



City of Delray Beach, Florida

Comprehensive Annual Financial Report For The Year Ended September 30, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2018
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
 For the Year Ended September 30, 2018

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Introductory Section



March 29, 2019

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, 2018. 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, 2018. 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 settled as an agricultural community in 1895 and first incorporated in 1911. Subsequent incorporation as the City of Delray Beach took place on May 11, 1927. The City's current estimated permanent population is 69,228 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 along with 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 for City services.

The City Commission appoints the City Manager, who is the chief administrative officer of the City, the City Attorney, who acts on all legal matters pertaining to the City, and the Internal Auditor. 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 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 Delray Beach Community Redevelopment Agency (CRA), the Delray Beach 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 is a truly unique city. From its award winning public beaches and vibrant downtown nightlife to its excellent neighborhoods, bustling economy, and abundance of cultural activities, Delray Beach offers an unparalleled quality of life.

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 2018 tax roll increased by 8.62% with total assessed value now exceeding the assessed value prior to the decline.

Building permit activity continued an upward trend in 2018. Permitting building construction value reached a record high of approximately \$865 million dollars for the fiscal year. In addition, the City updated the City's investment policy to maximize its investment returns within the constraints of safety and liquidity. These positive economic trends, sound financial practices and favorable results of operations continue in 2019.

MAJOR INITIATIVES

The City has completed the following capital improvement projects in FY 2017-18:

- Beach Master Plan Phase I
- Seacrest Project Phase I & II
- SW 2nd Street Beautification – Phase II
- Parkmobile and Smart Meters program
- Veterans Park Seawall and Dock repairs
- City Lifeguard towers
- Atlantic Dunes Pavillon
- Reclaimed Water Master Plan – Area 12B

Economic Development During FY 2018, the City of Delray Beach continued its robust pace of office, hotel and commercial redevelopment. 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.

Water Meter Replacement and Automated Metering Infrastructure project On January 15, 2013, as part of the overall Water Meter Replacement and Advanced Metering Infrastructure Project, programmed as a multi-year project to be phased over five to six years. The scope of the project consisted of providing the labor for the replacement of potable and reclaimed water meters from 3/4 inch to 2-inch size, replacement of meter boxes and/or lids, geo-positioning of units, installation of towers and data collector units/repeaters (DCU's), and installation of poles with antennas. The project was completed late 2018, providing staff the ability to read water meters remotely.

Additionally, the Delray Beach Community Redevelopment Agency (CRA) completed the renovations of the Arts Warehouse project. The CRA began construction of a \$2.25 million, 15,000 square foot Arts Warehouse project in FY 2017. 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.

LONG-TERM FINANCIAL PLANNING

In 2018, the City discussed and evaluated strategic priorities and goals, setting the direction for the organization over the next two to three years. The following priorities and goal statements were identified:

Priority 1: Improve Infrastructure. Goal Statement: Create strategic appropriately programmed, and fiscally responsible Capital Improvement Program.

Priority 2: Implement Development Plans and Initiatives. Goal Statement: Achieve and maintain a distinctive community appearance that reflects the character and high standards of the community by creating inviting, natural, and built places and spaces for contemplation, play, arts, and connection while celebrating our history and protecting our environment.

Priority 3: Improve Transportation and Mobility. Goal Statement: Increase the variety of available transportation choices and maintain the City's transportation and mobility options and infrastructure (including medians, lighting, sidewalks, transit systems, streets, alleys, street lights, etc.).

Priority 4: Create a City Organization of Excellence. Goal Statement: Create and build a culture of excellence, communicate with transparency, and ensure all departments and employees have the required tools necessary for success.

Priority 5: Health, Safety, and Quality of Life. Goal Statement: Enhance and maintain our community's health, safety and quality of life through effective community engagement and public safety programs.

Priority 6: Economic Vitality and Education. Goal Statement: Promote economic development and redevelopment as well as relocation, expansion and retention of existing businesses to ensure economic vitality while ensuring a ready workforce for today and tomorrow.

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.

Single Audit As a recipient of Federal, State and County financial assistance, the City is also responsible for ensuring that an adequate system of internal controls is in place to maintain compliance with applicable laws, regulations and guidelines related to those programs. This internal control system is subject to periodic evaluation by management. As a part of the single audit process, tests are made to determine the adequacy of the internal control structure, including the portion related to federal financial assistance programs, and to determine compliance with applicable laws and regulations. The results of the City's single audit for the fiscal year ended September 30, 2018 disclosed no instances of material weaknesses in the internal control structure and disclosed no significant violation of applicable laws and regulations.

AWARDS AND ACKNOWLEDGMENTS

Financial Statement Awards The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Delray Beach, Florida, for its CAFR for the fiscal year ended September 30, 2017. This was the 35th 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 36th 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, 2018. 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 23rd 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,



Laura Thezine CPA, CGFO
Acting 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, 2017

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, 2017

Christopher P. Merrill

Executive Director

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2018

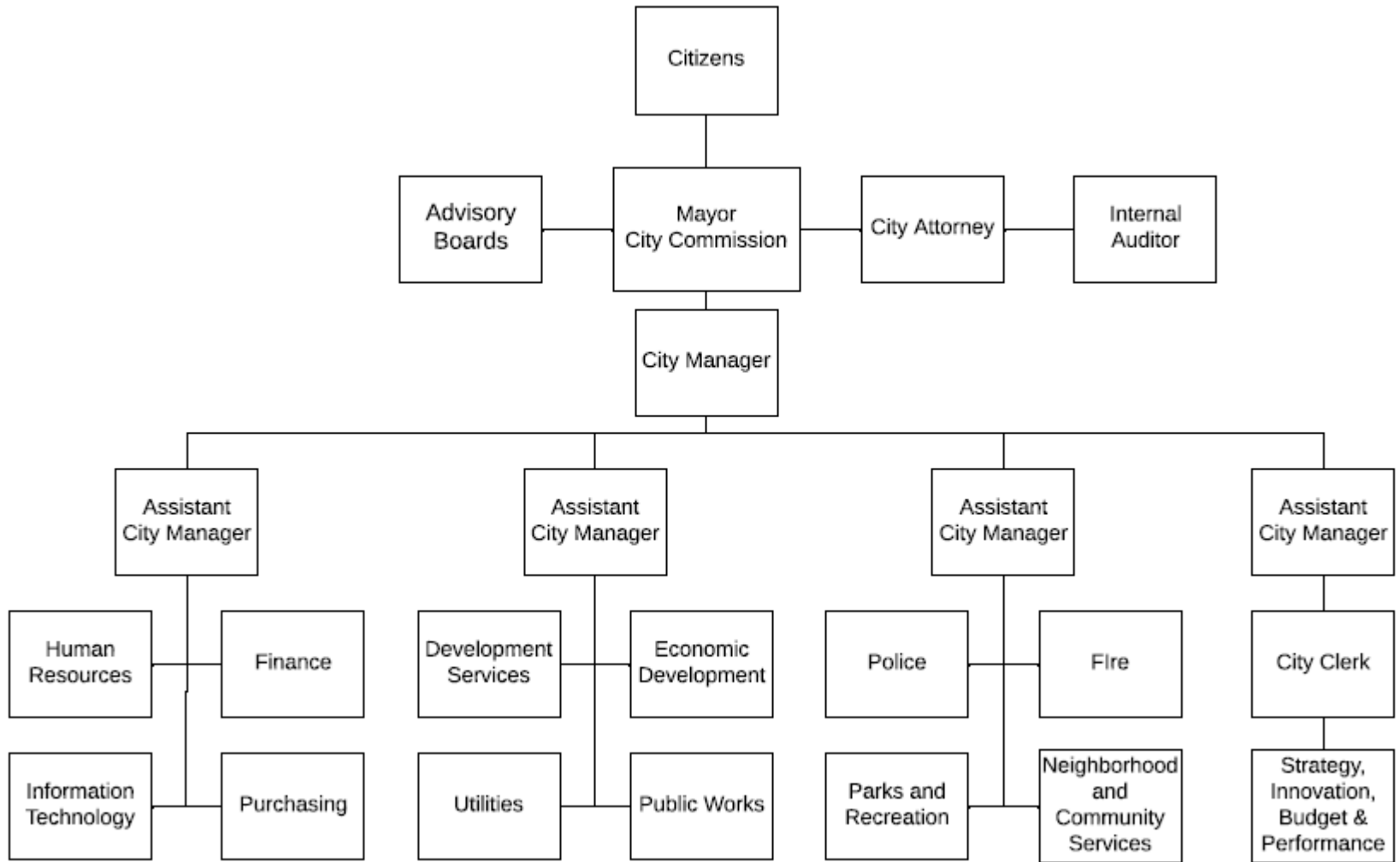
CITY COMMISSION

Mayor Shelly Petrolia
Vice-Mayor Adam Frankel
Deputy Vice-Mayor Shirley Johnson
Commissioner Ryan Boylston
Commissioner Bill Bathurst

CITY STAFF

City Manager Mark R. Lauzier
Assistant City Manager Caryn Gardner-Young
Assistant City Manager India Adams
Acting Assistant City Manager Jeff Goldman
City Attorney Max Lohman
City Clerk Katteri Johnson
Community Improvement Director Michael A. Coleman
Economic Development Director Joan Goodrich
Finance Director Kimberly Ferrell
Fire Chief Neal de Jesus
Human Resources Director Sharon Liebowitz
Information Technology Director Mickey Baker
Parks and Recreation Director Suzanne F. Fisher
Planning and Zoning Director Timothy Stillings
Interim Police Chief Javaro Sims
Public Works Director Susan Goebel-Canning
Purchasing Director Jennifer Alvarez
Utilities Director Marjorie G. Craig

City Organizational Chart



Financial Section



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

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, 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
MARK D. VEIL, CPA

CERTIFIED PUBLIC ACCOUNTANTS

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info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2018, 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 unit, each major fund and the aggregate remaining fund information of the City of Delray Beach, Florida, as of September 30, 2018, 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.

Accounting Changes

As discussed in Note 2 to the financial statements, the City adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended September 30, 2018. The respective net position of the governmental activities, business-type activities and proprietary funds at October 1, 2017, has been restated for this change in accounting. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the City Commission adopted Resolution No. 53-18 on April 3, 2018, declaring the City Commission as the governing Board of the Delray Beach Community Redevelopment Agency (the "CRA") pursuant to Florida Statutes Section 163.357. Accordingly, the CRA is reported as a blended component unit of the City for the year ended September 30, 2018. The net position of the governmental activities and the fund balance of the governmental funds have been restated for this change in reporting entity. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4 to 16, the budgetary comparison schedules on pages 80 to 84, the pension information on pages 85 to 93 and the other postemployment benefits information on pages 94 to 96 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 March 20, 2019, 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 solely 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 effectiveness of the City's 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.*

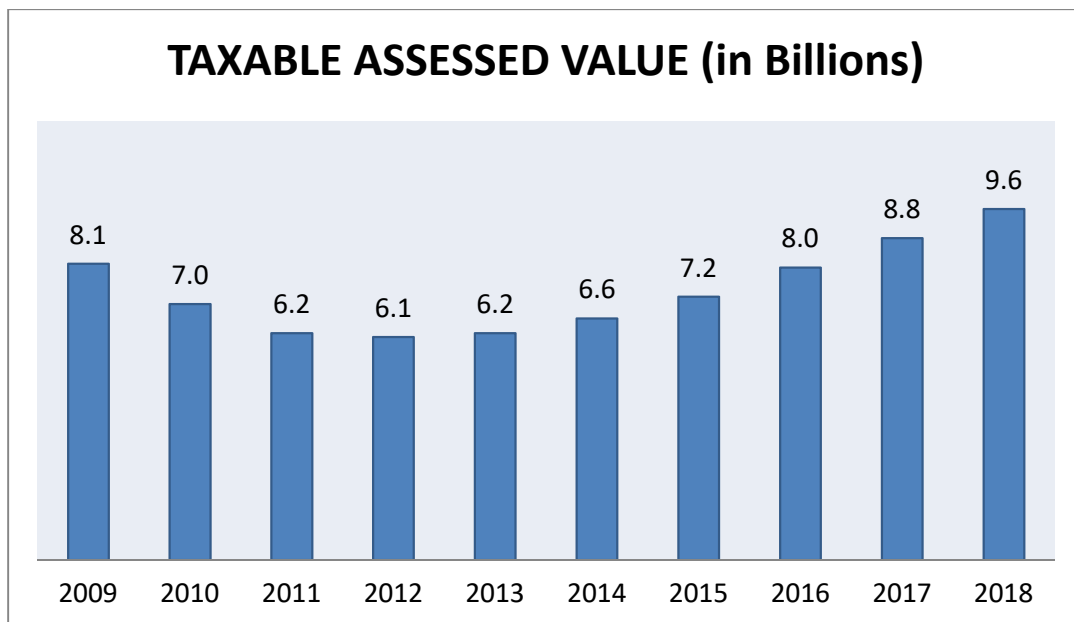
West Palm Beach, Florida
March 20, 2019

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, 2018. 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, the City's blended component unit – the Delray Beach Community Redevelopment Agency (CRA), and the City's joint venture for the South Central Regional Wastewater Treatment and Disposal Board. The operations of the City's discretely presented component unit, the Downtown Development Authority (DDA), are excluded. The joint venture, the DDA, and the CRA also 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 reversing. Taxable assessed value increased from \$8.8 billion for 2017 to \$9.6 billion for 2018, or 9.1%.
- The assets of the City (Primary Government) exceeded its liabilities (Total Net Position) at September 30, 2018, by \$284.6 million. Of this amount, \$32.8 million (Unrestricted Net Position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position, excluding the City's discretely presented component unit, increased by \$39.6 million. This amount includes an increase of \$17.1 million from 2018 operations and two restatements of the prior year net position. The first restatement was an increase of \$36.9 million for the change in reporting entity resulting from the CRA being a blended component unit for 2018 and the second

restatement was a decrease of \$14.4 million related to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75 to record the City's other postemployment benefit (OPEB) liability and related deferred inflows/outflows.

- In 2018, the net position of governmental activities increased by \$11.8 million attributable to operations and increased by \$23.6 million attributable to the restatements of the prior year net position. The increase in the governmental activities attributable to operations is approximately \$3.8 million or 47% more than the prior year increase in net position attributable to operations.
- In 2018, the net position of the business-type activities increased by \$5.3 million attributable to operations and decreased by \$1.1 million attributable to the adoption of GASB Statement No. 75. The increase in the business-type activities attributable to operations is approximately \$1.9 million or 26% less than the prior year increase in net position.
- The unrestricted net position of the governmental activities reflects a deficit of \$24.4 million at September 30, 2018 as compared to a deficit of \$16.4 million for the prior year. The increase in the deficit is primarily attributable to the restatement of net position for OPEB.
- At September 30, 2018, the City's governmental funds reported combined ending fund balances of \$116.3 million which increased \$17.7 million from the prior year. The increase is due in part to the inclusion of \$7.7 million of the CRA's fund balance for the change in reporting entity. The balance of the increase (\$10.0 million) is due in large part to including net revenues of \$5.1 million for the CRA Fund. A total of \$74.7 million (Unassigned Fund Balance and Assigned Fund Balance) or 64.2% of the combined ending fund balance is available for spending. Of this amount, \$43.0 million is in the General Fund, \$12.8 million is in the CRA fund, \$5.7 million is in Special Revenue Funds and \$13.2 million is in Capital Projects Funds.
- At September 30, 2018, Unassigned Fund Balance for the General Fund was \$37.9 million or 31.9% of total General Fund expenditures of \$118.8 million. This is a decrease of \$1.4 million or 3.5% from the prior year. The General Fund had a positive year, with revenue increasing by 4.7% and expenditures increasing by 8.7%. The City's financial policy is to strive to maintain an Unassigned Fund Balance of 25% of the expenditure budget as a 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, Parks and Recreation and Economic Development. 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 DDA for which the City is financially accountable (known as a component unit). 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 the 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 2018. Information is presented separately for the General Fund, Neighborhood Services Fund, Community Redevelopment Agency 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 utility, Stormwater utility and Sanitation Fund which are considered to be major funds of the City. Conversely, the remaining enterprise funds are considered non-major funds and with 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, Neighborhood Services Fund, and Community Redevelopment Agency 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 80 through 96 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 97 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	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 149.5	\$ 129.6	\$ 71.0	\$ 71.3	\$ 220.5	\$ 200.9
Capital assets	192.7	151.1	112.1	109.8	304.8	260.9
Total Assets	342.2	280.7	183.1	181.1	525.3	461.8
Deferred outflows	31.2	21.5	0.6	0.6	31.8	22.1
Liabilities:						
Current liabilities	15.3	13.8	5.3	7.3	20.6	21.1
Noncurrent liabilities	227.6	194.9	11.1	11.9	238.7	206.8
Total Liabilities	242.9	208.7	16.4	19.2	259.3	227.9
Deferred inflows	11.2	9.6	2.0	1.4	13.2	11.0
Net Position:						
Net investment in capital assets	133.9	94.5	104.4	100.0	238.3	194.5
Restricted	9.8	5.8	3.7	3.6	13.5	9.4
Unrestricted (deficit)	(24.4)	(16.4)	57.2	57.5	32.8	41.1
Total Net Position	\$ 119.3	\$ 83.9	\$ 165.3	\$ 161.1	\$ 284.6	\$245.0

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 \$39.6 million or approximately 16.2% from \$245.0 million to \$284.6 million. The increase in net position was a result of a net increase from operations in both the governmental activities (\$11.8 million) and the business-type activities (\$5.3 million), netted with the restatement for the change in reporting entity and the adoption of GASB Statement No. 75 that, together, increased the beginning net position at October 1, 2017 by \$22.5 million.

