in June 2018.

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

<u>Finding Number</u>	<u>Finding</u>
MATERIAL WEAKNESSES (Continued)	
2016-001 (Continued)	Bank Reconciliations (Continued) <p>We also noted that the City had four separate general ledger accounts for health claims imprest cash accounts for which bank reconciliations were not prepared.</p> <p><i>Cause:</i> Lack of proper reconciliation procedures for the bank accounts.</p> <p><i>Effect:</i> Bank reconciliations are a critical internal control over financial reporting that ensures the completeness and accuracy of financial information and the safeguarding of the City’s assets. When bank reconciliations are not performed and reviewed on a timely basis, there is an increased risk that significant financial reporting errors or misstatements may not be identified and corrected in a timely manner.</p> <p><i>Recommendation:</i> We recommend that bank reconciliations be prepared and reviewed in a timely manner, generally within 30 days of month end. The reconciling items for amounts already deposited in the bank should be immediately investigated by Finance staff and posted to the general ledger. Generally, all reconciling items should be cleared within a reasonable time, such as 60 days.</p> <p><i>Action Taken:</i> Management agrees with the finding. Issues encountered during and after the ERP conversion prevented the timely reconciliation of the bank accounts during the last quarter of the fiscal year. The City’s Finance Department will ensure that the accounting policy of reconciliation of the bank accounts within 60 days of month-end is adhered to. Timely reconciliation will be accomplished through the designation of an accountant whose primary function will be to reconcile the bank accounts daily and to research the unreconciled items within 45 days. In addition, the bank reconciliations will be reviewed and approved by the Chief Accounting Officer who will ensure that they are properly reconciled to the accounting records.</p>
2016-002	Pension Plan Reconciliations <p><i>Criteria:</i> Policies and procedures should be in place to ensure transactions are properly recorded on a timely basis and closing procedures should be performed each month sufficient to produce accurate and reliable financial information.</p> <p><i>Prior Year Condition:</i> We noted that certain investment accounts for the General Employees’ Pension Plan were not reconciled and in agreement with the City’s general ledger at September 30, 2016 and some accounts had the same balance at September 30, 2016 as the prior year.</p>

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

<u>Finding Number</u>	<u>Finding</u>
	MATERIAL WEAKNESSES (Continued)
2016-002 (Continued)	Pension Plan Reconciliations (Continued) <i>Current Year Condition:</i> In addition to the General Employees’ Pension Plan, we also audited the City’s Police Officers’ Retirement System and the Firefighters’ Retirement System for the year ended September 30, 2017. We noted that none of investment accounts for the City’s three pension plans were reconciled during the year ended September 30, 2017 and the original trial balances provided to us for the 2017 audit of the three pension plans required significant adjustments. <i>Cause:</i> There were no formal closing procedures or account reconciliations prepared for the General Employees’ Pension Fund at September 30, 2016. There were no formal closing procedures or account reconciliations prepared for the General Employees’ Pension Fund, Police Officers’ Retirement System and the Firefighters’ Retirement System as of and for the year ended September 30, 2017. <i>Effect:</i> Lack of monthly account reconciliations increases the risk that significant financial reporting errors or misstatements may not be identified and corrected in a timely manner. <i>Recommendation:</i> We recommend that the City follow formal monthly closing procedures to ensure the investment activity for the pension plans is accurately reconciled to the general ledger and that the reconciliations are reviewed and approved monthly by the Finance Director. In addition, the year-end reconciliations should include the market value adjustments necessary for the investment and related income accounts. <i>Action Taken:</i> Management agrees with the finding. The City’s Finance Department will revise current procedures to ensure that the transactions are recorded and reported at market value. The three pension plan reconciliation schedules will be properly prepared in a timely manner by accounting staff. The reconciliations will be reviewed by management to ensure correct presentation in both the financial statements and the year-end schedules.
2017-001	Vender Master File Changes <i>Criteria:</i> Vendor master file information and changes should be securely maintained and subject to safeguards and internal controls that provide for documenting, corroborating and approving new vendors and changes to existing vendors.

CITY OF DELRAY BEACH, FLORIDA
CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)
For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Finding Number	Finding
	MATERIAL WEAKNESSES (Continued)
2017-001 (Continued)	<p>Vender Master File Changes (Continued)</p> <p><i>Condition:</i> The City’s vendor master file is maintained by the Purchasing Department independent of the Finance Department; however, following implementation of the City’s New World accounting software package in July 2017, it appears that Finance Department personnel responsible for accounts payable and other functions now have direct access to modify vendor master file information.</p> <p><i>Cause:</i> The internal controls and software user restrictions utilized in the prior accounting software were not incorporated into the City’s New World accounting software package.</p> <p><i>Effect:</i> The City’s risk of vendor fraud is significantly increased due to the lack of proper safeguards and internal control over the vendor master file and changes.</p> <p><i>Recommendation:</i> We recommend that the City immediately review the processes and software user controls in place for the vendor master file and accounts payable functions and eliminate the direct access and ability to change vendor master file information by accounts payable and other Finance Department personnel. In addition, the City should also perform a complete and thorough review of the purchasing and accounts payable functions to determine and document the current processes, safeguards and internal controls in place to ensure that other safeguards and internal controls were not eliminated in the process of implementing the City’s New World accounting software package in July 2017. The City should refer to and consider the recommendations of the Government Finance Officers Association (GFOA) 2017 Advisory on <i>Electronic Vendor Fraud</i>, as well as related GFOA Best Practices recommendations, as part of its review of the purchasing and accounts payable functions. GFOA Best Practices and Advisories are available free of charge on the GFOA website.</p> <p><i>Action Taken:</i> Management agrees with the finding. Accounts payable staff and other incompatible functions no longer have access to modify the vendor master file. The City’s Finance Department in collaboration with the Information Technology Department will perform a thorough assessment of the New World accounting software user access controls for the Purchasing and Accounts Payable functions. Accounts payable staff will be granted access permissions and rights associated with their job functions only. This will ensure that roles and access authorization criteria are properly established in consideration of both job responsibilities and proper segregation of duties.</p>

CITY OF DELRAY BEACH, FLORIDA
CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)
For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

**Finding
Number**

Finding

MATERIAL WEAKNESSES (Continued)

2017-002 Schedule of Expenditures of Federal Awards

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that the recipient of grant awards must be able to prepare an accurate schedule of expenditures and be able to identify in its accounts all federal awards received and expended.

Condition: The Schedule of Expenditures of Federal Awards (SEFA) provided for audit was not accurately prepared in accordance with the Uniform Guidance. The SEFA provided by the City's staff misclassified Federal Awards as State grants and incorrectly reported grant/contract numbers and CFDA numbers for individual grants. The original SEFA schedule provided by the City indicated that expenditures of Federal awards for the year ended September 30, 2017 were less than the \$750,000 threshold required for a Federal Single Audit. Ultimately, the correct amount of Federal Award expenditures for 2017 was determined to be approximately \$1,200,000 and a Federal Single Audit was required.

Cause: The City staff assigned to prepare the SEFA was not familiar with or sufficiently trained in accounting for Federal Awards and the requirements for preparing the SEFA.

Effect: The SEFA was not accurately prepared and could result in incorrect reporting of expenditures to federal agencies.

Recommendation: We recommend that the staff responsible for preparation of the SEFA and monitoring of Federal Awards be adequately trained and knowledgeable of Federal Awards and program requirements. The SEFA should be reviewed and approved by the Finance Director or Assistant Finance Director with appropriate support for the information on the SEFA.