A significant portion of the City's net position at September 30, 2018 (\$238.3 million or 83.7% 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 (4.7%) represents resources that are subject to restrictions on how they may be used. The balance in restricted net position reflects an increase of \$4.1 million from the prior year. The increase is primarily due to increases in sales tax monies restricted for capital improvements in the governmental activities.

The unrestricted portion of net position represents resources that may be used to meet the City's ongoing obligations to its citizens and creditors. The 2018 governmental activities unrestricted net position balance decreased approximately \$8.3 million, primarily due to the restatement of beginning net position for the OPEB restatement.

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.

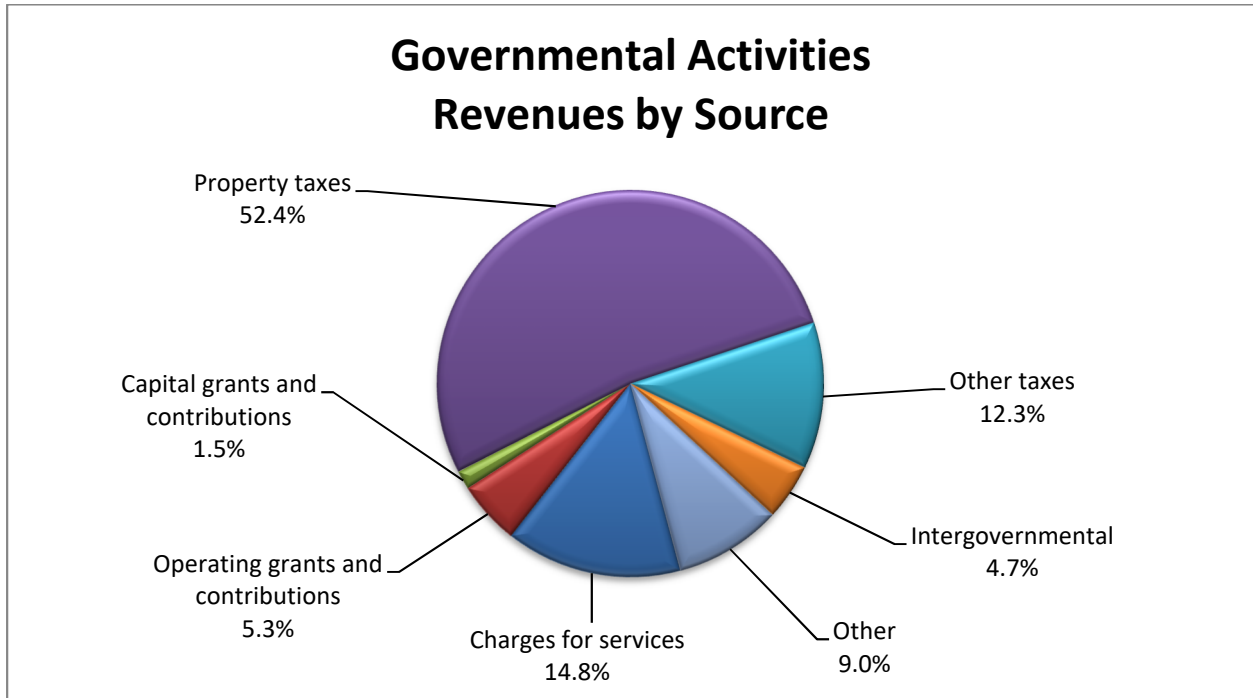
Table A-2
Changes in Net Position
Condensed Statements of Activities (\$ in millions)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 23.5	\$ 23.3	\$ 44.0	\$ 44.6	\$ 67.5	\$ 67.9
Operating grants, contributions	8.5	5.6	1.2	1.3	9.7	6.9
Capital grants, contributions	2.5	0.4	1.5	0.9	4.0	1.3
General Revenues:						
Property Taxes	83.6	59.3	-	-	83.6	59.3
Other taxes	19.5	19.3	-	-	19.5	19.3
Intergovernmental	7.5	7.4	-	-	7.5	7.4
Other	14.3	14.3	0.1	0.1	14.4	14.4
Total Revenues	159.4	129.6	46.8	46.9	206.2	176.5
Expenses						
General government	31.7	26.7	-	-	31.7	26.7
Public safety	75.7	70.3	-	-	75.7	70.3
Physical environment	14.0	10.4	-	-	14.0	10.4
Parks and recreation	15.7	14.2	-	-	15.7	14.2
Economic development	11.2	-	-	-	11.2	-
Interest on long-term debt	2.8	2.3	-	-	2.8	2.3
Water and sewer	-	-	25.9	26.7	25.9	26.7
Municipal golf course	-	-	3.0	2.9	3.0	2.9
Lakeview golf course	-	-	0.6	0.6	0.6	0.6
City marina	-	-	0.1	0.1	.1	.01
Sanitation	-	-	6.5	5.2	6.5	5.2
Stormwater utility	-	-	1.9	1.9	1.9	1.9
Cemetery	-	-	-	-	-	-
Total Expenses	151.1	123.9	38.0	37.4	189.1	161.3
Change in Net Position Before Transfers	8.3	5.7	8.8	9.5	17.1	15.2
Transfers	3.5	2.3	(3.5)	(2.3)	-	-
Increase in Net Position	11.8	8.0	5.3	7.2	17.1	15.2
Beginning Net Position, as Originally Reported	83.9	75.9	161.1	153.9	245.0	229.8
Restatements	23.6	-	(1.1)	-	22.5	-
Beginning Net Position, restated	107.5	75.9	160.0	153.9	267.5	229.8
Ending Net Position	\$ 119.3	\$ 83.9	\$ 165.3	\$ 161.1	\$ 284.6	\$ 245.0

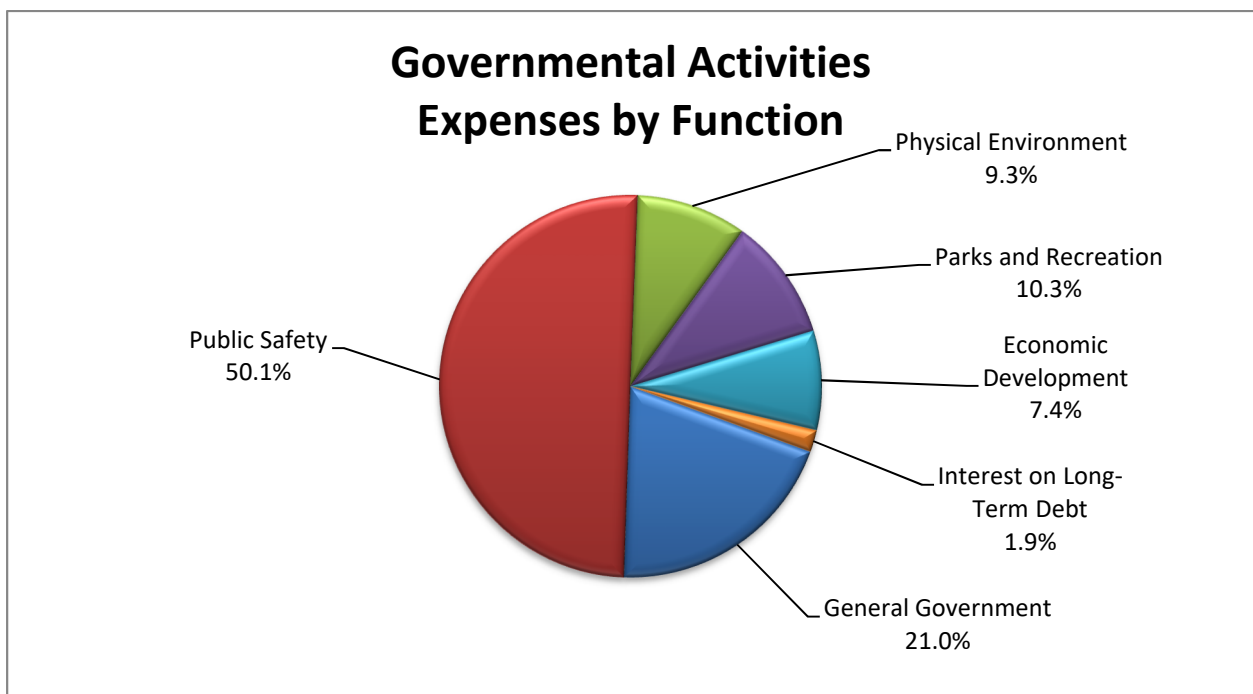
Governmental activities increased the City's net position by \$11.8 million (excluding restatements), which was primarily due to an increase in property taxes and other revenues. Expense increased by \$27.2 million, primarily due to increases in General Government, Economic Development and Public Safety.

Business-type activities net position had an increase of \$5.3 million (excluding restatements), which was primarily attributable to water and sewer operations.

Revenues by sources for 2018 are summarized as follows:



Expenditures by function for 2018 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		Community Redevelopment Agency Fund		One-Cent Sales Tax Fund	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	\$ 124.0	\$ 118.4	\$ 0.7	\$ 0.5	\$ 20.6	\$ 17.6	\$ 5.9	\$ 2.9
Expenditures	(118.8)	(109.3)	(0.8)	(1.0)	(16.8)	19.5	(4.2)	(0.1)
Other financing sources (uses)	(3.3)	(6.0)	0.2	0.1	1.3	3.6	-	31.5
Change in Fund Balance	\$ 1.9	\$ 3.1	\$ 0.1	\$ (0.4)	\$ 5.1	\$ 1.7	\$ 1.7	\$ 34.3

General Fund

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$124.0 million in total revenues offset with \$118.8 million in expenditures and \$3.3 million in net other financing uses. This resulted in an increase in fund balance of \$1.9 million. Total Fund Balance increased from \$42.2 million in 2017 to \$44.1 million in 2018. Of that amount, \$37.9 million is Unassigned Fund Balance which represents 31.9% of the 2018 expenditure levels as compared to 35.9% of the 2017 expenditure levels. The City's internal financial policy is to maintain 25% of current 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 \$.7 million in total revenues offset by \$.8 million in expenditures and \$.2 million in other financing sources. This resulted in an increase in fund balance of \$.1 million. Total Fund Balance increased from \$1.6 million in 2017 to \$1.7 million in 2018, which is restricted for community development projects.

Community Redevelopment Agency Fund

Due to a change in governance structure, the CRA is accounted for as a blended component unit of the City and is presented as a major fund in the governmental fund financial statements in 2018. The Community Redevelopment Agency Fund is used to account for the economic development activities within the CRA boundaries covering the City's downtown and surrounding area. The Community Redevelopment Agency Fund recognized \$20.6 million in total revenues offset by \$16.8 million in expenditures and \$1.3 million in other financing sources. This resulted in an increase in fund balance of \$5.1 million. Total Fund Balance increased from \$7.7 million in 2017 to \$12.8 million in 2018.

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 \$5.9 million in total revenues offset by \$4.2 million in expenditures. This resulted in an increase in the fund balance of \$1.7 million, which will be spent on future infrastructure capital projects. The entire fund balance of \$36.0 million is restricted for capital improvement projects.

Proprietary Funds

\$ in Millions	<u>Operating Income</u> <u>(Loss)</u>		<u>Change in Net</u> <u>Position</u>	
	2018	2017	2018	2017
Enterprise Funds				
Water and Sewer	\$ 8.7	\$ 10.0	\$ 6.8	\$ 6.2
Stormwater Utility	0.3	0.3	0.4	0.0
Sanitation	(2.1)	(0.9)	(1.9)	(1.0)
Municipal Golf Course	0.1	0.2	0.1	0.2
Lakeview Golf Course	0.1	0.1	0.0	0.1
City Marina	0.1	0.1	0.0	0.1
Cemetery	0.1	0.1	0.1	1.5
Internal Service Funds				
Insurance	(0.8)	0.2	(0.8)	0.2
Central Garage	(0.1)	(0.1)	0.3	0.2

Water and Sewer Fund

Operating revenues were approximately \$1.6 million less than 2017 and operating expenses were approximately \$0.3 million less than 2017. Higher capital contributions of approximately \$0.4 million, lower nonoperating expenses of \$1.3 million and lower net transfers out of approximately \$0.2 million resulted in an increase of approximately \$6.8 million in net position in 2018.

Stormwater Fund

Operating revenues were approximately \$10,000 higher in 2018 than 2017 and operating expenses were approximately \$11,000 less than 2017. Nonoperating revenues, capital contributions and transfers out increased by approximately \$321,000 resulting in an increase of approximately \$358,000 in net position in 2018.

Sanitation Fund

Operating revenues were approximately \$0.1 million higher in 2018 than 2017 and operating expenses were approximately \$1.3 million more than 2017. Nonoperating revenues, capital contributions and transfers out increased by approximately \$288,000 resulting in a decrease of approximately \$1.9 million in net position in 2018.

Other Enterprise Funds

The City has four (4) non-major enterprise funds consisting of the Municipal Golf Course, Lakeview Golf Course, City Marina, and Cemetery.

The **Municipal Golf Course** had operating income this year of \$99,091 compared to \$244,679 last year.

The **Lakeview Golf Course** had operating income of \$51,281 versus \$91,646 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 \$95,052 compared to \$133,868 last year.

The **City Cemetery Fund** was established in 2017 and had operating income this year of \$80,899 compared to operating income of \$92,690 last year.

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 \$6.1 million for 2018 and were substantially unchanged from the prior year. All required reserves are determined by outside actuaries. The Insurance Fund has \$3.4 million in Unrestricted Net Position.

The **Central Garage Fund** had an operating loss of \$51,103 for 2018 compared to an operating loss of \$102,491 for 2017. The change resulted from a larger increase in revenue as compared to expense for 2018.

Budgetary Highlights

General Fund: The difference between the original and final amended budget for 2018 was an increase of approximately \$7.6 million. There was a positive variance between the final adopted budget and actual results of operations of approximately \$8.1 million (excluding budgeted prior year surplus of \$6,285,521). Actual revenues (excluding prior year surplus) exceeded the final budget by approximately \$2.1 million and actual expenditures and other financing uses were less than final budget by approximately \$6.0 million. The excess of current year revenues over budget was primarily attributable to increases of approximately \$201,000 in taxes attributable to increasing property values; \$1.5 million in fees and permits due to increased building activity in the City; and \$241,000 due to higher intergovernmental revenues, primarily from new federal grants. The largest portion of the positive budget variance for expenditures related General Government nondepartmental (\$1.0 million); Planning and Zoning (\$720,000); Engineering (\$870,000); and Parks and Recreation (\$820,000).

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2018, the City had \$304.9 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net increase of \$9.6 million from the previous fiscal year. Additional information can be found in Note 8 Capital Assets beginning on page 47.

Capital asset activity for 2018 is summarized below:

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

	Beginning Balance 10/01/2017	Increases	Decreases	Ending Balance 9/30/2018
Governmental Activities:				
Land	\$ 70.3	\$ 2.8	\$ (2.0)	\$ 71.1
Construction in Progress	15.1	5.7	(10.0)	10.8
Non-Depreciable Assets	85.4	8.5	(12.0)	81.9
Buildings	45.4	2.9	-	48.3
Improvements Other	136.4	7.4	-	143.8
Equipment	54.2	9.2	(0.9)	62.5
Less: Accumulated Depreciation	(135.9)	(8.7)	0.8	(143.8)
Depreciable Assets- Net	100.1	10.8	(0.1)	110.8
Capital Assets- Governmental	185.5	19.3	(12.1)	192.7
Business-Type Activities:				
Land	5.7	-	-	5.7
Construction in Progress	9.9	4.4	(1.3)	13.0
Non-Depreciable Assets	15.6	4.4	(1.3)	18.7
Buildings	13.8	-	-	13.8
Improvements Other	179.6	2.2	-	181.8
Equipment	16.8	1.4	(2.0)	16.2
Less: Accumulated Depreciation	(116.0)	(4.3)	2.0	(118.3)
Depreciable Assets- Net	94.2	(0.7)	0.0	93.5
Capital Assets- Business-Type	\$ 109.8	\$ 3.7	\$ (1.3)	\$ 112.2

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

Major capital asset changes during the fiscal year 2018 were primarily for Construction in Progress in the General Construction Fund for the Federal Highway project 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, 2018, the City had total debt outstanding of \$112.1 million compared to \$118.7 million as of September 30, 2017. Of this \$112.1 million amount, and gross of any related unamortized premium or discounts:

- \$72.9 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 \$1.2 million were issued in 2018 by the CRA,
- \$11.5 million is general obligation bond debt which is debt backed by the full faith and credit of the City,
- \$7.6 million is revenue bonds that are backed by a pledge of the water and sewer system net revenues,

- \$9.0 million is for compensated absences,
- \$6.1 million is for insurance claims reserves, and
- \$2.4 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 2018 is summarized as follows:

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

	Beginning Balance 10/01/2017	Increases	Decreases	Ending Balance 9/30/2018
Governmental Activities:				
Revenue Bonds	\$ 77.1	\$ 1.2	\$ (5.4)	\$ 72.9
General Obligation Bonds	13.2	-	(1.7)	11.5
Unamortized Premium	2.8	-	(0.2)	2.6
Total Bonds Payable	93.1	1.2	(7.3)	87.0
Installment Agreements	1.6	1.0	(0.4)	2.2
Compensated Absences	7.2	1.3	(0.6)	7.9
Insurance Claims Payable	6.0	8.5	(8.4)	6.1
Governmental Activities	\$ 107.9	\$ 12.0	\$ (16.7)	\$ 103.2
Business-Type Activities:				
Revenue Bonds	\$ 9.5	\$ -	\$ (1.9)	\$ 7.6
Installment Agreements	0.2	-	-	0.2
Compensated Absences	1.1	0.1	(0.1)	1.1
Business Type Activities	10.8	0.1	(2.0)	8.9
Total Debt Outstanding	\$ 118.7	\$ 12.1	\$ (18.7)	\$ 112.1

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 11 - Noncurrent Liabilities beginning on page 51.