Action Taken: Management agrees with the finding. The City's Finance Department will ensure that both the grant accountant and the grant reporting supervisor are properly trained to prepare the Schedule of Expenditures of Federal Awards. Staff will perform the Federal grant reporting on a regular basis to ensure that expenditures are accurately reported and that source documents are used to verify the amounts reported.

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES

2016-003 Financial Closing and Reconciliation Procedures

Criteria: Policies and procedures should be in place to ensure that transactions are recorded correctly as to account, amount and period and that reconciliation and closing procedures are sufficient to produce accurate and reliable financial information. This finding was reported in the 2016 Management Letter as an Other Matter, finding 2016-003.

Prior Year Condition: Our 2016 audit field work initially began on November 7, 2016, however, after only a few days we had not received the City's trial balance or the majority of the requested audit schedules. After consulting with the City's Chief Financial Officer, we re-scheduled the audit fieldwork to begin in mid-February 2017 when the CFO advised us the City's books would be closed and the final trial balances and audit schedules would be completed and ready for audit. Even with this delay, we noted the City's accounting records for certain cash, investments, receivables, prepaid assets, payables, capital leases, revenues, and grants had not been fully reconciled and the reviews and approvals throughout the fiscal year were not complete or were not performed timely. As a result, over 50 adjusting journal entries were required for the City's various funds and accounts after the final year-end trial balances were provided to us for audit. While some of the adjustments relate to accruals that are only made at year-end, such as pension and insurance claims based on the annual actuarial valuations, many adjustments were for asset and liability accounts that should be reconciled each month in order to provide accurate financial information for the City's management and City Commission.

Current Year Condition: Our 2017 audit field work initially began on November 13, 2017, however, after only a few days we had not received the City's trial balance or the majority of the requested audit schedules and we re-scheduled the audit fieldwork to begin in mid-February 2018. Even with this delay, we noted the City's accounting records for cash, pensions, receivables, accounts payable, revenues, and grants had not been fully reconciled and the reviews and approvals throughout the fiscal year were not complete or were not performed timely for most accounts. As a result, a substantial number of adjusting journal entries were required for the City's various funds and accounts after the final year-end trial balances were provided to us for audit.

Cause: There were no formal timetables for preparing account reconciliations or closing procedures and reviews and approvals were not performed timely.

Recommendation: We recommend the City establish formal month end and year end reconciliation and closing procedures to ensure financial accounts are reviewed and approved by management on a timely basis.

CITY OF DELRAY BEACH, FLORIDA
CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)
For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Finding Number	Finding
	SIGNIFICANT DEFICIENCIES (Continued)
2016-003 (Continued)	<p>Financial Closing and Reconciliation Procedures (Continued)</p> <p><i>Effect:</i> Lack of timely and complete reconciliation procedures increases the risk of inaccurate financial information and financial reporting errors that may not be identified in a timely manner.</p> <p><i>Action Taken:</i> Management agrees with the finding. While the significant reduction in the number of client generated adjustments is a positive trend, it is the City’s intent to eliminate the need for these adjusting entries. The City’s Finance Department will revise the month-end and year-end and procedures to strengthen the monitoring of transactions and review process. Specific control steps, checklists and closing memos will be added on a daily, monthly and annual basis. These additional procedures will be coupled with regular status meetings regarding audit preparation throughout the year. Finally, we will ensure that all client provided items are completed, reviewed and submitted prior to the commencement of the audit fieldwork.</p>
2017-003	<p>Purchasing Cards</p> <p><i>Criteria:</i> City personnel should adhere to approved policies and internal controls for purchasing card transactions and document the approval, business purpose and amount of each transaction.</p> <p><i>Condition:</i> The City uses purchasing cards for a variety of small dollar purchases other than travel expenses. We noted a total of 145 employees were issued City purchasing cards and that the monthly charges on the cards totaled approximately \$100,000 to \$120,000. Many of these charges were for items which were clearly for City business while other charges were not, such as food purchases, movie tickets, computer supplies, and similar items. We selected a sample of 25 purchasing card transactions during the year and noted that 17 of the selected transactions did not have a Department Approval Report or a Transmittal Form as required by the City’s Purchasing Card Policy. The Department Head (Director) and Purchasing Coordinator are required by this policy to sign one of these forms to indicate review and approval of the charges made by their respective departments.</p>

CITY OF DELRAY BEACH, FLORIDA
CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)
For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

<u>Finding Number</u>	<u>Finding</u>
	SIGNIFICANT DEFICIENCIES (Continued)
2017-003 (Continued)	Purchasing Cards (Continued) <i>Condition:</i> We also noted that appropriate supporting documentation was not obtained for all disbursements and for some of the charges, the purchasing card statement was the only support for the disbursement. Following the implementation of the New World accounting software in July 2017, the City Finance Department no longer prepared the required approval forms for the purchasing card transactions. At present, An Excel Spreadsheet is prepared by an Administrative employee of each department on a monthly basis which details all charges made by the employees for the month. However, this spreadsheet is sent to the Finance Department without the approval of the Department Head or Purchasing Coordinator. In most cases, the only approval process taking place each month is the signature of the employees' supervisors on the purchasing card statements. <i>Cause:</i> The City's policy for purchasing cards was not followed and appropriate documentation of the amount and City purpose of the charges was not obtained. <i>Effect:</i> Failure to follow approved City policies for purchasing card transactions exposes the City to increased risk of inappropriate purchases and misappropriation of City funds. <i>Recommendation:</i> We recommend that the City review the current purchasing card policy in the context of the New World accounting software implemented in 2017 and consider any necessary revisions to ensure that all purchasing card transactions are properly documented as to approval, business purpose and amount of each transaction. <i>Action Taken:</i> Management concurs with the finding. While these transactions are reviewed and approved at the supervisory level through the new ERP system; to comply with the established P-Card policy, Department Head approval will be required along with support documenting the business purpose. The current P-Card Approval Form will be revised to collect all required signatures, define the business purpose and confirm that receipts are attached prior to processing the transaction in the accounting software.

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

2017-004 Cash Disbursements and Internal Controls

Criteria: Internal controls for cash disbursements should ensure that transactions are properly approved and recorded correctly as to account, amount and period.

Condition: The City's cash disbursement process in prior years included complementary controls providing for the review and approval of the preliminary check register by the Chief Accounting Officer, Chief Purchasing Officer, or Accounting Manager prior to the final check register being generated and the checks printed. Reviewing the check register verified that the payee, amount, and check number were correct and reduced the risk of an improper vendor payment. During our testing of cash disbursements, we identified 49 instances in our sample of 60 disbursements where no documentation could be provided for the review and approval of the check register prior to releasing the printed checks.

Cause: We were advised that the approved check registers were reviewed but not retained. We also noted that the check processing procedures were significantly changed upon implementation of the New World accounting software package in July 2017.

Effect: The elimination of these internal controls exposes the City to increased risk of improper vendor payments and misappropriation of City funds.

Recommendation: We recommend that the City review the current internal controls over cash disbursements based on the New World accounting software implemented in 2017. The new process should be formally documented and reviewed to ensure that appropriate internal controls are in place for vendor payments.

Action Taken: Management concurs with the finding. All check registers, and therefore disbursements are required to be approved electronically through the ERP system prior to check processing. The City's Finance Department will revise the documented cash disbursement policies and procedures in connection with the ERP software implementation. The newly automated controls will be documented in the revised policy and communicated to staff.