Economic Factors and FY 2018-19 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 City's adopted General Fund budget for 2018-2019 totals \$133,061,250 as compared to the prior year's final amended budget of \$132,200,885.
- ❖ While the City's budget has increased, the current total millage rate decreased 1.7% from 7.0900 mills for 2018 to 6.9719 mills for 2019. The operations portion decreased from 6.8611 mills to 6.7611 mills and the debt service portion decreased from 0.2289 mills to 0.2108 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 63,565,691	\$ 20,199,832	\$ 83,765,523	\$ 239,277
Investments	71,055,709	20,022,109	91,077,818	-
Receivables:				
Accounts, net	1,402,078	3,558,506	4,960,584	600
Unbilled accounts	-	1,354,794	1,354,794	-
Notes receivable	7,718,630	-	7,718,630	-
Interest receivable	107,431	71,327	178,758	-
Due from other governments	1,903,028	700,001	2,603,029	-
Due from primary government	-	-	-	5,160
Internal balances	(1,119,088)	1,119,088	-	-
Inventories	176,102	239,081	415,183	-
Prepaid expenses	89,422	94,988	184,410	12,510
Restricted assets	-	3,854,254	3,854,254	-
Investment in regional plant (joint venture)	-	18,256,099	18,256,099	-
Capital assets:				
Non-depreciable capital assets	81,889,251	18,643,441	100,532,692	-
Depreciable capital assets, net	110,844,163	93,534,373	204,378,536	12,107
Other asset:				
Net pension asset	4,541,270	1,543,776	6,085,046	-
Total Assets	<u>342,208,573</u>	<u>183,191,669</u>	<u>525,400,242</u>	<u>269,654</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refundings	1,414,029	-	1,414,029	-
Deferred amount related to other postemployment benefits obligation	116,523	-	116,523	-
Deferred amount related to pensions	29,632,401	608,601	30,241,002	-
Total Deferred Outflows of Resources	<u>31,162,953</u>	<u>608,601</u>	<u>31,771,554</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	7,395,199	3,802,610	11,197,809	43,104
Contracts payable and retainages	-	125,581	125,581	-
Deposits payable	752,143	1,217,047	1,969,190	-
Unearned revenue	6,159,779	62,629	6,222,408	-
Accrued interest on long-term debt	939,047	110,169	1,049,216	-
Due to component unit	5,160	-	5,160	-
Noncurrent liabilities:				
Due within one year				
Bonds and notes payable	8,168,842	1,988,016	10,156,858	-
Installment agreements	366,806	114,574	481,380	-
Compensated absences	889,272	90,133	979,405	8,977
Insurance claims payable	1,692,308	-	1,692,308	-
Due in more than one year				
Bonds and notes payable	78,860,522	5,625,000	84,485,522	-
Installment agreements	1,804,133	65,846	1,869,979	-
Compensated absences	6,986,008	999,792	7,985,800	-
Insurance claims payable	4,427,000	-	4,427,000	-
Other postemployment benefits obligation	21,727,911	2,220,352	23,948,263	-
Net pension liability	102,680,658	-	102,680,658	-
Total Liabilities	<u>242,854,788</u>	<u>16,421,749</u>	<u>259,276,537</u>	<u>52,081</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amount related to other postemployment benefits obligation	1,094,319	91,765	1,186,084	-
Deferred amount related to pensions	10,117,773	1,942,605	12,060,378	-
Total Deferred Inflows of Resources	<u>11,212,092</u>	<u>2,034,370</u>	<u>13,246,462</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	133,947,140	104,384,378	238,331,518	12,107
Restricted for:				
Debt service	1,549,816	1,988,016	3,537,832	-
Law enforcement	1,109,178	-	1,109,178	-
Capital improvements	7,084,685	1,756,069	8,840,754	-
Unrestricted (deficit)	(24,386,173)	57,215,688	32,829,515	205,466
Total Net Position	<u>\$ 119,304,646</u>	<u>\$ 165,344,151</u>	<u>\$ 284,648,797</u>	<u>\$ 217,573</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, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Downtown Development Authority Authority (DDA)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT								
Governmental Activities:								
General Government	\$ 31,680,429	\$ 10,051,233	\$ 5,825,944	\$ 2,467,808	\$ (13,335,444)	\$ -	\$ (13,335,444)	\$ -
Public Safety	75,694,658	9,362,635	2,310,771	-	(64,021,252)	-	(64,021,252)	-
Physical Environment	14,065,033	2,244,409	-	-	(11,820,624)	-	(11,820,624)	-
Parks and Recreation	15,653,597	1,448,739	81,561	-	(14,123,297)	-	(14,123,297)	-
Economic Development	11,244,955	424,354	260,589	-	(10,560,012)	-	(10,560,012)	-
Interest on Long-term Debt	2,806,144	-	-	-	(2,806,144)	-	(2,806,144)	-
Total Governmental Activities	151,144,816	23,531,370	8,478,865	2,467,808	(116,666,773)	-	(116,666,773)	-
Business-type Activities:								
Water and Sewer	25,899,650	33,491,651	701,424	1,204,893	-	9,498,318	9,498,318	-
Municipal Golf Course	2,952,039	2,992,596	57,985	-	-	98,542	98,542	-
Lakeview Golf Course	593,209	637,666	5,010	-	-	49,467	49,467	-
City Marina	158,492	252,524	1,115	-	-	95,147	95,147	-
Sanitation	6,534,537	4,348,694	427,388	-	-	(1,758,455)	(1,758,455)	-
Stormwater Utility	1,889,375	2,181,550	-	349,371	-	641,546	641,546	-
Cemetery	3,339	84,238	-	-	-	80,899	80,899	-
Total Business-type Activities	38,030,641	43,988,919	1,192,922	1,554,264	-	8,705,464	8,705,464	-
Total Primary Government	\$ 189,175,457	\$ 67,520,289	\$ 9,671,787	\$ 4,022,072	(116,666,773)	8,705,464	(107,961,309)	-
COMPONENT UNIT								
Downtown Development Authority (DDA)	\$ 974,802	\$ 27,075	\$ 42,650	\$ -	-	-	-	(905,077)
General Revenues:								
Taxes:								
Property Taxes					83,602,342	-	83,602,342	945,430
Franchise Fees					5,240,982	-	5,240,982	-
Utility Service Taxes					9,842,605	-	9,842,605	-
Sales Taxes					3,561,644	-	3,561,644	-
Local Business Tax					883,112	-	883,112	-
Intergovernmental Not Restricted to Specific Programs					7,543,300	-	7,543,300	-
Investment Earnings					1,852,523	75,389	1,927,912	228
Miscellaneous					12,438,792	-	12,438,792	-
Transfers					3,475,651	(3,475,651)	-	-
Total General Revenues and Transfers					128,440,951	(3,400,262)	125,040,689	945,658
Change in Net Position					11,774,178	5,305,202	17,079,380	40,581
Net Position - October 1, 2017, as originally reported					83,896,536	161,156,552	245,053,088	176,992
Restatement for change in reporting entity					36,936,069	-	36,936,069	-
Restatement for implementation of GASB Statement 75					(13,302,137)	(1,117,603)	(14,419,740)	-
Net Position - October 1, 2017, as restated					107,530,468	160,038,949	267,569,417	176,992
Net Position - September 30, 2018					\$ 119,304,646	\$ 165,344,151	\$ 284,648,797	\$ 217,573

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Neighborhood Services Fund	Community Redevelopment Agency Fund	One-Cent Sales Tax Fund		
ASSETS						
Cash and cash equivalents	\$ 28,540,423	\$ 2,104,606	\$ 13,114,629	\$ 4,474,678	\$ 9,778,277	\$ 58,012,613
Investments	17,636,497	-	-	32,034,355	13,347,954	63,018,806
Accounts receivable, net	1,227,019	722	7,193	-	148,052	1,382,986
Notes receivable	-	2,826,115	3,476,807	-	1,415,708	7,718,630
Interest receivable	49,422	-	-	-	31,483	80,905
Due from other governments	858,991	144,738	-	899,299	-	1,903,028
Due from other funds	4,294,734	10,147	180,582	-	66,761	4,552,224
Inventories	52,610	-	-	-	-	52,610
Prepaid items	60,108	-	29,314	-	-	89,422
Other assets	-	-	34,886	-	-	34,886
Total Assets	<u>\$ 52,719,804</u>	<u>\$ 5,086,328</u>	<u>\$ 16,843,411</u>	<u>\$ 37,408,332</u>	<u>\$ 24,788,235</u>	<u>\$ 136,846,110</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued items	\$ 4,846,846	\$ 90,483	\$ 491,485	\$ 569,451	\$ 802,293	\$ 6,800,558
Deposits payable	726,865	-	10,643	-	14,635	752,143
Due to other funds	30,582	-	3,488,490	\$ 883,152	150,000	4,552,224
Due to component unit	5,160	-	-	-	-	5,160
Total Liabilities	<u>5,609,453</u>	<u>90,483</u>	<u>3,990,618</u>	<u>1,452,603</u>	<u>966,928</u>	<u>12,110,085</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	2,971,207	3,281,493	-	-	2,200,078	8,452,778
FUND BALANCES						
Nonspendable:						
Inventories	52,610	-	-	-	-	52,610
Prepaid items	60,108	-	29,314	-	-	89,422
Restricted for:						
Debt service	-	-	-	-	1,549,816	1,549,816
Law enforcement	-	-	-	-	1,109,178	1,109,178
Capital improvements	5,985	-	-	35,955,729	122,971	36,084,685
Community development	-	1,714,352	-	-	1,377	1,715,729
Committed for:						
Economic development	1,000,000	-	-	-	-	1,000,000
Assigned to:						
General government	1,054,033	-	-	-	-	1,054,033
Public safety	399,084	-	-	-	192,590	591,674
Physical environment	466,039	-	-	-	-	466,039
Parks and recreation	44,076	-	-	-	281,695	325,771
Capital improvements	-	-	5,846,067	-	18,363,602	24,209,669
Subsequent year's budget	3,148,441	-	6,977,412	-	-	10,125,853
Unassigned	37,908,768	-	-	-	-	37,908,768
Total Fund Balances	<u>44,139,144</u>	<u>1,714,352</u>	<u>12,852,793</u>	<u>35,955,729</u>	<u>21,621,229</u>	<u>116,283,247</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 52,719,804</u>	<u>\$ 5,086,328</u>	<u>\$ 16,843,411</u>	<u>\$ 37,408,332</u>	<u>\$ 24,788,235</u>	<u>\$ 136,846,110</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, 2018

Total Fund Balances - Governmental Funds \$ 116,283,247

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	\$ 305,272,307	
Less accumulated depreciation	<u>(122,909,326)</u>	182,362,981

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	124,485	
Net pension asset	<u>4,352,026</u>	4,476,511

Deferred outflows and inflows of resources related to defined benefit pension plans and other postemployment benefits are reported in the statement of net position, but are not reported in the governmental funds.

Deferred outflows related to pensions	29,557,795	
Deferred outflows related to other postemployment benefits obligation	116,523	
Deferred inflows related to pensions	(9,879,637)	
Deferred inflows related to other postemployment benefits obligation	<u>(1,079,475)</u>	18,715,206

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	1,414,029	
Bond premium	<u>(2,593,155)</u>	(1,179,126)

The long-term note payable to the City by the CRA, a blended component unit, is considered an internal advance and reported as a fund liability of the CRA when the CRA is blended into the funds of the City.

2,168,514

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	(939,047)	
Bonds, notes and installment agreements payable	(85,338,780)	
Compensated absences	(7,754,352)	
Net OPEB obligation	(21,368,736)	
Net pension liability	<u>(102,680,658)</u>	(218,081,573)

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	15,677,974	
Less amount allocated to business-type activities	<u>(1,119,088)</u>	14,558,886

Total Net Position - Governmental Activities \$ 119,304,646

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, 2018

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Neighborhood Services Fund	Community Redevelopment Agency Fund	One-Cent Sales Tax Fund		
REVENUES						
Taxes	\$ 75,864,770	\$ -	\$ 19,899,355	\$ -	\$ 2,125,578	\$ 97,889,703
Licenses and permits	14,150,027	-	-	-	-	14,150,027
Intergovernmental	9,890,350	454,705	-	5,321,047	95,474	15,761,576
Charges for services	12,282,434	-	424,354	-	441,172	13,147,960
Fines and forfeitures	1,345,088	-	-	-	129,277	1,474,365
Miscellaneous	10,466,039	307,804	313,491	539,082	3,265,202	14,891,618
Total Revenues	123,998,708	762,509	20,637,200	5,860,129	6,056,703	157,315,249
EXPENDITURES						
Current:						
General government	25,166,302	842,658	1,473,879	5,950	545,332	28,034,121
Public safety	69,191,726	-	-	-	159,233	69,350,959
Physical environment	9,556,429	-	-	-	803,499	10,359,928
Parks and recreation	11,822,646	-	-	-	830,233	12,652,879
Economic development	-	-	11,244,955	-	-	11,244,955
Capital outlay	1,441,155	-	2,689,639	1,235,115	7,292,283	12,658,192
Debt service:						
Principal retirement	1,505,732	-	1,140,000	2,500,000	2,245,000	7,390,732
Interest and fiscal charges	132,582	-	220,500	452,720	1,944,368	2,750,170
Total Expenditures	118,816,572	842,658	16,768,973	4,193,785	13,819,948	154,441,936
Revenues Over (Under) Expenditures	5,182,136	(80,149)	3,868,227	1,666,344	(7,763,245)	2,873,313
OTHER FINANCING SOURCES (USES)						
Issuance of sales tax revenue bonds	-	-	1,250,000	-	-	1,250,000
Installment agreement issued	1,004,607	-	-	-	-	1,004,607
Proceeds from the sale of capital assets	1,432,730	-	10,867	-	-	1,443,597
Transfers in	3,472,261	175,781	-	-	8,911,519	12,559,561
Transfers out	(9,161,270)	-	-	-	(1,800)	(9,163,070)
Total Other Financing Sources (Uses)	(3,251,672)	175,781	1,260,867	-	8,909,719	7,094,695
Net Change in Fund Balances	1,930,464	95,632	5,129,094	1,666,344	1,146,474	9,968,008
Fund balances - October 1, 2017						
as originally reported	42,208,680	1,618,720	-	34,289,385	20,474,755	98,591,540
Restatement for change in reporting entity	-	-	7,723,699	-	-	7,723,699
Fund balances - October 1, 2017, as restated	42,208,680	1,618,720	7,723,699	34,289,385	20,474,755	106,315,239
Fund balances - September 30, 2018	\$ 44,139,144	\$ 1,714,352	\$ 12,852,793	\$ 35,955,729	\$ 21,621,229	\$ 116,283,247

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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 9,968,008

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	\$ 12,658,192	
Depreciation expense	<u>(6,463,586)</u>	6,194,606

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. (2,007,423)

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	2,467,808	
Governmental capital assets contributed to Internal Service Fund	(231,061)	
Change in note receivable from component unit	(361,419)	
Change in long-term receivables	<u>(6,144)</u>	1,869,184

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	(102,711)	
Compensated absences expense	(669,504)	
Pension expense	(6,385,900)	
Other postemployment benefits expense	<u>(1,987,478)</u>	(9,145,593)

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		
Installment agreements	(1,004,607)	
Revenue bonds	<u>(1,250,000)</u>	(2,254,607)
Debt Retirement		
Principal paid	7,390,732	
Amortization of debt premiums and deferred charges on refundings	<u>78,595</u>	7,469,327

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	(491,468)	
Less allocation to business type activities	<u>172,144</u>	(319,324)

Change in Net Position of Governmental Activities \$ 11,774,178

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, 2018

	Business-Type Activities					Governmental Activities
	Major Funds			Non-Major	Total	Internal
	Water and Sewer Fund	Stormwater Fund	Sanitation Fund	Enterprise Funds	Enterprise Funds	Service Funds
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 17,655,633	\$ -	\$ -	\$ 2,544,199	\$ 20,199,832	\$ 5,553,078
Investments	11,874,975	4,489,442	2,089,394	1,568,298	20,022,109	8,036,903
Accounts receivable, net	2,843,250	1,648	689,300	24,308	3,558,506	19,092
Unbilled accounts receivable	1,354,794	-	-	-	1,354,794	-
Interest receivable	44,567	14,746	6,863	5,151	71,327	26,526
Due from other governments	700,001	-	-	-	700,001	-
Due from other funds	4,303,957	-	-	-	4,303,957	-
Inventories	169,328	-	-	69,753	239,081	123,492
Prepaid expenses	-	-	-	94,988	94,988	-
Restricted assets:						
Cash and cash equivalents	2,056,296	51,202	-	53,194	2,160,692	-
Investments	1,693,562	-	-	-	1,693,562	-
Total Current Assets	<u>42,696,363</u>	<u>4,557,038</u>	<u>2,785,557</u>	<u>4,359,891</u>	<u>54,398,849</u>	<u>13,759,091</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	162,241,796	16,320,227	11,958	3,274,128	181,848,109	-
Equipment	13,164,133	1,219,164	21,054	1,840,127	16,244,478	31,132,783
Construction in progress	11,995,156	941,111	-	38,350	12,974,617	-
Accumulated depreciation	(104,465,421)	(8,340,785)	(32,556)	(5,493,800)	(118,332,562)	(20,850,535)
Other assets:						
Net pension asset	1,431,811	66,936	45,029	-	1,543,776	189,244
Investment in regional plant joint venture	18,256,099	-	-	-	18,256,099	-
Total Noncurrent Assets	<u>113,017,693</u>	<u>13,383,228</u>	<u>45,485</u>	<u>5,531,283</u>	<u>131,977,689</u>	<u>10,559,677</u>
Total Assets	<u>155,714,056</u>	<u>17,940,266</u>	<u>2,831,042</u>	<u>9,891,174</u>	<u>186,376,538</u>	<u>24,318,768</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount related to pensions	564,461	26,388	17,752	-	608,601	74,606
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	2,787,551	250,990	583,493	180,576	3,802,610	594,641
Contracts payable and retainages	94,123	31,458	-	-	125,581	-
Unearned revenue	9,435	-	-	53,194	62,629	-
Current maturities of installment agreements	-	-	-	114,574	114,574	198,839
Current portion of compensated absences	90,133	-	-	-	90,133	11,107
Current portion of insurance claims payable	-	-	-	-	-	1,692,308
Due to other funds	-	2,348,086	1,955,871	-	4,303,957	-
Refundable deposits payable	1,064,986	-	-	152,061	1,217,047	-
Total Current Liabilities	<u>4,046,228</u>	<u>2,630,534</u>	<u>2,539,364</u>	<u>500,405</u>	<u>9,716,531</u>	<u>2,496,895</u>
Current Liabilities Payable from Restricted Assets						
Accrued interest on long-term debt	105,969	2,422	-	1,778	110,169	-
Current maturities of revenue bonds	1,887,820	48,780	-	51,416	1,988,016	-
Total Current Liabilities	<u>1,993,789</u>	<u>51,202</u>	<u>-</u>	<u>53,194</u>	<u>2,098,185</u>	<u>-</u>
Total Current Liabilities	<u>6,040,017</u>	<u>2,681,736</u>	<u>2,539,364</u>	<u>553,599</u>	<u>11,814,716</u>	<u>2,496,895</u>
Noncurrent Liabilities						
Revenue bonds payable, net	5,625,000	-	-	-	5,625,000	-
Installment agreements	-	-	-	65,846	65,846	1,069,529
Compensated absences payable	934,339	12,274	53,179	-	999,792	109,821
Insurance claims payable	-	-	-	-	-	4,427,000
Other postemployment benefits obligation	2,057,091	97,957	65,304	-	2,220,352	359,175
Total Noncurrent Liabilities	<u>8,616,430</u>	<u>110,231</u>	<u>118,483</u>	<u>65,846</u>	<u>8,910,990</u>	<u>5,965,525</u>
Total Liabilities	<u>14,656,447</u>	<u>2,791,967</u>	<u>2,657,847</u>	<u>619,445</u>	<u>20,725,706</u>	<u>8,462,420</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred amount related to other postemployment benefits obligation	85,018	4,048	2,699	-	91,765	14,844
Deferred amount related to pensions	1,801,714	84,228	56,663	-	1,942,605	238,136
Total Deferred Outflows of Resources	<u>1,886,732</u>	<u>88,276</u>	<u>59,362</u>	<u>-</u>	<u>2,034,370</u>	<u>252,980</u>
NET POSITION						
Net investment in capital assets	85,816,963	13,267,512	456	5,299,447	104,384,378	9,102,065
Restricted for:						
Debt service	1,887,820	48,780	-	51,416	1,988,016	-
Renewal and replacement	1,756,069	-	-	-	1,756,069	-
Unrestricted	50,274,486	1,770,119	131,129	3,920,866	56,096,600	6,575,909
Total Net Position	<u>\$ 139,735,338</u>	<u>\$ 15,086,411</u>	<u>\$ 131,585</u>	<u>\$ 9,271,729</u>	<u>164,225,063</u>	<u>\$ 15,677,974</u>
Adjustment for the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds						
Cumulative prior year adjustments					1,291,232	
Current year adjustment					(172,144)	
Net Position of Business-Type Activities, Statement of Net Position					<u>\$ 165,344,151</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, 2018

	Business-Type Activities					Governmental Activities
	Major Funds			Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Stormwater Fund	Sanitation Fund			
OPERATING REVENUES						
Charges for services						
Water sales	\$ 14,852,695	\$ -	\$ -	\$ -	\$ 14,852,695	\$ -
Sewer and stormwater fees	18,638,956	2,181,550	-	-	20,820,506	-
Golf fees	-	-	-	3,630,262	3,630,262	-
Marina fees	-	-	-	252,524	252,524	-
Sanitation fees	-	-	4,348,694	-	4,348,694	-
Cemetery fees	-	-	-	84,238	84,238	-
Risk management	-	-	-	-	-	12,950,161
Fleet management	-	-	-	-	-	2,648,188
Other operating revenue	1,424	-	28,349	40,530	70,303	2,871,505
Total Operating Revenues	<u>33,493,075</u>	<u>2,181,550</u>	<u>4,377,043</u>	<u>4,007,554</u>	<u>44,059,222</u>	<u>18,469,854</u>
OPERATING EXPENSES						
Personal services	7,462,311	295,790	232,382	-	7,990,483	1,342,645
Other operating expenses	13,879,750	1,093,639	6,269,127	3,396,488	24,639,004	15,658,663
Depreciation	3,492,667	486,778	238	284,743	4,264,426	2,288,276
Total Operating Expenses	<u>24,834,728</u>	<u>1,876,207</u>	<u>6,501,747</u>	<u>3,681,231</u>	<u>36,893,913</u>	<u>19,289,584</u>
Operating Income (Loss)	8,658,347	305,343	(2,124,704)	326,323	7,165,309	(819,730)
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	47,018	15,695	7,241	5,435	75,389	27,849
Intergovernmental	700,000	-	-	-	700,000	-
Rent revenue	-	-	399,039	23,580	422,619	-
Share of regional plant joint venture net loss	(748,657)	-	-	-	(748,657)	-
Interest expense	(194,080)	(4,971)	-	(9,453)	(208,504)	(31,858)
Gain on disposal of equipment	-	-	-	-	-	22,050
Investment expense	(7,423)	-	-	-	(7,423)	-
Total Nonoperating Revenues (Expenses)	<u>(203,142)</u>	<u>10,724</u>	<u>406,280</u>	<u>19,562</u>	<u>233,424</u>	<u>18,041</u>
Income (Loss) Before Capital Contributions and Transfers	8,455,205	316,067	(1,718,424)	345,885	7,398,733	(801,689)
Capital contributions	1,204,893	349,371	-	-	1,554,264	231,061
Transfers in	74,000	-	-	-	74,000	79,160
Transfers out	(2,967,352)	(307,044)	(166,638)	(108,617)	(3,549,651)	-
Change In Net Position	6,766,746	358,394	(1,885,062)	237,268	5,477,346	(491,468)
Net Position - October 1, 2017, as originally reported	134,018,930	14,765,079	2,046,850	9,034,461	-	16,360,293
Restatement for implementation of GASB Statement 75	(1,050,338)	(37,062)	(30,203)	-	-	(190,851)
Net Position - October 1, 2017, as restated	<u>132,968,592</u>	<u>14,728,017</u>	<u>2,016,647</u>	<u>9,034,461</u>	<u>-</u>	<u>16,169,442</u>
Net Position - September 30, 2018	<u>\$ 139,735,338</u>	<u>\$ 15,086,411</u>	<u>\$ 131,585</u>	<u>\$ 9,271,729</u>	<u>-</u>	<u>\$ 15,677,974</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds					(172,144)	
Change In Net Position as reported on the Statement of Activities for Business-type Activities					<u>\$ 5,305,202</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, 2018

	Business-Type Activities					Governmental
	Major Funds			Non-Major	Total	Internal
	Water and Sewer Fund	Stormwater Fund	Sanitation Fund	Enterprise Funds	Enterprise Funds	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 31,655,199	\$ 2,182,051	\$ 4,319,686	\$ 4,043,429	\$ 42,200,365	\$ 18,480,763
Receipts from others	271,900	-	399,039	23,580	694,519	-
Payments to suppliers	(15,243,892)	(947,336)	(5,077,256)	(3,448,032)	(24,716,516)	(16,193,954)
Payments to employees	(7,518,517)	(307,568)	(233,636)	-	(8,059,721)	(1,357,656)
Net cash provided by (used in) operating activities	9,164,690	927,147	(592,167)	618,977	10,118,647	929,153
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	74,000	-	-	-	74,000	79,160
Transfers to other funds	(2,967,352)	(307,044)	(166,638)	(108,617)	(3,549,651)	-
Net cash provided by (used in) noncapital financing activities	(2,893,352)	(307,044)	(166,638)	(108,617)	(3,475,651)	79,160
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(4,608,777)	(572,211)	-	(147,129)	(5,328,117)	(2,979,863)
Proceeds from the sale of capital assets	-	-	-	-	-	98,075
Capital contributions	349,003	-	-	-	349,003	-
Principal paid on capital debt	(1,847,730)	(46,170)	-	(107,195)	(2,001,095)	(194,246)
Interest paid on capital debt	(210,634)	(4,971)	-	(9,453)	(225,058)	(31,858)
Net cash used in capital and related financing activities	(6,318,138)	(623,352)	-	(263,777)	(7,205,267)	(3,107,892)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investments	(190,137)	(62,911)	(29,278)	(21,976)	(304,302)	(112,622)
Interest on investments	182,634	63,023	29,267	21,969	296,893	112,573
Net cash provided by (used in) investing activities	(7,503)	112	(11)	(7)	(7,409)	(49)
Net increase (decrease) in cash and cash equivalents	(54,303)	(3,137)	(758,816)	246,576	(569,680)	(2,099,628)
Cash and cash equivalents - October 1, 2017	19,766,232	54,339	758,816	2,350,817	22,930,204	7,652,706
Cash and cash equivalents - September 30, 2018	\$ 19,711,929	\$ 51,202	\$ -	\$ 2,597,393	\$ 22,360,524	\$ 5,553,078
Reconciliation of cash and cash equivalents to statement of net position:						
Unrestricted cash and cash equivalents	\$ 17,655,633	\$ -	\$ -	\$ 2,544,199	\$ 20,199,832	\$ 5,553,078
Restricted cash and cash equivalents	2,056,296	51,202	-	53,194	2,160,692	-
Cash and cash equivalents - September 30, 2018	\$ 19,711,929	\$ 51,202	\$ -	\$ 2,597,393	\$ 22,360,524	\$ 5,553,078
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 8,658,347	\$ 305,343	\$ (2,124,704)	326,323	\$ 7,165,309	\$ (819,730)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	3,492,667	486,778	238	284,743	4,264,426	2,288,276
Provision for doubtful accounts	(83,675)	-	-	-	(83,675)	-
Miscellaneous revenue	-	-	399,039	23,580	422,619	-
Change in assets, deferred outflows/inflows and liabilities:						
Accounts receivable	212,374	501	(57,357)	(3,685)	151,833	10,909
Due from other governments	271,900	-	-	-	271,900	-
Due from other funds	(1,936,651)	-	-	-	(1,936,651)	-
Inventories	102,939	-	-	13,566	116,505	(31,047)
Prepaid expenses	-	-	-	(53,597)	(53,597)	-
Deferred amount related to OPEB obligation	85,018	4,048	2,699	-	91,765	14,844
Deferred amount related to pensions	531,866	25,288	14,568	-	571,722	72,102
Accounts payable and accrued expenses	(1,467,081)	165,523	(764,000)	2,053	(2,063,505)	(587,224)
Unearned revenue	-	-	-	16,756	16,756	-
Due to other funds	-	(19,220)	1,955,871	-	1,936,651	-
Refundable deposits payable	(29,924)	-	-	9,238	(20,686)	-
Compensated absences payable	11,851	(8,743)	919	-	4,027	(12,533)
Insurance claims payable	-	-	-	-	-	82,980
OPEB obligation	67,007	3,191	2,127	-	72,325	11,700
Net pension asset	(751,948)	(35,562)	(21,567)	-	(809,077)	(101,124)
Total adjustments	506,343	621,804	1,532,537	292,654	2,953,338	1,748,883
Net cash provided by (used in) operating activities	\$ 9,164,690	\$ 927,147	\$ (592,167)	\$ 618,977	\$ 10,118,647	\$ 929,153
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES						
Contributions of capital assets	\$ 855,890	\$ 349,371	\$ -	\$ -	\$ 1,205,261	\$ 231,061
Realized and unrealized loss on investments	\$ (146,715)	\$ (48,544)	\$ (22,592)	\$ (16,958)	\$ (234,809)	\$ (86,902)

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, 2018

	<u>Pension Trust Funds</u>
ASSETS	
Cash	\$ 27,236
Investments:	
Money market mutual funds	5,602,067
U.S. Government securities	28,319,240
U.S. Government Agency securities	9,515,569
Mortgage and asset-backed securities	812,211
Domestic corporate bonds	21,325,001
International fixed income investment fund	12,363,572
Domestic equity securities	75,353,575
Domestic equity mutual funds	15,943,712
Domestic equity index funds	87,155,725
International equity mutual funds	44,184,456
Foreign stocks	874,106
Timber investment funds	2,600,101
Real estate investment trusts	971,631
Real estate investment funds	16,060,511
Fixed income alternative investment fund	7,077,280
Interest and dividends receivable	336,801
Pending trades receivable	2,990,171
Employee contributions receivable	75,341
City contributions receivable	798,813
State contributions receivable	1,861,145
Total Assets	<u>334,248,264</u>
LIABILITIES	
Accounts payable	233,067
Pending trades payable	2,018,720
Total Liabilities	<u>2,251,787</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 331,996,477</u>

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

CITY OF DELRAY BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended September 30, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 11,639,737
State	1,861,145
Plan members	2,917,219
Total contributions	<u>16,418,101</u>
Investment earnings	
Net appreciation in fair value of investments	20,751,476
Interest, dividends and investment fund income	8,831,191
Other investment income	15,723
	<u>29,598,390</u>
Less investment expenses - custodian fees	<u>(1,681,631)</u>
Net investment earnings	<u>27,916,759</u>
Total Additions	44,334,860
DEDUCTIONS	
Benefits	22,593,521
Refunds of contributions	254,361
Administrative expenses	293,476
Total Deductions	<u>23,141,358</u>
Change In Plan Net Position	21,193,502
Net Position Restricted for Pension Benefits - October 1, 2017	<u>310,802,975</u>
Net Position Restricted for Pension Benefits - September 30, 2018	<u>\$ 331,996,477</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, 2018

1. Financial Reporting Entity

In conformance with the pronouncements of the Governmental Accounting Standards Board, 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 and is governed by an elected Mayor and four City Commissioners who appoint a City Manager to administer the operations of the City. 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.

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 component units.

The *Delray Beach Community Redevelopment Agency* (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. For the fiscal years 2017 and earlier, the CRA governing board was appointed by the Delray Beach City Commission and the CRA was reported as a discretely presented component unit of the City. 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 serve as the Chair and Vice-Chair, respectively, of the CRA Governing Board. In addition to the five members of the City Commission, two additional members of the CRA governing Board are appointed by the City Commission. The City Commission also approves the CRA’s annual budget and all debt obligations of the CRA. For the fiscal year ended September 30, 2018, the CRA is reported as a blended component unit of the City. The net effect of this change in the reporting entity was to increase the previously reported net position the City’s government-wide financial statements by \$36,936,069 and increase the fund balance of the City’s fund financial statements by \$7,723,699.

The *Delray Beach Downtown Development Authority* (the “DDA”) was created after the City petitioned the State of Florida for its creation and a Special Act of the State Legislature establishing 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, which may remove board members at will. In addition, the City Commission approves the DDA’s annual budget. The DDA is considered a discretely presented component unit of the City.