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES (Continued)

2017-005 Revenue Reconciliation

Criteria: Reconciliation procedures should be in place to ensure revenue transactions are properly recorded as to account, amount and period on a timely basis each month. Billed amounts should be followed up for collection in accordance with established City policies.

Condition: In previous years, the City prepared a daily reconciliation of all revenue, cash receipts and wire transfers to ensure that all cash was deposited and properly recorded. Following implementation of the City's New World accounting software package in July 2017, the revenue reconciliation no longer included EMS receipts and wire transfers. As a result the reconciliation did not include the reconciliation of all cash receipts posted to the City's accounts and general ledger.

Cause: City staff believed the New World accounting software package implemented in July 2017 would eliminate the need to prepare the daily revenue reconciliation.

Effect: Lack of a timely and complete reconciliation of all receipts to the daily cash balance increases the risk of errors, fraud and incomplete financial information.

Recommendation: We recommend that the City reconcile all revenue sources, including wire transfers and EMS receipts, as part of the daily cash reconciliation spreadsheet. The revenues spreadsheet should include sufficient detail and information to allow the reviewer to verify that the related journal entry is correctly posted as to account, amount and period. We recommend that the Chief Accounting Officer or Finance Director review and approve the daily revenue reconciliation and document their review by signing and dating the reconciliation.

Action Taken: Management concurs with the finding. The City's Finance Department will revise the revenue reconciliation schedule to ensure that all funds are properly recorded and reconciled monthly. Management will review and approve the reconciliation to verify that all funds are properly accounted for timely.

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

B. FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

**Finding
Number**

Finding

**U.S. Department of Transportation
Pass-through Award from State of Florida, Department of Transportation
Highway Planning and Construction - CFDA # 20.205; Grant No. ARS-57
Grant Period: March 25, 2015 through June 30, 2018**

**U.S. Department of Homeland Security
Pass-through Award from State of Florida, Florida Division of Emergency Management
Disaster Grants – Public Assistance (Hurricane Matthew)
CFDA # 97.036; Grant No. 17-PA-US-10-60-01-111
Grant Period: October 8, 2016 through April 8, 2018**

2017-006 Bank Reconciliations

Material Weakness: As discussed in Finding 2016-001, bank accounts were not reconciled properly on a timely basis, including bank account used for disbursements of Federal awards. Because of the lack of proper safeguards and internal control over the bank reconciliation process, improper payments and expenditures may be charged to Federal awards without the knowledge of management. Procedures should be implemented to provide for the timely and accurate preparation of bank reconciliations and the proper review and approval of the completed reconciliations.

Action Taken: Management agrees with the finding. Issues encountered during and after the ERP conversion prevented the timely reconciliation of the bank accounts during the last quarter of the fiscal year. The City's Finance Department will ensure that the accounting policy of reconciliation of the bank accounts within 60 days of month-end is adhered to. Timely reconciliation will be accomplished through the designation of an accountant whose primary function will be to reconcile the bank accounts daily and to research the unreconciled items within 45 days. In addition, the bank reconciliations will be reviewed and approved by the Chief Accounting Officer who will ensure that they are properly reconciled to the accounting records.

2017-007 Vendor Master File

Material Weakness: As discussed in Finding 2017-001, the vendor master file may be accessed and modified by Finance Department personnel responsible for accounts payable and other cash disbursement functions, including disbursements charged to Federal awards. Because of the lack of proper safeguards and internal control over the vendor master file, improper payments and expenditures may be charged to Federal awards without the knowledge of management. Procedures should be implemented to provide proper review and approval of vendor master files changes and provide for adequate segregation of duties.

Action Taken: See Corrective Action Plan, *Action Taken* for Finding 2017-001.

CITY OF DELRAY BEACH, FLORIDA
CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)
For the Fiscal Year Ended September 30, 2017

B. FINDINGS – FEDERAL AWARD PROGRAMS AUDIT (Continued)

**Finding
Number**

Finding

**U.S. Department of Transportation
Pass-through Award from State of Florida. Department of Transportation
Highway Planning and Construction - CFDA # 20.205; Grant No. ARS-57
Grant Period: March 25, 2015 through June 30, 2018**

**U.S. Department of Homeland Security
Pass-through Award from State of Florida, Florida Division of Emergency Management
Disaster Grants – Public Assistance (Hurricane Matthew)
CFDA # 97.036; Grant No. 17-PA-US-10-60-01-111
Grant Period: October 8, 2016 through April 8, 2018**

2017-008 Schedule of Expenditures of Federal Awards

Material Weakness: As discussed in Finding 2017-002, the Schedule of Expenditures of Federal Awards (SEFA) was not accurately prepared in accordance with the Uniform Guidance. Because the SEFA included inaccurate amounts for expenditures of Federal awards, inaccurate CFDA numbers and grant/contract numbers, and misclassified Federal and State awards, Federal awards may be inaccurately accounted for and reported on the SEFA. Procedures should be implemented to provide for the accurate preparation and the proper review and approval by management of the SEFA.

Action Taken: See Corrective Action Plan, *Action Taken* for Finding 2017-002.

2017-009 Cash Disbursements and Internal Control

Significant Deficiency: As discussed in Finding 2017-006, cash disbursement internal control procedures do not provide for the review and approval of the final check register before the checks are printed. Reviewing the check register verifies that the payee, amount, and check number are correct and reduces the risk of an improper vendor payment, including disbursements charged to Federal awards. Because of the lack of proper review and approval of the check register, improper payments and expenditures may be charged to Federal awards without the knowledge of management. Procedures should be implemented to provide proper review and approval of the check register prior to printing the final checks.

Action Taken: See Corrective Action Plan, *Action Taken* for Finding 2017-006.

CITY OF DELRAY BEACH, FLORIDA
 CORRECTIVE ACTION PLAN -
 FEDERAL AWARD PROGRAMS (Continued)
 For the Fiscal Year Ended September 30, 2017

B. FINDINGS – FEDERAL AWARD PROGRAMS AUDIT (Continued)

Finding Number	Finding
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**U.S. Department of Transportation
 Pass-through Award from State of Florida. Department of Transportation
 Highway Planning and Construction - CFDA # 20.205; Grant No. ARS-57
 Grant Period: March 25, 2015 through June 30, 2018**

2017-010 Activities Allowed or Unallowed

Criteria: Federal funds can be used only to reimburse costs that are in accordance with the conditions contained in the project agreement and the plans, specifications, and estimates for the project.

Condition: During the course of our audit procedures, we were advised that the materials used by the contractor for the project were not in accordance with the specifications of the Florida Department of Transportation (FDOT) and the project was under investigation by the FDOT Office of Inspector General.

Cause: The cause is under investigation and has not been determined.

Effect: The City was not in compliance with the terms of the FDOT project agreement.

Recommendation: We recommend that the City follow the provisions of the project agreement.

Action Taken: Management agrees with the finding. Contractor oversight procedures will be revised to ensure that federal awards are utilized in compliance with the laws, regulations and provisions of grant agreements without exception.

2017-011 Special Tests and Provisions

Criteria: Entities shall include in their construction contracts pursuant to grant contract and compliance requirements wage rate requirements (formally known as Davis-Bacon Act). This provision requires that the contractor comply with the requirements of wage rate and Department of Labor (DOL) regulations and requires employees be paid a prevailing wage rate for the area or location. The contractor is required to submit to the City, for each week in which any contract work is performed, a copy of the certified payroll and statement of compliance.

Condition: The City could not provide certified payrolls. The City was not monitoring the grant contract for this requirement.

Cause: The City did not obtain contractor payroll certifications when the contractor submitted reimbursement requests.

CITY OF DELRAY BEACH, FLORIDA
CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)
For the Fiscal Year Ended September 30, 2017

B. FINDINGS – FEDERAL AWARD PROGRAMS AUDIT (Continued)

<u>Finding Number</u>	<u>Finding</u>
	<p>U.S. Department of Transportation Pass-through Award from State of Florida. Department of Transportation Highway Planning and Construction - CFDA # 20.205; Grant No. ARS-57 Grant Period: March 25, 2015 through June 30, 2018</p>
2017-011 (Continued)	<p>Special Tests and Provisions (Continued)</p> <p><i>Effect:</i> The City was not in compliance with the wage rate requirements.</p> <p><i>Recommendation:</i> We recommend that the City obtain copies of the certified payrolls when the contractor submits for reimbursement and the City Finance staff should review the certified payrolls for compliance with the applicable wage rate requirements.</p> <p><i>Action Taken:</i> Management agrees with the finding. The City will obtain the certified payrolls timely in the future. Checklists will be utilized to ensure that contractors provide the required documentation during the transaction approval process.</p>
	<p>U.S. Department of Homeland Security Pass-through Award from State of Florida, Florida Division of Emergency Management Disaster Grants – Public Assistance (Hurricane Matthew) CFDA # 97.036; Grant No. 17-PA-US-10-60-01-111 Grant Period: October 8, 2016 through April 8, 2018</p>
2017-012	<p>Reporting</p> <p><i>Criteria:</i> The Compliance Supplement requires Federal Financial Reports (SF-425) be submitted for this grant.</p> <p><i>Condition:</i> The City did not file the Federal Financial Reports as required.</p> <p><i>Cause:</i> Personnel responsible for this oversight of the grant were unfamiliar with the reporting requirements.</p> <p><i>Effect:</i> The City was not in compliance with the Single Audit reporting requirements for this grant.</p> <p><i>Recommendation:</i> We recommend that the City file these reports by the required due dates.</p> <p><i>Action Taken:</i> Management agrees with the finding. The City will ensure that the Single Audit reports are prepared and submitted in accordance with the appropriate reporting requirements. The recently appointed Chief Accounting Officer and Grant Accountant will be trained to accurately prepare the reports in a timely manner.</p>

CITY OF DELRAY BEACH, FLORIDA

CORRECTIVE ACTION PLAN -
FEDERAL AWARD PROGRAMS (Continued)

For the Fiscal Year Ended September 30, 2017

B. FINDINGS – FEDERAL AWARD PROGRAMS AUDIT (Continued)

**Finding
Number**

Finding

**U.S. Department of Homeland Security
Pass-through Award from State of Florida, Florida Division of Emergency Management
Disaster Grants – Public Assistance (Hurricane Matthew)
CFDA # 97.036; Grant No. 17-PA-US-10-60-01-111
Grant Period: October 8, 2016 through April 8, 2018**

2017-013 Allowable Costs/Allowable Activities

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 200.430 provides the cost principles for charging personnel costs to Federal Awards. Accounting records must be supported by source documentation, such as payrolls and time and attendance records. The records must be supported by a system of internal control which provides reasonable assurance that the time being charged is accurate, allowable and properly allocated.

Condition: The City was not able to provide the payroll records to substantiate the employee overtime and hours of equipment usage costs submitted for reimbursement. For the 25 items tested, the City was not able to provide time sheets for 2 items related to employee overtime hours and 2 items for equipment usage charges.

Cause: The City did not obtain or retain the necessary payroll and equipment usage documentation for the costs charged to the program.

Effect: The City did not have documentation for charges made to the grant.

Recommendation: We recommend that the City obtain copies of the necessary payroll information when the costs are accumulated for reimbursement. The City Finance staff should review the costs submitted for reimbursement and the supporting documentation to ensure appropriate documentation is retained for the reimbursement request.

Action Taken: Management agrees with the finding. General Accounting staff will obtain the necessary documentation from the program areas. Accounting staff will also create checklists to ensure that all required documentation is submitted and approved prior to the completion of the grant reporting documents.

If you have any additional questions concerning this corrective action plan adopted by the City, please call me at (561) 243-7115.

Respectfully submitted,



Kimberly Ferrell, CPA, CGFO, CPM
Finance Director

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2017

FINANCIAL STATEMENT FINDINGS

Finding
Number

Finding

SIGNIFICANT DEFICIENCIES

2016-001 Bank Reconciliations

Condition: There was a delay of several months in reconciling the City's bank accounts during the last quarter of the fiscal year. There were also a number of reconciling items listed on the bank reconciliations that represented cash received by the City that was not yet posted to the general ledger at September 30, 2016. None of the items we noted on the bank reconciliations indicated that any City funds were missing or unaccounted for at September 30, 2016. The bank reconciliation for the pooled cash account at September 30, 2016 did not agree to the general ledger due to an erroneous journal entry that was corrected following our inquiry.

Recommendation: We recommend that bank reconciliations be prepared and reviewed in a timely manner, generally within 30 days of month end. The reconciling items for amounts already deposited in the bank should be immediately investigated by Finance staff and posted to the general ledger. Generally, all reconciling items should be cleared within a reasonable time, such as 60 to 90 days.

Current Status: Bank reconciliations were not prepared and reviewed in a timely manner during 2017. This finding was not resolved and requires further action by management. See current year finding 2016-001 and grantee response in the Schedule of Findings and Questioned Costs.

2016-002 General Employees' Pension Plan Reconciliations

Condition: We noted that certain investment accounts for the General Employees' Pension Plan were not reconciled and in agreement with the City's general ledger at September 30, 2016 and some accounts had the same balance at September 30, 2016 as the prior year.

Recommendation: We recommend that the City follow formal monthly closing procedures to ensure the investment activity for the General Employees' Pension Fund is accurately reconciled to the general ledger and that the reconciliations are reviewed and approved monthly by the Finance Director. In addition, the year-end reconciliation should include any market value adjustments necessary for the investment and related income accounts.

Current Status: The City did not formally reconcile the investment activity to the general ledger nor were reconciliations received and approved monthly by the Finance Director. This finding was not resolved and requires further action by management. See current year finding 2016-002 and grantee response in the Schedule of Findings and Questioned Costs.

Management Letter



CALER, DONTEN, LEVINE,
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FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, and have issued our report thereon dated June 27, 2018.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

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 the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on Investment Compliance on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 27, 2018, 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 were taken to address the following recommendations made in the 2016 management letter dated April 24, 2017 and these findings are considered resolved or no longer applicable: 2016-004 *Pension Contributions and Prepaid Expenses*; 2016-006 *Information Technology Systems – PCI Compliance*; 2016-007 *Signature Authority on Bank and Investment Accounts*; and 2016-008 *Capital Leases*.

Our prior year findings 2016-001 *Bank Reconciliations*; 2016-002 *General Employees’ Pension Plan Reconciliations*; 2016-003 *Financial Closing and Reconciliation Procedures* noted in the 2016 Schedule of Findings and Questioned Costs and Management Letter have not been corrected and require further action. In addition, our prior year findings 2016-005 *Parking Tickets and EMS Billing* and 2016-009 *Investment Policy Compliance* were partially resolved but require further action by the City.