Separate audited 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 9. 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 audited financial statements of the Board can be obtained directly from the finance department of the Board.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

2. Significant Accounting Policies

The City maintains its accounting records in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental units as set forth by the Government Accounting Standards Board (GASB).

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. 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/

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

2. Significant Accounting Policies (Continued)

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

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

Community Redevelopment Agency Fund – This special revenue fund accounts for the general fund operations and economic development activities of the Delray Beach Community Redevelopment Agency, a blended component unit of the City.

One-Cent Sales Tax Fund – This capital projects 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 stormwater drainage charges to residents and other users for the maintenance and construction of stormwater drainage projects.

Sanitation Fund - This fund is used to account for solid waste removal services provided by the City to residents and other users.

Additionally, the City reports the following fund types:

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis, including insurance services and operations of the central garage.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

2. Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consist of restricted and unrestricted cash, deposits with financial institutions, and investments in certificates of deposit, Florida intergovernmental investment pools, money market mutual funds and legally authorized 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 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.

Intra-Entity Transactions

Intra-entity transactions consist of transactions and balances among City funds and between the City and its discretely presented component unit, the DDA. Balances due between the City and the DDA are reported separately from interfund transactions as due to and due from the primary government and component unit. Transactions between the City and the DDA are recorded as revenues or expenditures/expenses as if they were conducted with external organizations. Transactions between the City and the CRA are reported as *Interfund Transactions*.

Interfund Transactions include balances and transactions among the funds during the year reported as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

2. Significant Accounting Policies (Continued)

Intra-Entity Transactions (Continued)

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.

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).

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 (\$50,000 for software) and an estimated useful life in excess of one year. 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 (installment agreements) 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, 2018

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:

<u>Years of Continuous Service</u>	<u>Percent Vested</u>
0 – 5 years	0%
5 – 10 years	25
10 – 15 years	50
15 – 20 years	75

Noncurrent Obligations

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

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

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the government-wide 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, 2018

2. Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources (Continued)

The City's deferred outflows of resources in the government-wide and proprietary funds statements of net position consist of deferred charges on refundings, deferred amounts related to pensions and deferred amounts related to OPEB. 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. The deferred outflow of resources related to pensions and OPEB results from differences between expected and actual experience, or changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB 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 and OPEB plans (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's deferred inflow of resources on the government-wide and proprietary funds statements of net position consist of deferred amounts related to pensions and OPEB. The deferred inflow of resources related to pensions and OPEB results from differences between expected and actual experience which are deferred and included in pension and OPEB 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 and OPEB plans (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 or through the City's annual budget. 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, 2018

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 \$9,743,679 restricted for debt service, law enforcement and capital improvements and business-type activities net position of \$3,744,085 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 when the amount is both measurable and available and, accordingly, unpaid delinquent taxes are not recorded by the City as receivable. Delinquent property taxes must be advertised within 45 days after delinquency, and after May 1, delinquent tax certificates are sold by the County Tax Collector 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 (2016/2017) property tax revenue.

The percentage change is calculated based on the compound annual growth rate in the per capita property taxes levied for five preceding fiscal years. The State law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the adjusted current year rolled-back millage rate plus an adjustment for growth in per capita Florida personal income; 2) a two-thirds vote to adopt a rate equal to the adjusted current year roll back millage rate plus 10%; or, 3) any millage rate approved by unanimous vote or voter referendum. For the fiscal year ended September 30, 2018, the City adopted an operating

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

2. Significant Accounting Policies (Continued)

Property Taxes (Continued)

millage rate of 6.8611 and a debt service millage of 0.2289, resulting in a total tax levy of \$68,138,009 for 2018. 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 assigned fund balance 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 \$1,861,145 for the fiscal year ended September 30, 2018.

Implementation of GASB Statements

The following GASB Statements were effective for the City for the fiscal year ended September 30, 2018:

- 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.
- 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.
- 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.
- 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 addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and disclosures for debt that is defeased in-substance.

In addition, the City early adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

2. Significant Accounting Policies (Continued)

Implementation of GASB Statements (Continued)

Restatement for Implementation of GASB Statements – The implementation of GASB Statement No. 75 resulted in a restatement that decreased the beginning net position of the City’s government-wide financial statements by \$14,419,740 and decreased the beginning net position of Proprietary Funds financial statements by \$1,308,454, respectively, to record the total OPEB liability for the City’s defined benefit OPEB plans at October 1, 2017. The implementation of other GASB Statements effective for the year ended September 30, 2018 had no effect on the previously reported amounts in 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. 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. 87, *Leases*, addresses accounting and financial reporting for leases by governments. The statement requires 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.
- GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies the basis for measurement of a majority equity interest in a legally separate organization. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2020.

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, deferred outflows and inflows of resources, 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

3. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments of the City and its pension trust funds at September 30, 2018, 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	\$ 66,273,500	\$ 27,236	\$ 66,300,736
Cash equivalents and investments	112,424,095	328,158,757	440,582,852
Total cash, cash equivalents and investments	<u>\$ 178,697,595</u>	<u>\$ 328,185,993</u>	<u>\$ 506,883,588</u>
Cash and cash equivalents	\$ 83,765,523	\$ 27,236	\$ 83,792,759
Investments	91,077,818	328,158,757	419,236,575
Restricted cash and cash equivalents	2,160,692	-	2,160,692
Restricted investments	1,693,562	-	1,693,562
Total cash, cash equivalents and investments	<u>\$ 178,697,595</u>	<u>\$ 328,185,993</u>	<u>\$ 506,883,588</u>

Deposits with Financial Institutions

At September 30, 2018, the City's cash and cash equivalents included deposits with financial institutions of \$66,247,352 and petty cash of \$26,148 and the pension trust funds had deposits in brokerage accounts of \$27,236. Deposits with financial institutions were entirely covered by federal deposit insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as *qualified public depositories* by the State Treasurer of Florida. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories participating in the collateral pool.

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 or Board of 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 and asset-backed securities, supranationals, 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

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, 2018:

	City Primary Government	Fiduciary Funds Pension Trust	Total
Cash equivalents			
Money market mutual funds	\$ 4,264,422	\$ -	\$ 4,264,422
Certificates of deposit	1,514,749	-	1,514,749
Florida intergovernmental investment pools	45,198,089	-	45,198,089
Total cash equivalents	50,977,260	-	50,977,260
Investments			
Money market mutual funds	-	5,602,067	5,602,067
Florida intergovernmental investment pools	8,000,000	-	8,000,000
U.S. Government securities	29,475,612	28,319,240	57,794,852
U.S. Government Agency securities	16,832,070	9,515,569	26,347,639
Mortgage and asset-backed securities	-	812,211	812,211
Collateralized mortgage obligations	359,435	-	359,435
International fixed income investment funds	-	12,363,572	12,363,572
Domestic and international corporate obligations	6,779,718	21,325,001	28,104,719
Domestic and foreign equity securities	-	76,227,681	76,227,681
Domestic and international equity investment funds	-	147,283,893	147,283,893
Timber investment funds	-	2,600,101	2,600,101
Real estate and fixed income alternative investments	-	24,109,422	24,109,422
Total investments	61,446,835	328,158,757	389,605,592
Total cash equivalents and investments	\$ 112,424,095	\$ 328,158,757	\$ 440,582,852

The Florida intergovernmental investment pools consist of five governmental investment pools: Florida Prime, Florida Cooperative Liquid Assets Securities System (FL CLASS), Florida Surplus Asset Fund (FL SAFE), Florida Education Investment Trust Fund (FEITF), and Florida Trust Day to Day Fund (FL TRUST). The pools are organized by Florida public agencies under Florida Statutes Section 163, the Florida Interlocal Cooperation Act, 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. Florida Prime, FL CLASS, FL SAFE, FEITF and FL TRUST 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. A portion of the investment with FEITF includes shares in the FEITF Term Fund June 2019 which were purchased to mature at a pre-determined maturity date (June 2019). FEITF shares are redeemed at cost upon maturity or 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:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

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:

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

Equity investment funds: Valued at the closing net asset value reported on the active exchange on which the individual investment funds are actively traded.

U.S. Government and Agency securities, mortgage and asset-backed securities, collateralized mortgage obligations, and domestic and international corporate bonds: 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): Fixed income investment funds, pooled equity index funds and alternative investment funds investing in timber, real estate and fixed income are valued at the unadjusted NAV per share at September 30, 2018, calculated in a manner consistent with U.S. GAAP measurement principles for investment companies using 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 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 fixed income investment fund and pooled equity index funds are not publicly traded and invest in various types of equity securities and fixed income securities. These investment funds may hold certain investments valued by a single market maker and while the fund managers use their best judgment in estimating the fair value of the

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

underlying assets, there are inherent limitations in any estimation technique. Accordingly, the fair value of these 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, 2018.

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, 2018. Investments in money market mutual funds, certificates of deposit and Florida intergovernmental investment pools are reported at amortized cost, which approximates fair value, and accordingly, are not included in the fair value hierarchy. The fair value of investments at September 30, 2018 is summarized as follows:

	Fair Value at September 30, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt securities				
U.S. Government	\$ -	\$ 57,794,852	\$ -	\$ 57,794,852
U.S. Government Agency	-	26,347,639	-	26,347,639
Mortgage and asset-backed	-	812,211	-	812,211
Collateralized mortgage obligations	-	359,435	-	359,435
International fixed income investment funds	12,363,572	-	-	12,363,572
Corporate obligations	-	28,104,719	-	28,104,719
Total debt securities	<u>12,363,572</u>	<u>113,418,856</u>	<u>-</u>	<u>125,782,428</u>
Equity and other investments				
Equity securities	76,227,681	-	-	76,227,681
Equity investment funds	68,717,466	-	-	68,717,466
Real estate investment trusts	<u>971,631</u>	<u>-</u>	<u>-</u>	<u>971,631</u>
Total equity and other investments	<u>145,916,778</u>	<u>-</u>	<u>-</u>	<u>145,916,778</u>
Total investments	<u>\$ 158,280,350</u>	<u>\$ 113,418,856</u>	<u>\$ -</u>	<u>271,699,206</u>
Investments measured at NAV				
Alternative investment funds				
Pooled equity index funds				78,566,427
Timber investment funds				2,600,101
Real estate investment funds				16,060,511
Fixed income investment fund				<u>7,077,280</u>
Total investments at NAV				<u>104,304,319</u>
Total investments at fair value				<u>\$ 376,003,525</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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

alternative investment funds may 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, 2018, certain alternative investment funds had future funding commitments of approximately \$2,800,000. No withdrawals are permitted during the term of certain alternative investment funds which range from 2019 to 2026. At September 30, 2018, the approximate investment fair value and related fiscal year of redemption of these funds are as follows: \$106,000 in 2019; \$7,077,000 in 2020; \$3,663,000 in 2024 and \$3,134,000 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, 2018 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, 2018, the ratings for the City’s investment portfolio ranged from BBB to AAA. Pension investments in debt securities must be rated investment grade by a NRSRO at the date of purchase.

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, 2018.

	NRSRO Rating	Fair Value
Primary Government		
Money market mutual funds	Unrated	\$ 4,264,422
Florida intergovernmental investment pools	AAAm	47,179,301
FEITF intergovernmental investment pool – Term Series	AAAf	6,018,788
U.S. Government and Agency securities	AA	46,307,683
Collateralized mortgage obligations	AA	359,435
Corporate obligations	A – BBB	6,779,718
Pension Trust Funds		
Money market mutual funds	Unrated	5,602,067
U.S. Government and Agency securities	AA	37,834,809
Mortgage and asset-backed securities	AAA	812,211
Domestic and international corporate obligations	AA – BBB	21,325,001
International fixed income investment funds	Unrated	12,363,572
Fixed income alternative investment fund	Unrated	7,077,280

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

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	1.7	\$ 29,475,612
U.S. Government Agency securities	1.7	16,832,070
Collateralized mortgage obligations	1.7	359,435
Corporate obligations	1.4	6,779,718
Pension Trust Funds		
U.S. Government securities	6.4	28,319,240
U.S. Government Agency securities	6.4	9,515,569
Mortgage and asset-backed securities	1.4	812,211
Domestic and international corporate obligations	3.6	21,325,001
International fixed income investment funds	Not Available	12,363,572
Fixed income alternative investment fund	Not Available	7,077,280

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 DDA's cash balance at September 30, 2018, includes deposits with financial institutions with a bank balance of \$251,621 and a book balance of \$239,277. The DDA's deposits were with financial institutions that were qualified public depositories under Florida law and are considered to be fully insured.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

4. Accounts Receivable

Current accounts receivable and related allowance for doubtful accounts were as follows at September 30, 2018:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
General Fund	\$ 3,247,228	\$ -
Neighborhood Services Fund	722	-
Community Redevelopment Agency Fund	7,193	-
Water and Sewer Fund	-	5,200,648
Stormwater Fund	-	7,919
Sanitation Fund		689,300
Non-Major Funds	148,052	24,308
Internal Service Funds	19,092	-
Allowance for doubtful accounts	(2,020,209)	(1,008,875)
	<u>\$ 1,402,078</u>	<u>\$ 4,913,300</u>

5. Notes Receivable

Notes receivable consist of the following at September 30, 2018:

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.

CRA notes receivable

\$ 4,241,823
<u>3,476,807</u>
<u>\$ 7,718,630</u>

Blended Component Unit – Delray Beach Community Redevelopment Agency

The CRA’s outstanding notes receivable at September 30, 2018 consist of the following:

Notes Receivable from Delray Beach Community Land Trust

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 homes. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA’s mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenses/expenditures. At September 30, 2018, the total advances receivable from the CLT were \$325,249 all of which is considered collectible by the CRA.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

5. Notes Receivable (Continued)

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 provided that the CRA would 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. Following occupancy of the new office space by the Chamber, the Chamber executed a release and termination of the lease on the Chamber property, thereby allowing the CRA to redevelop the property. The note receivable balance was \$189,957 as of September 30, 2018.

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"). The loan is 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, 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 in 2017 and the total receivable at September 30, 2018 was \$2,327,717.

Second Mortgage Loans Receivable

The CRA provides home mortgage loan assistance to eligible low income individuals who qualify 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, 2018, the amount of the individual second mortgages originated in 2008 through 2018, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. The loans receivable totaled \$633,884 as of September 30, 2018.

City Note Receivable from the Delray Beach Community Redevelopment Agency (CRA)

The City has an outstanding note receivable from the Delray Beach Community Redevelopment Agency (CRA) at September 30, 2018, which is presented as an internal advance receivable (due from other funds) in the City's General Fund and an advance payable (due to other funds) in the Community Redevelopment Agency Fund. The note payable is summarized as follows:

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

5. Notes Receivable (Continued)

City Note Receivable from the Delray Beach Community Redevelopment Agency (Continued)

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 \$2,168,514 at September 30, 2018.

6. Due from Other Governments

The total amount due from other governments of \$2,603,029 at September 30, 2018, represents the amount due from federal, state and local sources for intergovernmental revenues and grant reimbursements in the General Fund, Neighborhood Services Fund, One-Cent Sales Tax Fund, and Water and Sewer Fund.

7. 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, 2018, 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, 2018.