The uncorrected audit findings or recommendations reported in the preceding annual financial audit reports are summarized in the table below:

Current Year Finding No.	2015-16 FY Finding No.	2014-15 FY Finding No.
2016-001	2016-001	None
2016-002	2016-002	None
2016-003	2016-003	None
2016-005	2016-005	None
2016-009	2016-009	None

Findings 2016-001, 2016-002 and 2016-003 are reported in the Schedule of Findings and Questioned Costs for 2017. Findings 2016-005 *Parking Tickets and EMS Billing* and 2016-009 *Investment Policy Compliance* require further attention by management as noted below.

2016-005 Parking Tickets and EMS Billings

Criteria: Amounts billed by the City should be properly recorded as to account, amount and period. Billed amounts should be followed up for collection in accordance with established City policies.

Prior Year Condition: The City’s Police Department and Fire Department are responsible for issuing parking tickets and billings for emergency medical services (EMS), respectively. The Police and Fire departments maintain separate billing systems and record the collections for billed amounts. The separate subsidiary billing systems at each department do not interface with the general ledger financial systems maintained by the City’s Finance Department. Accordingly, the City’s Finance Department must obtain billing and collection information from the Police and Fire departments to properly record the amounts in the general ledger. During 2016, the parking ticket and EMS billings were not properly reported in the City’s general ledger. In addition, based on our inquiries of City staff, the policy has been to send unpaid parking tickets and EMS billings to a collection agency after they are 90 days past due, however, it does not appear that any amounts were sent to a collection agency for the last eight months of fiscal year 2016.

Current Year Condition: During 2017, the comments related to parking tickets and submission of past due bills to a collection agency was resolved. The City’s Finance Department assumed responsibility from the Fire Department for the billing and monthly reconciliation of the EMS billings in 2017; however, the billings were not recorded in the City’s general ledger until year-end.

Cause: The Finance Department did not record EMS billings in the general ledger and an allowance for uncollectible accounts on a monthly basis. Adjustments were recorded at year end for EMS receivables and a related allowance.

Effect: The general ledger receivable and allowance for uncollectible accounts for EMS receivables were not recorded on the general ledger during 2017.

Recommendation: We recommend that the City’s Finance Department review their procedures to ensure that EMS billings are recorded or adjusted on the general ledger monthly based on the subsidiary billing system.

2016-009 Investment Policy Compliance

Criteria: Investment portfolio composition and limitations should be monitored and maintained in accordance with the City's Investment Policy.

Prior Year Condition: Our review of the City's investments at September 30, 2016 for compliance with the City's investment policy determined that Interest Bearing Time Deposits (Certificates of Deposit) exceeded the maximum limitation of 10% of the investment portfolio. We also noted one certificate of deposit exceeded the maximum maturity threshold of one year from the date of purchase.

Current Year Condition: The certificate of deposit that exceeded the maximum maturity threshold of one year from the date of purchase as noted in the *Original Condition*, was outstanding as of and for the year ended September 30, 2017, but matured on October 17, 2017.

Our review of the City's investments at September 30, 2017 for compliance with the City's investment policy identified the following matters that should be addressed by the City:

1. Interest Bearing Time Deposits and Savings Accounts totaled 27.9% of the investment portfolio which exceeded the maximum limitation of 10%. We considered certain bank accounts to be savings accounts because the accounts were interest bearing and had limited or no check writing authority, although the City considered the accounts to be checking accounts because the bank classified them as checking accounts.
2. A maximum of 5% of available funds (as defined in the investment policy) may be invested in any one issuer, however, two money market accounts with financial institutions accounted for 12.7% and 6.6% of available funds which exceeded the maximum limitation.

Cause: The investment policy does not contain a clear definition of the types of bank accounts that should be considered checking or savings accounts. For purposes of the maximum limitation of 5% in any one investment, the existing policy also does not specify whether deposits with *qualified public depositories* are included in this limitation.

Effect: The City may not have been in compliance with the investment policy limitations on amounts of investment types and maturities.

Recommendation: We recommend the City's investment policy be reviewed to clarify the specific issues identified above regarding 1) the characteristics for determining a checking versus savings account and 2) whether deposits with *qualified public depositories* are included in the 5% maximum investment limitation. These matters should be clearly defined in the investment policy to avoid possible misclassification of accounts under the policy.

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 Delray Beach Downtown Development Authority as component units of the City.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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, 2017.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City as of September 30, 2017. 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 the City.

Section 10.554(1)(i)2., Rules of the Auditor General, requires us to communicate any recommendations to improve financial management. In connection with our 2017 audit, we presented findings 2017-001 through 2017-013 in the accompanying Schedule of Findings and Questioned Costs. Also in connection with our audit, we have the following additional recommendations:

2017-014 Payroll Internal Controls

Criteria: Internal controls for payroll disbursements should ensure that payroll transactions are properly approved and recorded correctly as to account, amount and period.

Condition: The City's payroll process in prior years included a complementary control providing for the review and approval of the preliminary payroll register by the Chief Accounting Officer, Chief Purchasing Officer, or Accounting Manager prior to the final payroll register being generated and the checks printed. Reviewing the payroll register verified that the payee, amount, and check number were correct and reduces the risk of an improper payment. During our testing of payroll disbursements, we identified 2 instances in our sample of 40 payroll transactions where the review and approval of the preliminary payroll register was not documented by signing and dating the register. We also noted several of the payroll batch updates during the year had incorrect dates for the pay period and date of the paycheck indicating that the batch updates were not adequately reviewed.

Cause: We were advised that the preliminary payroll registers were reviewed, but not retained or there was an oversight in not signing the register.

Effect: The internal control over the payroll register approval may not be working as designed.

Recommendation: We recommend that the City review the current internal controls over payroll disbursements based on the New World accounting software implemented in 2017 and consider any necessary revisions to ensure that adequate internal controls are in place for payroll payments.

2017-015 Utility Billing Internal Controls

Criteria: Internal controls for utility billing should ensure that utility billings are properly approved and recorded correctly as to account, amount and period.

Condition: The City's utility billing process includes a complementary control providing for the review and approval of the preliminary utility billing register prior to the final utility billing register being generated and the utility bills being printed. Reviewing the utility billing register verifies that all meter reads and the customer billings were correct and reduces the risk of an incorrect billing. During our testing of utility billing transactions, we identified 12 instances in our sample of 40 utility billing transactions where the preliminary utility billing register could not be provided to document the review and approval. We also noted one customer in our sample of 40 utility billing transactions where the amount billed did not appear to be correctly calculated in accordance with the City's utility rate ordinance. The customer's billing had been manually entered using prorated amounts for the water and sewer commodity charge, although the commodity charges should be based on usage and not prorated. We also noted that the usage for water was billed as 50,000 gallons when the system showed 12,000 gallons and the 13,000 to 25,000 gallon bracket for water was billed at \$2.80 instead of \$3.50 per City ordinance. There was no documentation of how the amounts were prorated or determined for the customer. The customer was charged \$66.10 but the actual charge should have been \$78.60.

Cause: We were advised that the preliminary utility billing registers were reviewed but not retained. The utility department staff could not explain the differences in the billing amounts and there was no documentation available to determine the cause.

Effect: The lack of review and approval exposes the City to increased risk of incorrect utility billing transactions.

Recommendation: We recommend that the approved preliminary utility billing registers be retained and available for audit for at least one year after the date of the billing cycle. Any manual adjustments for utility customer billings should be documented in writing on the preliminary utility billing register for later reference in case of any questions regarding the amount billed.

2017-016 IT Administrator Rights

Criteria: City personnel should not be provided with local administrator rights for their computers.

Condition: Certain City personnel have been provided with local administrator rights to their computers. This allows individuals to download and install software to their computers that has not been properly vetted by the City's IT Department. This may also allow malicious software to run without the users knowledge by clicking on infected files or web links. Since the individual computers connect to the City's IT network, this could allow malicious software to infect the City's network.

Cause: The City's IT Department was instructed by management to provide administrator rights to certain personnel.

Effect: Local administrator rights could allow malicious software to infect the City's network.

Recommendation: We recommend that local administrator rights not be provided to City personnel outside of the IT Department unless absolutely necessary for a specified project and then only for a limited time.

2017-017 IT Security

Criteria: Policies and procedures should be in place to ensure that all IT systems are protected from outside attacks.

Condition: We noted the following matters regarding IT security that could be improved:

1. City personnel are permitted to access their personal email accounts from the City's computers. Accessing personal email can bypass several layers of security on the City's network and may increase the risk of exposing the City's network to malicious software and outside attacks.
2. Unused network jacks are not disabled. This could allow an unauthorized user to access the City's IT systems.
3. An IDS/IPS system is not utilized by the City to identify and disable unauthorized equipment that might be added to the City's network.

Cause: The City's policies currently allow access to personal email accounts using the City's computers. The City has not taken additional steps to prevent unauthorized access to the City's network.

Effect: These areas allow entry points for malicious software or attacks on the City's network.

Recommendation: We recommend that access to personal email from City computers not be allowed. We also recommend that unused jacks be disabled and an IDS/IPS system be implemented for the City's network.

2017-018 Monthly Financial Reporting

Criteria: Timely and current financial information should be provided to the City Commission and management to make financial decisions.

Condition: In previous years, the Budget Manager prepared a monthly financial report that analyzed current year budget to actual activity for revenues and expenditures and compared current year revenues and expenditures to prior year revenues and expenditures. Explanations were provided for significant variances. The financial report was sent to the CFO who provided the City Manager a copy of the report which was included in the Commission packet. We noted that this reporting package was not provided to the City Manager or City Commission for most of 2017.

Cause: The monthly financial report was not provided to the City Manager and City Commission following various personnel changes that occurred during the current year.

Effect: Lack of timely and current financial information could adversely impact the ability of the City Commission and management to make appropriate decisions.

Recommendation: We recommend that the Finance Department provide regular reports (at least quarterly) to the City Commission and management that compare current year budget to actual activity for revenues and expenditures and current year revenues and expenditures to prior year revenues and expenditures. The financial reports should also include analytical comments of significant variances. The financial information should be reviewed and approved by the CFO or Assistant Finance Director for accuracy.

2017-019 Capital Asset Disposals

Criteria: The City's Administrative Policy for Capital Assets requires a *Property Disposition and Release of Custody Form* to be completed and approved prior to the disposal of a capital asset.

Condition: For two disposals that were selected for testing, the *Property Disposition and Release of Custody Form* was not prepared or approved until after the assets were disposed of or sold. For example, the City sold a Ford pickup truck at auction on November 6, 2016, but the *Property Disposition and Release Form* was not prepared or approved until January 19, 2017. In addition, there was no evidence that the City Manager approved the item sold at auction as required by the City's policy at the time. The capital asset policy was changed effective September 25, 2017 and no longer requires the approval of the City Manager.

Cause: The City did not follow its established policy for capital asset disposals.

Effect: The lack of review and approval exposes the City to increased risk of errors in reporting capital assets and theft or misappropriation of capital assets.

Recommendation: We recommend that the City approve the capital asset disposal forms prior to the sale or disposal of the capital asset. We also recommend that the appropriate Finance Department personnel review and approve the capital asset disposal forms to ensure the disposal documentation is proper and disposal is properly recorded in the accounting records.

2017-020 Deferred Retirement Option Plan (DROP)

Criteria: The City established new, separate retirement plans for police officers and firefighters pursuant to Ordinance No. 17-16, effective October 1, 2016. The new plans should include the assets, liabilities and activity for police officers and firefighters in their respective retirement plan.

Condition: While the City's Police and Firefighters' Retirement System was split into separate retirement plans for police officers and firefighters effective October 1, 2016, the ICMA deferred retirement option plan (DROP) was continued as a single, combined plan for both police officers and firefighters.

Cause: The DROP accounts and activity for police officers and firefighters were not segregated and separately accounted for pursuant to the terms of Ordinance No. 17-16 that provided for separate retirement systems.

Effect: The City did not separately account for the assets, liabilities and activity of the DROP plan for the police officers and firefighters.

Recommendation: We recommend that the City and Boards of Trustees of the Retirement Systems establish separate DROP plans for police officers and firefighters. We also recommend that the City Finance Department account for each DROP plan in separate funds so the accounts and activity are not comingled with the assets, liabilities and activity of the respective defined benefit pension plans consistent with the separate legal status of the DROP plan.

2017-021 Policies and Procedures Manual

Criteria: The City's policies and procedures should document the approved policies in place and the procedures followed for significant accounting functions.

Condition: The City implemented the New World accounting software package in July 2017 but did not consider modifications to internal control, policies or procedures in conjunction with the new software. As noted previously, several internal controls and procedures were modified or deleted after the software was implemented and many of the current procedures do not reflect the current control environment with the New World software.

Cause: The necessary changes to complementary internal controls and procedures were not considered and changed prior to implementing the New World accounting software.

Effect: The City's written policies and procedures may not accurately reflect the actual policies and procedures in place.

Recommendation: We recommend that the Finance Department undertake a comprehensive evaluation of the current control environment with the New World accounting software to ensure that all existing controls are sufficient and effective. This would include preparing written documentation of the accounting system and processes with the New World software, as well as the computerized controls and supplementary user controls for review and approval of information. In addition, the City should review existing policies and procedures for any updates necessary due to other changes, such as IRS mileage reimbursement rates that generally change each year (the current mileage rate in the City's policy is 44 cents per mile while the actual IRS mileage rate is 53.5 cents per mile).

2017-022 Residential Housing Loan Programs

Criteria: The City provides loans to low and moderate income residents for various residential housing programs such as first time home buyer assistance, rehabilitation loans and loans for repairs due to storm

damage. These programs include the State Housing Initiative Program (SHIP), Community Development Block Grant (CDBG) program, Disaster Recovery Initiative (DRI) program, Residential Construction Mitigation Program and other federal and state grant programs. The loans do not require repayment unless the home is sold prior to the required time or loan maturity and the amounts loaned are generally charged to grant expenditures when the loan is made. However, the City is required to account for the outstanding loans because any repayments are restricted under the terms of federal and state grant programs to reinvestment in the City's affordable housing programs.

Condition: The City did not accurately track the outstanding loans for the residential housing programs. During the audit, we noted the schedule of the outstanding loans for the housing programs did not reconcile to the balance in the general ledger. Upon further investigation, we determined that approximately \$1.1 million of outstanding loans made by the City for fiscal year 2016 and prior years were not included on the supporting schedule.

Cause: The City staff responsible for tracking the outstanding loans was not sufficiently trained.

Effect: Loan repayments owed to the City may not be accurately accounted for and restricted to reinvestment in the City's federal or state housing programs as required by the grant provisions.

Recommendation: We recommend that the City review its process for tracking the residential housing program loans to ensure that internal controls are in place and sufficient to provide assurance that the loans are properly accounted for and restricted to the City's housing programs. The schedules of the outstanding housing loans should be reviewed and approved by the Assistant Finance Director for accuracy and completeness on a regular basis.