Restricted assets, liabilities payable from restricted assets and restricted net position of the Enterprise Funds are summarized as follows at September 30, 2018:

	Restricted for		
	Debt Service	Renewal and Replacement	Total
Restricted Assets			
Water and Sewer Fund			
Cash and cash equivalents	\$ 1,993,789	\$ 62,507	\$ 2,056,296
Investments	-	1,693,562	1,693,562
Stormwater Fund			
Cash and cash equivalents	51,202	-	51,202
Non-Major Enterprise Funds			
Cash and cash equivalents	53,194	-	53,194
Total Restricted Assets	2,098,185	1,756,069	3,854,254
Accrued Interest Payable from Restricted Assets			
Water and Sewer Fund	105,969	-	105,969
Stormwater Fund	2,422	-	2,422
Non-Major Enterprise Funds	1,778	-	1,778
Total Liabilities Payable from Restricted Assets	110,169	-	110,169
Restricted Net Position	\$ 1,988,016	\$ 1,756,069	\$ 3,744,085

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

8. Capital Assets

The major components of capital assets for the City are summarized as follows at September 30, 2018:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 70,301,222	\$ 2,842,511	\$ (1,984,774)	\$ 71,158,959
Construction in Progress	15,079,531	5,689,417	(10,038,656)	10,730,292
Total Non-depreciable Assets	85,380,753	8,531,928	(12,023,430)	81,889,251
<u>Depreciable Assets</u>				
Buildings	45,388,038	2,920,958	-	48,308,996
Improvements Other Than Buildings	136,361,172	7,429,719	-	143,790,891
Equipment	54,176,692	9,239,269	(911,824)	62,504,137
Total Depreciable Assets	235,925,902	19,589,946	(911,824)	254,604,024
<u>Less Accumulated Depreciation</u>				
Buildings	(23,598,946)	(1,259,496)	-	(24,858,442)
Improvements Other Than Buildings	(75,152,266)	(3,984,236)	-	(79,136,502)
Equipment	(37,092,585)	(3,508,130)	835,798	(39,764,917)
Total Accumulated Depreciation	(135,843,797)	(8,751,862)	835,798	(143,759,861)
Total Depreciable Assets, net	100,082,105	10,838,084	(76,026)	110,844,163
Governmental Activities				
Capital Assets, net	\$ 185,462,858	\$ 19,370,012	\$ (12,099,456)	\$ 192,733,414
<hr/>				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 5,668,824	\$ -	\$ -	\$ 5,668,824
Construction in Progress	9,927,082	4,394,123	(1,346,588)	12,974,617
Total Non-depreciable Assets	15,595,906	4,394,123	(1,346,588)	18,643,441
<u>Depreciable Assets</u>				
Buildings	13,774,348	-	-	13,774,348
Improvements Other Than Buildings	179,630,184	2,217,925	-	181,848,109
Equipment	16,847,355	1,357,345	(1,960,222)	16,244,478
Total Depreciable Assets	210,251,887	3,575,270	(1,960,222)	211,866,935
<u>Less Accumulated Depreciation</u>				
Buildings	(9,799,446)	(261,167)	-	(10,060,613)
Improvements Other Than Buildings	(93,536,269)	(3,387,875)	3,201	(96,920,943)
Equipment	(12,692,643)	(615,384)	1,957,021	(11,351,006)
Total Accumulated Depreciation	(116,028,358)	(4,264,426)	1,960,222	(118,332,562)
Total Depreciable Assets, net	94,223,529	(689,156)	-	93,534,373
Business-Type Activities				
Capital Assets, net	\$ 109,819,435	\$ 3,704,967	\$ (1,346,588)	\$ 112,177,814

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

8. Capital Assets (continued)

Depreciation expense for the fiscal year ended September 30, 2018, was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 1,034,512
Public Safety	933,769
Physical Environment	2,789,647
Parks and Recreation	1,705,658
Internal Service Funds	2,288,276
Total depreciation expense - Governmental Activities	<u>\$ 8,751,862</u>
Business-Type Activities	
Water and Sewer	\$ 3,492,667
Stormwater	486,778
Sanitation	238
Municipal Golf Course	189,965
Lakeview Golf Course	85,599
City Marina	9,179
Total depreciation expense - Business-Type Activities	<u>\$ 4,264,426</u>

9. 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, 2018, accounts receivable of the Water and Sewer Fund and business-type activities included \$0 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities included \$236,468 due to the Board. For the year ended September 30, 2018, the City paid \$3,948,210 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, 2018, the City's 50% equity interest in the net position of the Board totaled \$18,256,099 and has been reported as "Investment in regional plant (joint venture)" in the City's financial statements.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

9. Investment in Regional Plant Joint Venture (Continued)

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, 2018, is as follows:

Net Position		
Current and other assets		\$ 23,688,427
Capital assets, net		29,632,260
	Total assets	<u>53,320,687</u>
Current liabilities		1,671,532
Noncurrent liabilities		15,136,953
	Total liabilities	<u>16,808,485</u>
	Net position	<u>\$ 36,512,202</u>
Change in Net Position		
Charges for services		\$ 7,744,780
Capital grants and contributions		2,053,200
	Total Program revenues	<u>9,797,980</u>
Program expenses		10,647,261
	Net program expenses	(849,281)
Investment income		6,312
Miscellaneous		95,433
Transfers to joint venture participants		(749,777)
	Change in net position	<u>\$ (1,497,313)</u>

10. Interfund Transactions and Balances

Total interfund receivables/payables and transfers were as follows as of and for the year ended September 30, 2018:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Funds				
General Fund	\$ 4,294,734	\$ 30,582	\$ 3,472,261	\$ 9,161,270
Neighborhood Services	10,147	-	175,781	-
Community Redevelopment Agency	180,582	3,488,490	-	-
One Cent Sales Tax	-	883,152	-	-
Non-Major Governmental Funds				
Special Revenue Funds				
Beautification	8,261	-	990,122	-
Special Projects	-	150,000	-	-
Debt Service Fund				
Utilities Tax	-	-	2,060,400	1,800
Capital Projects Funds				
Capital Improvement	58,500	-	5,808,550	-
Beach Restoration	-	-	52,447	-
Total Governmental Funds	<u>4,552,224</u>	<u>4,552,224</u>	<u>12,559,561</u>	<u>9,163,070</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

10. Interfund Transactions and Balances (Continued)

Major Proprietary Funds

Water and Sewer	\$ 4,303,957	\$ -	\$ 74,000	\$ 2,967,352
Stormwater	-	2,348,086	-	307,044
Sanitation	-	1,955,871	-	166,638

Non-Major Proprietary Funds

Municipal Golf Course	-	-	-	35,520
Lakeview Golf Course	-	-	-	21,663
City Marina	-	-	-	51,434
Internal Service Fund:				
Central Garage	-	-	79,160	-
Total Proprietary Funds	<u>4,303,957</u>	<u>4,303,957</u>	<u>153,160</u>	<u>3,549,651</u>
Total Primary Government	<u>\$ 8,856,181</u>	<u>\$ 8,856,181</u>	<u>\$ 12,712,721</u>	<u>\$ 12,712,721</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include the amount of working capital loans made to various funds that the General Fund expects to collect in the subsequent year and the note receivable/payable between the City and the CRA as discussed in Note 5.

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, 2018

11. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 77,113,909	\$ 1,250,000	\$ (5,432,700)	\$ 72,931,209	\$ 6,418,842
General obligation bonds	13,205,000	-	(1,700,000)	11,505,000	1,750,000
Unamortized bond premium	2,785,241	-	(192,086)	2,593,155	-
Total bonds payable, net	93,104,150	1,250,000	(7,324,786)	87,029,364	8,168,842
Installment agreements	1,618,610	1,004,607	(452,278)	2,170,939	366,806
Compensated absences	7,218,309	1,286,775	(629,804)	7,875,280	889,272
Insurance claims payable	6,036,328	8,543,386	(8,460,406)	6,119,308	1,692,308
Total Governmental Activities	<u>\$107,977,397</u>	<u>\$ 12,084,768</u>	<u>\$ (16,867,274)</u>	<u>\$103,194,891</u>	<u>\$ 11,117,228</u>
Business-Type Activities:					
Revenue bonds	\$ 9,555,316	\$ -	\$ (1,942,300)	\$ 7,613,016	\$ 1,988,016
Installment agreements	239,215	-	(64,267)	180,420	114,574
Compensated absences	1,085,898	68,293	(58,795)	1,089,925	90,133
Total Business-Type Activities	<u>\$ 10,880,429</u>	<u>\$ 68,293</u>	<u>\$ (2,065,362)</u>	<u>\$ 8,883,361</u>	<u>\$ 2,192,723</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, 2018:

Revenue Bonds:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
\$9,715,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), due in principal amounts of \$310,000 due annually on September 1, with semi-annual interest payments at 4.8% due March 1 and September 1 through September 1, 2019. The bonds were issued to a financial institution for the purpose of financing the costs of acquisition and construction of certain redevelopment projects and to refund the outstanding balance of \$6,015,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1997A.	\$ 310,000	\$ -
\$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000), due in principal amounts of \$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.	438,400	161,600

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2018

11. Noncurrent Liabilities (Continued)

Revenue Bonds (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>\$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003), due in principal amounts of \$920,000 through June 1, 2019, with semi-annual interest payments at 3.66%, due June 1 and December 1, through June 1, 2019. The bonds were issued to currently refund Series 1999 and Series 2002 Tax Exempt Bonds, in whole, and Series 2002 Taxable Bonds in part.</p>	\$ 868,584	\$ 51,416
<p>\$10,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond (Series 2004A), due in annual principal amounts of \$880,000 due September 1, with semi-annual interest payments at 4.2983%, due March 1 and September 1 through September 1, 2019. The bonds were issued to a financial institution for the purpose of financing the costs of acquisition and construction of certain redevelopment projects.</p>	880,000	-
<p>\$2,350,000 Water and Sewer Revenue Bonds issued November 17, 2006 (Series 2006B), with principal amounts of \$185,000 to \$205,000 due through October 1, 2021, with semi-annual interest payments at 4.84%, due October 1 and April 1, through October 1, 2021. The bonds were issued to finance the City's share of the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Facility.</p>	-	785,000
<p>\$5,430,000 Water and Sewer Refunding Revenue Bonds issued September 29, 2011 (Series 2011A), with principal amounts of \$555,000 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>	-	2,305,000
<p>\$8,160,000 Water and Sewer Refunding Revenue Bonds issued October 18, 2011 (Series 2011B), with principal amounts of \$1,035,000 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>	-	4,310,000
<p>\$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond (Series 2012), due in principal amounts of \$371,858 to \$412,627 with semi-annual interest payments at 2.878% due April 1 and October 1, through October 1, 2023. The bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the bond outstanding at any one time shall not exceed an aggregate principal amount of \$4,000,000. The bonds were issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects.</p>	3,919,225	-

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2018

11. Noncurrent Liabilities (Continued)

Revenue Bonds (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>\$2,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bonds, (Series 2015). The bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2015 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2015 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$2,000,000. The Series 2015 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The CRA will be able to draw down funds until the 3rd anniversary of the Closing Date (January 29, 2016). Interest is payable semi-annually on April 1st and October 1st at 2.78% on the outstanding principal balance, beginning April 1, 2016, through October 1, 2023, the maturity date of the Series 2015 Bond. Principal will be payable in equal installments each April 1st and October 1st, commencing with the first April 1st or October 1st occurring after the final draw date. The remaining \$1,950,000 available under the Series 2015 Bond was drawn in December 2018.</p>	\$ 50,000	\$ -
<p>\$39,020,000 Utilities Tax Revenue Refunding and Improvement Bonds, issued April 1, 2015 (Series 2015), due in principal amounts of \$570,000 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>	37,465,000	-
<p>\$31,500,000 Capital Improvement Revenue Bonds, issued June 23, 2017 (Series 2017), due in principal amounts of \$2,980,000 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>	29,000,000	-
Total Revenue Bonds	72,931,209	7,613,016
Unamortized bond premium	2,593,155	-
Total Revenue Bonds, Net	75,524,364	7,613,016
 General Obligation Bonds:		
<p>\$10,000,000 General Obligation Bonds issued August 26, 2005 (Series 2005), due in annual principal installments of \$895,000 to \$1,135,000 starting February 1, 2014 through February 1, 2024, with semi-annual interest payments at 5.04%, 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>	6,065,000	-

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2018

11. Noncurrent Liabilities (Continued)

General Obligation Bonds (Continued):	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<p>\$8,810,000 General Obligation Bonds issued November 21, 2013 (Series 2013), due in annual principal installments of \$855,000 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.</p>	\$ 5,440,000	\$ -
Total General Obligation Bonds	11,505,000	-
Other Noncurrent Liabilities:		
<p>Installment agreements for equipment, 2.41% to 2.85% interest, maturing in 2024</p>	2,170,939	180,420
<p>Compensated absences payable</p>	7,875,280	1,089,925
<p>Insurance claims payable (see Note 14)</p>	6,119,308	-
Total Noncurrent Liabilities, including current portion	<u>\$ 103,194,891</u>	<u>\$ 8,883,361</u>

Governmental Activities

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

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

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 \$49,744,900 at September 30, 2018. Principal and interest paid during the current year was \$545,000 and \$1,515,400, 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, 2018, is \$1,585,132. Total principal and interest remaining to be paid on the Series 2017 Capital Improvement Bonds was \$31,631,300 at September 30, 2018. Non-ad valorem revenues received for the current year were approximately \$63.3 million. Principal and interest paid for the current year was \$1,520,000 and \$65,862, respectively.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

11. Noncurrent Liabilities (Continued)

Governmental Activities (Continued)

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 CRA revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district and investment earnings thereon. 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, 2018, was \$5,467,000, payable through October 1, 2028. For the current year, principal and interest paid and the total tax increment revenues were \$1,360,500 and \$19,899,355, 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 a deferred outflow of resources on the statement of net position and is being 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, 2018 were \$2,806,144 and \$2,782,028, respectively, all of which was expensed.

Debt Maturities: The annual requirements to pay principal and interest to maturity on the governmental activities bonds outstanding are as follows as of September 30, 2018:

Fiscal Year Ending September 30	Revenue Bonds		General Obligation Bonds		
	Principal	Interest	Principal	Interest	Total
2019	\$ 6,418,842	\$ 2,180,406	\$ 1,750,000	\$ 392,108	\$ 10,741,356
2020	5,766,725	2,018,033	1,820,000	327,006	9,931,764
2021	5,934,416	1,841,518	1,880,000	259,201	9,915,135
2022	6,122,528	1,658,906	1,945,000	188,746	9,915,180
2023	6,311,071	1,469,138	2,015,000	115,461	9,910,670
2024-2028	27,172,627	4,510,208	2,095,000	39,041	33,816,876
2029-2033	13,255,000	1,493,850	-	-	14,748,850
2034-2035	1,950,000	101,700	-	-	2,051,700
Total	\$ 72,931,209	\$ 15,273,759	\$ 11,505,000	\$ 1,321,563	\$ 101,031,531

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

11. Noncurrent Liabilities (Continued)

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 \$7,998,178. Principal and interest paid and utility net revenues available for debt service for the current year were \$2,038,364 and \$13,053,922, respectively.

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

Debt Maturities: The annual requirements to pay principal and interest to maturity on the business-type activities bonds outstanding as of September 30, 2018, are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2019	\$ 1,988,016	\$ 172,465	\$ 2,160,481
2020	1,820,000	117,403	1,937,403
2021	1,880,000	71,329	1,951,329
2022	1,925,000	23,965	1,948,965
Total	\$ 7,613,016	\$ 385,162	\$ 7,998,178

Interest Expense: Total interest costs incurred and paid on business-type activities debt for the year ended September 30, 2018, were \$208,504 and \$225,058, respectively, all of which was expensed.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

11. Noncurrent Liabilities (Continued)

Business-Type Activities (Continued)

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 municipal golf course. The City’s golf course is accounted for in a separate enterprise fund; however, the revenue stream of the City’s golf course fund is 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 City’s golf course fund.

Installment Agreements

The installment agreements financed the purchase of equipment. At September 30, 2018, the cost of the equipment held under these agreements was approximately \$3,615,000 and the accumulated amortization was approximately \$1,356,000. Amortization expense related to equipment purchased under the installment agreements is included in depreciation expense in the accompanying financial statements. The installment agreements call for termination of the agreements 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, 2018, are as follows:

Fiscal year ending September 30:		
2019	\$	488,639
2020		456,792
2021		426,835
2022		397,384
2023		387,565
Thereafter		387,610
Total minimum payments		2,544,825
Less amount representing interest		(193,466)
Outstanding balance at September 30, 2018	\$	<u>2,351,359</u>

Blended Component Unit – Delray Beach Community Redevelopment Agency

Loan Payable to the City of Delray Beach: The outstanding loan payable to the City by the CRA at September 30, 2018 for US Highway 1 Improvements is presented as an internal advance receivable (due from other funds) in the City’s General Fund and an advance payable (due to other funds) in the Community Redevelopment Agency Fund (see Note 5 – Notes Receivable). The annual debt service requirements on the loan payable to the City from the CRA are summarized as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	361,419	58,730	420,149
2024	361,419	58,730	420,149
	<u>\$ 2,168,514</u>	<u>\$ 352,380</u>	<u>\$ 2,520,894</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. 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 have the option of a 3% multiplier with a maximum benefit of 90%. Employees selecting this option will contribute an additional 3.45% of earnings. There is 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 \$7,033,390 at September 30, 2018.

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, 2018

12. 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 - For police officers hired on or before July 7, 2015, eligibility for normal retirement is the earlier of age 55 and 10 years of service or 20 years of service regardless of age. For police officers hired after July 7, 2015, eligibility for normal retirement is the earlier of age 55 and 10 years of service or 25 years of service regardless of age.

Annual Retirement Benefit - The annual retirement benefit for police officers is based on the date of hire as follows:

A) Police officers hired on or before July 7, 2015, and retiring with:

1) less than 20 years of service receive 2.5% times the police officer's average final compensation times all years of credited service prior to July 7, 2015 plus 3.0% times the police officer's average final compensation times all years of credited service after July 6, 2015 (subject to a maximum annual benefit of \$108,000 but in no event less than 2.0% times average final compensation for each year of service).

2) more than 20 years of service receive 3.5% (if the enhanced multiplier is elected or 3.0% if it is not elected) times the police officer's average final compensation for all credited service prior to July 7, 2015 plus 3.0% times the police officer's average final compensation times all credited service after July 6, 2015.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

B) Police officers hired after July 7, 2015 receive 2.75% times the police officer's average final compensation times all years of credited service (subject to a maximum annual benefit of \$108,000 and further subject to a maximum of 68.75% of their average final compensation (but in no event less than 2% times average final compensation for each year of service).

Police Officers hired after April 9, 2013 may not elect the enhanced multiplier.

Deferred Retirement Option Plan ("DROP") – Police officers with 20 years of credited service have the option of entering the DROP. When entering the DROP, the police officer 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 police officer's self-administered 401(a) plan. After a maximum of 60 months, the police officer must terminate employment with the City. The balance of amounts held pursuant to DROP was \$8,452,938 at September 30, 2018.