2017-023 Journal Entry Documentation and Approval

Criteria: Controls over journal entries should be in place to prevent erroneous or fraudulent journal entries being made in the accounting system without review.

Condition: The City's journal entry policy requires all journal entries to be scanned into the system and that each journal entry be approved by the Accounting Manager, Chief Accounting Officer, or other authorized approver. For two of the five journal entries we tested, there was no supporting documentation for the journal entry in the system and one journal entry had no signature to indicate review or approval.

Cause: Failure to follow established policy for journal entry documentation and review and approval.

Effect: Erroneous or fraudulent journal entries could be entered into the accounting system and not be detected by management in a timely manner.

Recommendation: We recommend that all journal entries include supporting documentation for the entry and each entry be reviewed and approved by the appropriate supervisory personnel before the entry is entered into the accounting system.

2017-024 Banking Agreements

Criteria: Proper segregation of duties should not allow the signers on accounts with financial institutions to authorize new accounts or make changes to existing accounts. The City Code, Section 4.05(H) *Deposits/Depositories* provides that "The Commission shall designate the depository or depositories for City funds..."

Condition: The City established several new bank accounts and investment accounts during the current year. In reviewing the authorization and banking agreements for these accounts, we noted that some

accounts did not appear to be specifically authorized and approved by the City Commission. In one instance, we noted that a Finance Department employee signed the banking agreement as “Secretary” for the City. The authorized signers on the City’s bank accounts also authorized and approved changes to the accounts although there was no documented approval by the City Commission or City Manager.

Cause: The provisions of the City Code and City policy are unclear as to whether City Commission approval is required only for a new financial institution holding City funds or is required for any new accounts with a financial institution.

Effect: The requirement for City Commission approval of new accounts and any changes to accounts is unclear. Lack of formal City Commission approval of all accounts with financial institutions and changes to existing accounts increases the risk of unauthorized or inappropriate accounts and misappropriation of City funds.

Recommendation: We recommend that the City review the existing banking agreements to determine that all City accounts with financial institutions were properly authorized and approved by the City Commission. We also recommend that the City develop specific administrative policies regarding the opening of new accounts and changes to existing accounts with financial institutions and consider requiring a formal resolution of the City Commission signed by the City Clerk for all accounts with financial institutions and any subsequent changes. The City might also consider codifying the administrative procedures into the City Code to avoid any possible misinterpretation by City personnel and financial institutions holding City funds.

2017-025 Central Garage Internal Service Fund

Criteria: Internal service funds are designed for governments to report any activity that provides goods and services to other funds, departments, or agencies of the government on a *cost reimbursement basis*. The government must have a methodology in place for the internal service fund to recover all its costs for the use of its assets and services by other funds.

Condition: The City recorded a fire truck and related capital lease liability for approximately \$1.4 million in the Central Garage internal service fund (Fund 501) during 2017. Historically, the purpose of the City’s Central Garage fund has been primarily to provide fleet maintenance for the City’s vehicles. While an internal service fund could be used to acquire, maintain and provide for replacement of the City’s vehicle fleet, there does not appear to be a consistent policy as to which vehicles the Central Garage will acquire. At present, the Central Garage has purchased new police vehicles and the fire truck, however, other City vehicles are acquired through the General Fund and recorded as General Capital Assets, rather than assets of the Central Garage.

Cause: Lack of a clear policy regarding the mission, purpose and use of the Central Garage for the City’s vehicle fleet.

Effect: The cost recovery methodology of the Central Garage may not accurately reflect the nature of its current operations.

Recommendation: We recommend that mission and scope of the Central Garage be clearly defined and consistently applied for the City’s vehicle fleet. If the City intends to use the Central Garage for the purchase, maintenance and replacement of the vehicle fleet, City management should develop an appropriate methodology to recover the full cost of those assets from other funds and that methodology should be consistently applied.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 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 City management to the findings identified in this management letter are described in the accompanying City Response to 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, Federal and other granting agencies 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
June 27, 2018

June 29, 2018

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

Subject: City Response to Audit Findings
Comprehensive Annual Financial Report – September 30, 2017

Our responses to current year audit findings and recommendations are listed below:

2016-001 Bank Reconciliations

Management agrees with the finding. Issues encountered during and after the ERP conversion prevented the timely reconciliation of the bank accounts during the last quarter of the fiscal year. The City's Finance Department will ensure that the accounting policy of reconciliation of the bank accounts within 60 days of month-end is adhered to. Timely reconciliation will be accomplished through the designation of an accountant whose primary function will be to reconcile the bank accounts daily and to research the unreconciled items within 45 days. In addition, the bank reconciliations will be reviewed and approved by the Chief Accounting Officer who will ensure that they are properly reconciled to the accounting records.

2016-002 General Employees' Pension Plan

Management agrees with the finding. The City's Finance Department will revise current procedures to ensure that the transactions are recorded and reported at market value. The three pension plan reconciliation schedules will be properly prepared in a timely manner by accounting staff. The reconciliations will be reviewed by management to ensure correct presentation in both the financial statements and the year-end schedules.

2016-003 Financial Closing and Reconciliation Procedures

Management agrees with the finding. While the significant reduction in the number of client generated adjustments is a positive trend, it is the City's intent to eliminate the need for these adjusting entries. The City's Finance Department will revise the month-end and year-end and procedures to strengthen the monitoring of transactions and review process. Specific control steps, checklists and closing memos will be added on a daily, monthly and annual basis. These additional procedures will be coupled with regular status meetings regarding audit preparation throughout the year. Finally, we will ensure that all client provided items are completed, reviewed and submitted prior to the commencement of the audit fieldwork.

2016-005 Parking Tickets and EMS Billings

Due to the complexity of the medical billing process in addition to the immateriality of the potential change to the financial statements, the City will continue the current policy of recognition of EMS receipts monthly. EMS billings from the sub-ledger will continue to be reviewed monthly and will continue to be reported in the general ledger at year-end.

2016-009 Investment Policy Compliance

The City utilizes standard banking and investment practices and, has no savings accounts. Effective April 3rd, 2018, the City reviewed and amended the Investment Policy Statement. Under this policy, cash and cash equivalents in Qualified Public Depository (QPD) accounts are not subject to the 5% issuer limit. As an investment policy compliance enhancement, the City's Finance Department is utilizing a hosted investment accounting and monitoring service to monitor investment compliance on a daily and monthly basis.

2017-001 Vender Master File Changes

Management agrees with the finding. Accounts payable staff and other incompatible functions no longer have access to modify the vendor master file. The City's Finance Department in collaboration with the Information Technology Department will perform a thorough assessment of the New World accounting software user access controls for the Purchasing and Accounts Payable functions. Accounts payable staff will be granted access permissions and rights associated with their job functions only. This will ensure that roles and access authorization criteria are properly established in consideration of both job responsibilities and proper segregation of duties.

2017-002 Schedule of Expenditures of Federal Awards

Management agrees with the finding. The City's Finance Department will ensure that both the grant accountant and the grant reporting supervisor are properly trained to prepare the Schedule of Expenditures of Federal Awards. Staff will perform the Federal grant reporting on a regular basis to ensure that expenditures are accurately reported and that source documents are used to verify the amounts reported.