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

Employee Contributions - Police officers are required to contribute 9.0% of annual compensation. If a police officer leaves employment prior to vesting, contributions are refunded to the police officer with interest.

State of Florida Contributions - Pursuant to Chapter 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 as an on-behalf payment for the Police Officers' Retirement System. After adoption of Ordinance No. 17-16, the Chapter 185 tax monies up to \$606,595 annually will be used to offset the City's pension contribution for Police Officers.

After adoption of Ordinance No. 17-16, the accumulated excess Chapter 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 - For firefighters hired on or before October 4, 2016, eligibility for normal retirement is the earlier of age 55 and 10 years of service or 20 years of service regardless of age. For firefighters hired after October 4, 2016, eligibility for normal retirement is the earlier of age 55 and 10 years of service or 25 years of service regardless of age.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

Annual Retirement Benefit - The annual retirement benefit for firefighters is based on the date of hire as follows:

- A) Firefighters hired on or before October 4, 2016 with 20 or more years of service on October 4, 2016, receive 3.5% (if the enhanced multiplier is elected or 3.0% if it is not elected) times the Firefighter's average final compensation for all credited service (subject to a maximum benefit equal to 87.5% of average final compensation).
- B) Firefighters hired on or before October 4, 2016 with less than 20 years of service on October 4, 2016, and retiring with:
 - 1) more than 20 years of service receive at retirement receive 3.5% (if the enhanced multiplier is elected or 3.0% if it is not elected) times the firefighter's average final compensation for all credited service prior to October 4, 2016 plus 3.0% times the firefighter's average final compensation times all years of credited service after October 4, 2016 (subject to a maximum annual benefit of \$100,000, but not less than 2.0% times average final compensation for each year of credited service).
 - 2) less than 20 years of service at retirement receive 2.5% times the firefighter's average final compensation times all years of credited service prior to October 4, 2016 plus 3.0% times the firefighter's average final compensation times all years of credited service after October 4, 2016 (subject to a maximum annual benefit of \$100,000, but not less than 2.0% times average final compensation for each year of credited service).
- C) Firefighters hired after October 4, 2016 receive 2.75% times the firefighter's average final compensation times all years of credited service (subject to a maximum annual benefit of \$100,000, but not less than 2.0% times average final compensation for each year of credited service).

Firefighters hired after April 9, 2013 may not elect the enhanced multiplier.

Deferred Retirement Option Plan ("DROP") - Firefighters with 20 years of credited service have the option of entering the DROP. When entering the DROP, the firefighter 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 firefighter's self-administered 401(a) plan. After a maximum of 60 months, the firefighter must terminate employment with the City. The balance of amounts held pursuant to DROP was \$11,415,798 at September 30, 2018.

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

Employee Contributions - Firefighters are required to contribute 9.0% of annual compensation. If an employee leaves 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 as an on-behalf payment for the Firefighters' Retirement System Fund. After adoption of Ordinance No. 17-16, the Chapter 175 tax monies up to \$1,206,994 annually 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, 2018

12. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

The net pension liability (asset), deferred outflows/inflows of resources related to pensions and pension expense related to the City's three defined benefit retirement plans are summarized as follows at September 30, 2018:

	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System	Total
Net pension liability (asset)	<u>\$ (6,085,046)</u>	<u>\$ 49,762,913</u>	<u>\$ 52,917,745</u>	<u>\$ 96,595,612</u>
Deferred outflows/inflows				
Deferred outflows of resources	<u>\$ 2,398,901</u>	<u>\$ 13,474,408</u>	<u>\$ 14,367,693</u>	<u>\$ 30,241,002</u>
Deferred inflows of resources	<u>\$ 7,657,095</u>	<u>\$ 1,656,339</u>	<u>\$ 2,746,944</u>	<u>\$ 12,060,378</u>
Pension expense	<u>\$ 1,221,161</u>	<u>\$ 9,397,574</u>	<u>\$ 9,000,670</u>	<u>\$ 19,617,405</u>

Membership

Membership data of the City's pension plans as of October 1, 2017, 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	335	136	128
Terminated employees entitled to benefits but not receiving them	79	6	0
Active members	357	147	133

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

Investments (Continued)

The asset allocation policy adopted by each pension plans' Board at September 30, 2018 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	100.0%	100.0%	100.0%

Rate of Return: The annual money-weighted rate of return on pension investments, net of pension investment expense, for the General Employees' Pension Plan, the Police Officers' Retirement System and Firefighters' Retirement System, was 10.68%, 7.81% and 8.01%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net Pension Liability (Asset)

The components of the net pension liability (asset) for the City's pension plans as of September 30, 2018, the measurement date, were as follows:

	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
Total pension liability	\$ 127,633,046	\$ 143,873,027	\$ 157,086,016
Plan fiduciary net position	133,718,092	94,110,114	104,168,271
Net pension liability (asset)	\$ (6,085,046)	\$ 49,762,913	\$ 52,917,745
Plan fiduciary net position as a percentage of the total pension liability	104.8%	65.4%	66.3%

Actuarial Assumptions: The total pension liability for the City's pension plans was determined by actuarial valuations as of October 1, 2017, based on the following actuarial assumptions:

	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
Measurement date	September 30, 2018	September 30, 2018	September 30, 2018
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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

Net Pension Liability (Asset) (Continued)

	General Employees’ Pension Plan	Police Officers’ Retirement System	Firefighters’ Retirement System
Remaining amortization period	25 years	20 years	20 years
Asset valuation method	5 year Smoothed Market	5 year Smoothed Market	5 year Smoothed Market
Actuarial assumptions:			
Investment rate of return*	7.25%	7.25%	7.25%
Projected salary increases*	4.4% - 7.2% based on service	5.0% - 6.25% based on service	5.0% - 6.25% based on service
Cost of living increases	None	1.0% per year	1.0% per year
Mortality	RP-2000 Combined Healthy Participant, Female - 100% White Collar, Male - 50% White Collar / 50% Blue Collar, Scale BB	RP-2000 Combined Healthy Participant, Female - 100% White Collar, Male - 10% White Collar / 90% Blue Collar, Scale BB	RP-2000 Combined Healthy Participant, Female - 100% White Collar, Male - 10% White Collar / 90% Blue Collar, Scale BB
* Includes inflation rate	3.0%	2.5%	2.5%

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, 2018 (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, Police Officers’ and Firefighters’ Retirement Systems was 7.25%. 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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

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, 2018:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
General Employees' Pension Plan			
Balances at October 1, 2017	\$ 122,223,203	\$ 124,951,385	\$ (2,728,182)
Changes for the Current Year			
Service cost	2,493,225	-	2,493,225
Interest	8,777,037	-	8,777,037
Difference between actual and expected experience	1,447,270	-	1,447,270
Contributions – City	-	2,151,438	(2,151,438)
Contributions – Employee	-	799,106	(799,106)
Net investment income	-	13,197,102	(13,197,102)
Benefit payments, including refunds of employee contributions	(7,307,689)	(7,307,689)	-
Administrative expenses	-	(73,250)	73,250
Net Changes	5,409,843	8,766,707	(3,356,864)
Balances at September 30, 2018	\$ 127,633,046	\$ 133,718,092	\$ (6,085,046)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Police Officers' Retirement System			
Balances at October 1, 2017	\$ 128,408,958	\$ 87,855,313	\$ 40,553,645
Changes for the Current Year			
Service cost	2,250,201	-	2,250,201
Interest	10,150,990	-	10,150,990
Difference between actual and expected experience	(1,504,488)	-	(1,504,488)
Change of assumptions	12,110,938	-	12,110,938
Contributions – City	-	5,113,912	(5,113,912)
Contributions – State of Florida	-	786,320	(786,320)
Contributions – Employee	-	1,126,780	(1,126,780)
Net investment income	-	6,880,290	(6,880,290)
Benefit payments, including refunds of employee contributions	(7,543,572)	(7,543,572)	-
Administrative expenses	-	(108,929)	108,929
Net Changes	15,464,069	6,254,801	9,209,268
Balances at September 30, 2018	\$ 143,873,027	\$ 94,110,114	\$ 49,762,913

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2018

12. 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, 2017	\$ 142,041,316	\$ 97,996,277	\$ 44,045,039
Changes for the Current Year			
Service cost	2,325,806	-	2,325,806
Interest	11,229,505	-	11,229,505
Difference between actual and expected experience	(2,478,601)	-	(2,478,601)
Contributions – City	-	4,374,387	(4,374,387)
Contributions – State of Florida	-	1,074,825	(1,074,825)
Contributions – Employee	-	991,333	(991,333)
Net investment income	-	7,839,367	(7,839,367)
Change of assumptions	11,964,611	-	11,964,611
Benefit payments, including refunds of employee contributions	(7,996,621)	(7,996,621)	-
Administrative expenses	-	(111,297)	111,297
Net Changes	15,044,700	6,171,994	8,872,706
Balances at September 30, 2018	\$ 157,086,016	\$ 104,168,271	\$ 52,917,745

Changes of Assumptions: Effective October 1, 2017, the discount rate for the Police Officers' Retirement System and the Firefighters' Retirement System was lowered from 8.0% to 7.25%. In addition, the mortality assumption for active members prior to retirement was revised in accordance with a revision to the active member pre-retirement mortality assumption used by the Florida Retirement System in their July 1, 2016 actuarial valuation.

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 rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	General Employees' Pension Plan	Police Officers' Retirement System	Firefighters' Retirement System
One percentage point lower than current discount rate	\$ 8,621,308	\$ 68,660,323	\$ 71,644,097
Current discount rate	(6,085,046)	49,762,913	52,917,745
One percentage point higher than current discount rate	(18,467,452)	34,286,033	37,547,568

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

For the year ended September 30, 2018, the City recognized pension expense of \$1,222,161, \$9,397,574 and \$9,000,670 for the General Employees' Pension Plan, the Police Officers' Retirement System and the Firefighters' Retirement

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

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

System, respectively. At September 30, 2018, 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:

General Employees' Pension Plan	Deferred Inflows	Deferred Outflows
Differences between expected and actual experience	\$ 663,538	\$ 1,150,965
Change in assumptions	-	1,247,936
Net difference between projected and actual investment earnings on pension plan investments	6,993,557	-
Total	\$ 7,657,095	\$ 2,398,901
Police Officers' Retirement System		
Differences between expected and actual experience	\$ 1,308,760	\$ 2,713,822
Change in assumptions	-	10,760,586
Net difference between projected and actual investment earnings on pension plan investments	347,579	-
Total	\$ 1,656,339	\$ 13,474,408
Firefighters' Retirement System		
Differences between expected and actual experience	\$ 2,190,709	\$ 3,017,512
Change in assumptions	-	11,350,181
Net difference between projected and actual investment earnings on pension plan investments	556,235	-
Total	\$ 2,746,944	\$ 14,367,693

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
2019	\$ (646,931)	\$ 4,863,726	\$ 4,252,317
2020	(2,022,182)	3,646,676	2,897,406
2021	(1,737,134)	2,317,540	1,898,485
2022	(851,947)	990,127	1,710,176
2023	-	-	862,365

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, 2018, are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. 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	\$ 22,440	\$ 2,197	\$ 2,599
Investments			
Money market mutual funds	1,401,069	1,922,533	2,278,465
U.S. Government securities	11,972,811	7,782,744	8,563,685
U.S. Government Agency securities	6,975,662	1,524,948	1,014,959
Mortgage and asset-backed securities	-	383,487	428,724
Domestic corporate bonds	7,631,112	6,325,725	7,368,164
International fixed income investment fund	5,090,764	3,432,232	3,840,576
Domestic equity securities	15,119,459	26,607,658	33,626,458
Domestic equity mutual funds	5,106,820	6,280,861	4,556,031
Domestic equity index funds	68,021,591	9,665,114	9,469,020
International equity mutual funds	12,167,074	15,018,661	16,998,721
Foreign stocks	136,704	332,000	405,402
Timber investment funds	-	1,233,254	1,366,847
Real estate investment trusts	-	459,791	511,840
Real estate investment funds	-	7,617,662	8,442,849
Fixed income alternative investment fund	-	3,356,826	3,720,454
Interest and dividends receivable	108,556	106,212	122,033
Pending trades receivable	937,390	946,671	1,106,110
Employee contributions receivable	-	39,327	36,014
City of Delray Beach contributions receivable	-	798,813	-
State contributions receivable	-	786,320	1,074,825
Due from Firefighters' Retirement System	-	87,858	-
Total assets	134,691,452	94,710,894	104,933,776
LIABILITIES			
Accounts payable	84,379	71,065	77,623
Pending trades payable	888,981	529,715	600,024
Due to Police Officers' Retirement System	-	-	87,858
Total liabilities	973,360	600,780	765,505
FIDUCIARY NET POSITION restricted for pension benefits	\$ 133,718,092	\$ 94,110,114	\$ 104,168,271

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. 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	\$ 2,151,438	\$ 5,113,912	\$ 4,374,387
State	-	786,320	1,074,825
Plan members	799,106	1,126,780	991,333
Total contributions	2,950,544	7,027,012	6,440,545
Investment earnings			
Net appreciation in fair value of investments	9,636,994	5,187,305	5,927,177
Interest, dividends and investment fund income	3,829,668	2,353,782	2,647,741
Other investment income	3,252	5,915	6,556
	13,469,914	7,547,002	8,581,474
Less investment expenses - custodian fees	(272,812)	(666,712)	(742,107)
Net investment earnings	13,197,102	6,880,290	7,839,367
Total additions	16,147,646	13,907,302	14,279,912
DEDUCTIONS			
Benefits	7,181,239	7,426,110	7,986,172
Refunds of contributions	126,450	117,462	10,449
Administrative expenses	73,250	108,929	111,297
Total deductions	7,380,939	7,652,501	8,107,918
Change in plan fiduciary net position	8,766,707	6,254,801	6,171,994
Fiduciary net position restricted for pension benefits at October 1, 2017	124,951,385	87,855,313	97,996,277
Fiduciary net position restricted for pension benefits at September 30, 2018	<u>\$ 133,718,092</u>	<u>\$ 94,110,114</u>	<u>\$ 104,168,271</u>

The Police Officers' Retirement System and Firefighters' Retirement System Fund issue separate publicly available financial reports that include 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 separate publicly available financial report.

Payables to the Pension Plans

The City had a contribution payable of \$798,813 to the Police Officers' Retirement System at September 30, 2018, representing the balance of the actuarially required City contribution for the fiscal year ended September 30, 2018. The contribution was paid by the City in October 2018. There were no amounts payable to the General Employees' Pension Plan or the Firefighters' Retirement System by the City at September 30, 2018.

Other Employee Benefit Plans

The City sponsors a 457 deferred compensation plan and a 401(a) defined contribution retirement plan for department heads and certain eligible management and key employees not covered by one of the City's pension plans. The plans allow participants to contribute up to 3% of their base salary to an ICMA Deferred Compensation

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

12. Employee Retirement Plans (Continued)

Other Employee Benefit Plans (Continued)

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 or access 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, 2018, is summarized as follows:

Balance at October 1, 2017	\$ 989,201
Employer contributions	23,210
Employee contributions	23,210
Investment gain, net of expenses	100,816
Distributions	(85,653)
Balance at September 30, 2018	<u>\$ 1,050,784</u>

13. Other Postemployment Benefits (OPEB)

Description of the Plans

The City administers two other postemployment benefit (OPEB) plans as follows:

City OPEB Plan - The City administers a single-employer defined benefit plan (the "City 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 City OPEB Plan. The City OPEB Plan is financed on a "pay-as-you-go" basis and is not administered as a formal qualifying trust. The City OPEB Plan does not issue a publicly available financial report.

Florida Statute 112.0801 requires the City to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the City 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. City 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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

13. Other Postemployment Benefits (OPEB) (Continued)

Description of the Plans (Continued)

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.

Plan Membership

The membership in the City's OPEB plans as of October 1, 2017, the date of the most recent actuarial valuations, is summarized as follows:

	City OPEB Plan	Retiree Benefit Fund
Inactive employees or beneficiaries currently receiving benefit payments	320	141
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	762	307
Total	1,082	448

Total OPEB Liability

The City's total OPEB liability, deferred outflows/inflows of resources related to OPEB and OPEB expense for both OPEB plans are summarized as follows at September 30, 2018:

	City OPEB Plan	Retiree Benefit Fund	Total
Total OPEB liability	\$ 16,326,117	\$ 7,622,146	\$ 23,948,263
Deferred outflows of resources	\$ -	\$ 116,523	\$ 116,523
Deferred inflows of resources	\$ 674,747	\$ 511,337	\$ 1,186,084
OPEB expense	\$ 1,330,119	\$ 806,755	\$ 2,136,874

The City's total OPEB liability of \$23,948,263 was measured as of September 30, 2018 for the City OPEB Plan and the Retiree Benefit Plan and was determined by actuarial valuations as of October 1, 2017 and September 30, 2018, respectively.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

13. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability (Continued)

Actuarial Methods and Significant Assumptions: The actuarial methods and significant assumptions used to determine the City's total OPEB liability for the current year are summarized as follows:

	<u>City OPEB Plan</u>	<u>Retiree Benefit Fund</u>
Valuation date	October 1, 2017	September 30, 2017
Measurement date	September 30, 2018	September 30, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post-retirement benefit increases	None	None
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 a fixed amount and do not adjust for changes in health care costs
Amortization method	Level Percent of Projected Salary – Closed	Level Percent of Projected Salary – Closed
Remaining amortization period	22 years	25 years
Asset valuation method	N/A ⁽¹⁾	Market Value of Assets
Actuarial assumptions:		
Discount rate	3.83% ⁽²⁾	7.5% net of investment related expenses
Projected salary increases*	4.4 – 7.2%	5.0 – 6.25%
* Includes inflation rate	2.5%	2.75%
Mortality	RP-2000 Combined Healthy Participant using Scale BB	RP-2000 Combined Healthy Participant using Scale BB

(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 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 discount rate is the long-term expected rate of return on tax-exempt, high quality municipal bonds based on the Fidelity *20-Year Municipal GO AA Index*.