2017-003 Purchasing Cards

Management concurs with the finding. While these transactions are reviewed and approved at the supervisory level through the new ERP system; to comply with the established P-Card policy, Department Head approval will be required along with support documenting the business purpose. The current P-Card Approval Form will be revised to collect all required signatures, define the business purpose and confirm that receipts are attached prior to processing the transaction in the accounting software.

2017-004 Cash Disbursements and Internal Controls

Management concurs with the finding. All check registers, and therefore disbursements are required to be approved electronically through the ERP system prior to check processing. The City's Finance Department will revise the documented cash disbursement policies and procedures in connection with the ERP software implementation. The newly automated controls will be documented in the revised policy and communicated to staff.

2017-005 Revenue Reconciliation

Management concurs with the finding. The City's Finance Department will revise the revenue reconciliation schedule to ensure that all funds are properly recorded and reconciled monthly. Management will review and approve the reconciliation to verify that all funds are properly accounted for timely.

2017-006 Federal Awards - Bank Reconciliations

See response above regarding Comment 2016-001 Bank Reconciliations.

2017-007 Federal Awards - Vendor Master File

See response above regarding Comment 2017-001 Vendor Master File.

2017-008 Federal Awards - Schedule of Expenditures of Federal Awards

See response above regarding Comment 2017-002 Schedule of Expenditures of Federal Awards.

2017-009 Federal Awards - Cash Disbursements and Internal Control

See response above regarding Comment 2017-004 Cash Disbursements and Internal Control.

2017-010 Federal Awards - US Department of Transportation - Activities Allowed or Unallowed

Management agrees with the finding. Contractor oversight procedures will be revised to ensure that federal awards are utilized in compliance with the laws, regulations and provisions of grant agreements without exception.

2017-011 Federal Awards - US Department of Transportation - Special Tests and Provisions

Management agrees with the finding. The City will obtain the certified payrolls timely in the future. Checklists will be utilized to ensure that contractors provide the required documentation during the transaction approval process.

2017-012 Federal Awards - US Department of Homeland Security - Reporting

Management agrees with the finding. The City will ensure that the Single Audit reports are prepared and submitted in accordance with the appropriate reporting requirements. The recently appointed Chief Accounting Officer and Grant Accountant will be trained to accurately prepare the reports in a timely manner.

2017-013 Federal Awards - US Department of Homeland Security - Allowable Costs/Allowable Activities

Management agrees with the finding. General Accounting staff will obtain the necessary documentation from the program areas. Accounting staff will also create checklists to ensure that all required documentation is submitted and approved prior to the completion of the grant reporting documents.

2017-014 Payroll Internal Controls

Management concurs with the recommendation. While controls established in policy require a paper trail to substantiate the approval of payroll registers, these registers are now approved electronically. The Finance Department will ensure that payroll controls continue to be adhered to and that the ERP conversion related changes are documented in policy.

2017-015 Utility Billing Internal Controls

Management concurs with the recommendation. The City's Utility Billing Division revised the work flow process to incorporate multiple levels of approval prior to the processing and mailing of invoices. In addition, staff will review both the commodity codes and the manual bill process to ensure that all rates are properly prorated, calculated and billed.

2017-016 IT Administrator Rights

The City's utilization of Websense and other in-line stateful packet inspection software sufficiently mitigates the identified risk. Data "in-flight" is examined and potential malware is quarantined immediately. A small number of employees who possess a demonstrated awareness of the associated risks are granted local administrative rights. These rights are limited to the employee's own devices and allow the installation and removal of software, as needed. It is management's opinion that the gain in productivity in these instances exceeds the highly mitigated risk of installing a bad module. In the unlikely event that a bad module is loaded, it will be specifically quarantined by Websense and Trend Micro email filtering.

2017-017 IT Security

City staff are allowed access to personal email accounts from City owned devices with limited browsers (http IP port 80 and https IP port 443). Neither traditional mail on ports 25, nor secure email on port 565 are allowed access to any provider other than Microsoft Office365. Approximately one-third of City email users may only utilize web-based email due to the limited licenses purchased for these users. A result of this environment is that other email web sites, such as Gmail and Yahoo! Mail may be reached via the same mechanism.

Three safeguards are in place to prohibit users from downloading and executing malware. The first is stateful packet inspection software that examines all data passing through the firewall into the Network. The second is browser-based Trend Micro antivirus software, which detects and eliminates malware. The third is the installation of Trend Micro Antivirus on every workstation in order to detect and eliminate malware prior to execution.

Although network switch ports are not disabled, the City uses a Layer 2 network where specific ports on switches must be enabled across multiple VLANs. A random plug-in to a switch that is not physically secured in a locked room or closet would rarely transport the user workstation beyond the local workgroup. The City's policy is to keep switches in locked cabinets, or behind locked doors. This is the best IDS/IPS system available. The City utilizes a system of Layer 2 access which separates workstation and server traffic, as well as law enforcement and civil traffic. All traffic in and out of the City's network passes through Cisco ASA firewalls, meaning every external port is protected. Information Technology is in the process of implementing Trend Micro Predictive Machine Learning and Behavior Monitoring which offers additional functionality. The City is also utilizing Solarwinds notification on all switches. This tool alerts staff of any anomalous network activity. IDS/IPS solutions will be evaluated, however our first line of defense is our current policy of denial of physical connections.

2017-018 Monthly Financial Reporting

Management concurs with the finding. While the monthly Budget vs Actual reports including both variances and explanations were prepared and approved, the City Commission did not receive them. The Finance Department will ensure that monthly budget reports are prepared and provided to the City Manager and the City Commission.

2017-019 Capital Asset Disposals

Management concurs with the recommendation. The City's Finance Department will ensure that the Property Disposition and Release form is prepared and approved prior the disposal or sale of an asset in accordance with the revised policy.

2017-020 Deferred Retirement Option Plan (DROP)

Management agrees with the recommendation. While the City separated the Police Officers' and Firefighter's pension plans during the fiscal year, the Deferred Retirement Option Plan (DROP) split will be finalized during fiscal year 2018/2019. City staff is in the process of obtaining the necessary approval from the Police Officers' and Firefighter's pension boards.

2017-021 Policies and Procedures Manual

Management agrees with the recommendation. The City's Finance Department will revise the policies and procedures manual for changes in connection with the ERP implementation. The mileage reimbursement rates have already been revised to IRS regulation.

2017-022 Residential Housing Loan Programs

Management agrees with the recommendation. During the audit, City staff revised the prior year loan balances in the current year schedule to properly report the balances. The Finance Department will provide additional training to program staff to ensure that loans records are accurate, reviewed on a regular basis, and restricted to the appropriate housing programs.

2017-023 Journal Entry Documentation and Approval

Management agrees with the recommendation. Journal entries are now approved electronically in the new ERP system. The Finance Department will ensure that the documented policy reflects this change in the approval process.

2017-024 Banking Agreements

Management agrees with the recommendation. The City's Finance Department will work with the City Attorney's office to clarify the role of the City Commission and to consider delegating administrative duties to the Finance Director.

2017-025 Central Garage Internal Service Fund

Management agrees with the recommendation. The City's Finance Department will review the Central Garage mission, scope, purpose and procedures to ensure that they are clearly defined and that they appropriately support the City's fleet replacement program.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kimberly Ferrell". The signature is written in a cursive, flowing style.

Kimberly Ferrell, CPA, CGFO, CPM
Finance Director



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

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017. 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, 2017, except as noted in Management Letter finding 2016-009.

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, Federal and other granting agencies 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.

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

West Palm Beach, Florida
June 27, 2018