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.

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 the Retiree Benefit Fund. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the investment portfolio across a broad selection of distinct

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

13. Other Postemployment Benefits (OPEB) (Continued)

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 long-term expected rate of return on investments of the Retiree Benefit Fund was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of 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. The asset allocation policy adopted by the Board and best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Rate of Return
Fixed income	30.0%	2.5%
Domestic equity	50.0	7.5
International equity	10.0	8.5
Real estate	10.0	6.2

Changes in the Total OPEB Liability

The changes in the City's total OPEB liability for the City OPEB Plan and Retiree Benefit Fund for the year ended September 30, 2018 were as follows:

Total OPEB Liability	City OPEB Plan	Retiree Benefit Fund	Total
Total OPEB liability at September 30, 2017	\$ 15,794,320	\$ 12,084,541	\$ 27,878,861
Changes in the total OPEB liability for the year			
Service cost	878,492	189,557	1,068,049
Interest	581,386	942,510	1,523,896
Changes of assumptions and other inputs	(804,506)	599,499	(205,007)
Benefit payments	(123,575)	(714,048)	(837,623)
Change in total OPEB liability	531,797	1,017,518	1,549,315
Total OPEB liability at September 30, 2018	16,326,117	13,102,059	29,428,176
Fiduciary Net Position			
Balances at October 1, 2017	-	5,039,149	5,039,149
Changes in Fiduciary net position for the current year			
Contributions – City	-	624,815	624,815
Net investment income	-	544,708	544,708
Benefit payments	-	(714,048)	(714,048)
Administrative expenses	-	(14,711)	(14,711)
Changes in fiduciary net position	-	440,764	440,764
Total fiduciary net position at September 30, 2018	-	5,479,913	5,479,913
Balances at September 30, 2018	\$ 16,326,117	\$ 7,622,146	\$ 23,948,263

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

13. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability (Continued)

Changes of Assumptions: Effective October 1, 2017, the discount rate for the City OPEB Plan was increased from 3.50% to 3.83% and the Retiree Benefit Fund was lowered from 8.0% to 7.25%. In addition, the mortality table for healthy participants was changed from the RP-2000 Combined Mortality Table with Blue Collar Adjustment to the RP-2000 Combined Healthy Participant Mortality Table with separate rates for males and females with 90% Blue Collar Adjustment / 10% White Collar Adjustment using Scale BB.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total OPEB liability of the City OPEB Plan and the Retiree Benefit Fund, respectively, calculated using the current discount rates of 7.25% decreasing to 4.64%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>City OPEB Plan</u>	<u>Retiree Benefit Fund</u>
One percentage point lower than current discount rate	\$ 18,968,987	\$ 9,109,128
Current discount rate	16,326,117	7,622,146
One percentage point higher than current discount rate	14,221,557	6,372,889

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following table presents the total OPEB liability of the City OPEB Plan and the Retiree Benefit Fund, respectively, calculated using the current healthcare cost trend rates of 3.83% and 7.25%, respectively, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>City OPEB Plan</u>	<u>Retiree Benefit Fund</u>
One percentage point lower than current discount rate	\$ 14,951,150	\$ N/A
Current discount rate	16,326,117	N/A
One percentage point higher than current discount rate	18,049,662	N/A

OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$1,330,119 and \$806,755 for the City OPEB Plan and the Retiree Benefit Fund, respectively. At September 30, 2018, the City reported deferred inflows/outflows of resources related to the City OPEB Plan and the Retiree Benefit Fund from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
City OPEB Plan		
Changes in assumptions and other inputs	\$ 674,747	\$ -
Retiree Benefit Fund		
Differences between projected and actual earnings	-	116,523
Changes in assumptions and other inputs	511,337	-
	<u>511,337</u>	<u>116,523</u>
Total	<u>\$ 1,186,084</u>	<u>\$ 116,523</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

13. Other Postemployment Benefits (OPEB) (Continued)

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

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

Year Ending September 30,	City OPEB Plan	Retiree Benefit Fund
2019	\$ (129,759)	\$ (59,031)
2020	(129,759)	(59,031)
2021	(129,759)	(59,031)
2022	(129,759)	(59,032)
2023	(129,759)	(88,162)
Thereafter	(25,952)	(70,527)

14. 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 maximum loss fund of \$1,950,000 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 Healthcare 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, 2018, charges of \$12,950,161 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 \$6,119,308 (\$1,692,308 current and \$4,427,000 noncurrent) at September 30, 2018, which is an increase of approximately \$83,000 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.

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2018

14. Risk Management (Continued)

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

Balance at September 30, 2016	\$ 5,966,869
Claims incurred	7,565,906
Claims paid	<u>(7,496,447)</u>
Balance at September 30, 2017	6,036,328
Claims incurred	8,543,386
Claims paid	<u>(8,460,406)</u>
Balance at September 30, 2018	<u><u>\$ 6,119,308</u></u>

The claims liability at September 30, 2018 and 2017, is summarized as follows:

	2018	2017
Current	\$ 1,692,308	\$ 1,723,328
Noncurrent	<u>4,427,000</u>	<u>4,313,000</u>
	<u><u>\$ 6,119,308</u></u>	<u><u>\$ 6,036,328</u></u>

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

15. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2018, the CRA's tax increment revenues include \$11,731,860 received from the City. CRA expenditures for the year ended September 30, 2018, include charges of \$3,090,777 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$2,982,616 for construction services related to redevelopment projects, \$475,000 for the downtown shuttle, and \$1,000,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$177,000 in reimbursements from the City for various projects.

At September 30, 2018, the City had a payable to the CRA of \$180,582, a receivable from the CRA of \$1,319,976 for reimbursement of certain administrative and redevelopment expenditures, and notes receivable from the CRA of \$2,168,514 (see Note 5 - Notes Receivable and Note 11 - Noncurrent Liabilities). The CRA contracts with the City for various administrative services each fiscal year and budgeted approximately \$3.6 million for those services for the year ending September 30, 2019.

16. 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, 2018, were as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

16. Commitments and Contingencies (Continued)

Contract Commitments (Continued)

Capital Projects Funds	\$ 7,270,041
Water and Sewer Fund	3,986,681
Stormwater Utility Fund	872,706
City Marina Fund	93,029
Community Redevelopment Agency Fund	195,027
Total Contract Commitments	<u>\$ 12,417,484</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.

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.

Blended Component Unit – Delray Beach Community Redevelopment Agency

CRA Contract Commitments: The CRA has entered into an interlocal agreement with the City of Delray Beach to provide funding for certain construction projects and related professional services totaling \$16,235,000 for the year ending September 30, 2019.

CRA Lease Commitments: The CRA had the following lease commitments as lessor at September 30, 2018:

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 on September 22, 2011 for the Palm Manor apartments and on June 27, 2013 for the SW 12th Avenue Duplexes. Each agreement provides for an annual rental payment to the CRA of \$1 and that the lessees will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the properties. The term of each agreement is for five years with one renewal option for an additional five year period. The original three leases were renewed through September 22, 2021 and the SW 12th Avenue Duplexes lease was renewed through June 27, 2023. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,017,000 at September 30, 2018.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

16. Commitments and Contingencies (Continued)

Blended Component Unit – Delray Beach Community Redevelopment Agency (Continued)

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. Rental income was approximately \$164,000 for the year ended September 30, 2018. 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, 2018 was approximately \$2,420,000.

The CRA also has lease commitments with seven additional entities for properties in the economic development area. The lease terms on these properties vary from one year to three year terms and expire at various dates through January 2021 with monthly base rent totaling approximately \$6,600. The carrying value of these leased properties at September 30, 2018 is approximately \$1,815,000.

The total carrying value of the CRA’s leased property listed above was approximately \$9,252,000 at September 30, 2018. 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, 2018, except for the property leased to the Delray Beach Housing Group.

The CRA also leases space in the Arts Warehouse at 313 NW 3rd Street to various artists with leases extending through November 30, 2019 with monthly base rents ranging from \$379 to \$760, as well as other month-to-month leases. Rental income from all leases totaled \$372,229 for 2018. The approximate future annual minimum rental income for all leased properties is as follows: 2019 - \$121,000; 2020 - \$31,000; 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 following agreements were in effect as of September 30, 2018:

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. Payments of \$66,470 were made each year under the grant for the years ended September 30, 2017 through 2018.

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 the years ended September 30, 2014 through 2018.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2018

16. Commitments and Contingencies (Continued)

Blended 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 2015 through 2018.

Property Acquisition: At September 30, 2018, the CRA had entered into contracts for the purchase of redevelopment properties for a total of \$136,000.

Contracts for Sale of Properties: At September 30, 2018, the CRA had entered into contracts for the sale of properties with a carrying value of \$82,512.

Grant Funding Commitments: The CRA also entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2019:

City of Delray Beach – International Tennis Championships	\$	905,000
City of Delray Beach – Fire Prevention and Life Safety Captain		184,061
City of Delray Beach – Demolition & Alleyway Clearance		75,000
City of Delray Beach – Purchasing Agent		67,728
City of Delray Beach – Osceola Park Redevelopment Plan		65,000
City of Delray Beach – Housing Needs Assessment		15,000
Delray Beach Community Land Trust, Inc.		261,550
Delray Beach Public Library Association, Inc.		458,000
Delray Beach Historical Society		125,000
Delray Beach Center for the Arts, Inc.		750,000
Delray Beach Creative City Collaborative, Inc.		275,000
Delray Beach Chamber of Commerce		25,000
EPOCH, Inc.		<u>111,000</u>
Total grant commitments	\$	<u>3,317,339</u>

17. Expenditures in Excess of Appropriations

Expenditures exceed appropriations for the following City departments for the year ended September 30, 2018:

City Manager	\$	41,537
Information Technology		84,877
Law Enforcement		186,707
Building Inspection		<u>1,605</u>
Total departmental expenditures in excess of appropriations	\$	<u>314,726</u>

In addition, expenditures exceeded appropriations by \$7,066 for the CRA General Government function for the year ended September 30, 2018.

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 75,028,840	\$ 75,664,123	\$ 75,864,770	\$ 200,647
Fees and permits	12,748,016	12,679,304	14,150,027	1,470,723
Intergovernmental	7,719,002	7,788,224	8,029,205	240,981
Charges for services	12,562,261	12,306,886	12,282,434	(24,452)
Fines and forfeitures	1,188,282	1,302,282	1,345,088	42,806
Miscellaneous	11,271,853	12,111,485	11,898,769	(212,716)
Transfers in	4,063,060	4,063,060	3,472,261	(590,799)
Capital lease arrangement	-	-	1,004,607	1,004,607
Prior year surplus	-	6,285,521	-	(6,285,521)
Total Revenues	<u>124,581,314</u>	<u>132,200,885</u>	<u>128,047,161</u>	<u>(4,153,724)</u>
EXPENDITURES				
General government				
City commission	226,557	365,033	264,591	100,442
City manager	875,916	967,512	1,009,049	(41,537)
Economic development	238,600	238,600	133,701	104,899
Human resources	881,120	907,140	906,785	355
Public information office	70,309	127,109	124,418	2,691
City clerk	864,540	870,102	738,671	131,431
Finance	1,940,015	2,292,367	2,143,141	149,226
Information technology	3,848,728	4,501,830	4,586,707	(84,877)
City attorney	1,435,333	1,435,333	1,179,382	255,951
Purchasing	701,893	701,893	611,485	90,408
Cemetery	320,850	405,271	352,954	52,317
Nondepartmental	2,481,719	3,377,320	2,372,712	1,004,608
Transfers to component units	11,768,211	11,768,211	11,731,860	36,351
Public safety				
Law enforcement	31,208,430	32,536,553	32,723,260	(186,707)
Fire control	29,041,964	29,583,733	29,272,031	311,702
Community improvement administration	1,434,148	1,511,148	1,449,231	61,917
Planning and zoning	6,723,696	2,118,163	1,395,937	722,226
Building inspection	1,567,023	2,234,739	2,236,344	(1,605)
Code compliance	1,391,897	1,427,715	1,360,965	66,750
Physical environment				
Engineering	2,573,512	2,734,985	1,865,471	869,514
Parking facilities	1,760,334	1,930,875	1,539,635	391,240
Public works	5,230,101	6,291,437	5,536,302	755,135
Parks and recreation	12,256,372	12,688,155	11,867,401	820,754
Debt service	2,024,323	2,024,323	1,638,314	386,009
Transfers out	3,715,723	9,161,338	9,161,270	68
Total Expenditures	<u>124,581,314</u>	<u>132,200,885</u>	<u>126,201,617</u>	<u>5,999,268</u>
Revenues in Excess of Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>1,845,544</u>	<u>\$ 1,845,544</u>
Fund balance - October 1, 2017			42,208,680	
Difference between GAAP and budgetary basis			84,920	
Fund balance - September 30, 2018			<u>\$ 44,139,144</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 273,351	\$ 663,364	\$ 454,705	\$ (208,659)
Miscellaneous	148,891	1,964,372	307,804	(1,656,568)
Transfers in	175,781	175,781	175,781	-
Total Revenues	<u>598,023</u>	<u>2,803,517</u>	<u>938,290</u>	<u>(1,865,227)</u>
EXPENDITURES				
General government				
Personal services	382,638	382,638	387,907	(5,269)
Operating	412,611	2,820,914	385,836	2,435,078
Grants and aid	69,164	73,747	68,915	4,832
Contingency	7,711	28,299	-	28,299
Capital outlay	-	212,218	-	212,218
Total Expenditures	<u>872,124</u>	<u>3,517,816</u>	<u>842,658</u>	<u>2,675,158</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (274,101)</u>	<u>\$ (714,299)</u>	95,632	<u>\$ 809,931</u>
Fund balance - October 1, 2017			1,618,720	
Fund balance - September 30, 2018			<u>\$ 1,714,352</u>	

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

CITY OF DELRAY BEACH, FLORIDA
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY REDEVELOPMENT AGENCY FUND
 For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Tax increment revenue				
City of Delray Beach	\$ 11,305,105	\$ 11,731,860	\$ 11,731,860	\$ -
Palm Beach County	8,192,180	8,167,495	8,167,495	-
Total Tax Increment Revenue	19,497,285	19,899,355	19,899,355	-
Miscellaneous revenue				
Reimbursements from City of Delray Beach	96,518	225,099	176,845	(48,254)
Other reimbursements	-	65,755	83,744	17,989
Other miscellaneous revenues	224,987	481,857	477,256	(4,601)
Total Miscellaneous Revenue	321,505	772,711	737,845	(34,866)
Total Revenues	19,818,790	20,672,066	20,637,200	(34,866)
OTHER FINANCING SOURCES				
Issuance of revenue bonds	3,074,164	1,250,000	1,250,000	-
General Fund carryforward fund balance	5,856,807	-	-	-
Land sales	-	7,107	10,867	3,760
Total Other Financing Sources	8,930,971	1,257,107	1,260,867	3,760
Total Revenues and Other Financing Sources	28,749,761	21,929,173	21,898,067	(31,106)
EXPENDITURES				
General government				
Personnel	1,548,000	1,197,214	1,197,214	-
Supplies and materials	11,500	14,715	14,123	592
Office space	50,500	29,190	29,190	-
Administration/Operations	816,000	200,671	208,329	(7,658)
Equipment, property and maintenance	37,000	25,023	25,023	-
Total General Government	2,463,000	1,466,813	1,473,879	(7,066)
Economic development				
Areawide and Neighborhood Plans	13,647,073	6,610,263	6,404,513	205,750
Redevelopment Projects	2,981,700	1,239,970	732,380	507,590
Community Improvement and Economic Development	7,894,655	6,801,706	6,797,701	4,005
Total Economic Development	24,523,428	14,651,939	13,934,594	717,345
Debt service				
Principal and interest	1,763,333	1,721,919	1,721,919	-
Total Expenditures	28,749,761	17,840,671	17,130,392	710,279
Revenues in Excess of Expenditures	\$ -	\$ 4,088,502	4,767,675	\$ 679,173
Fund balance - October 1, 2017			7,723,699	
Difference between GAAP and budgetary basis			361,419	
Fund balance - September 30, 2018			<u>\$ 12,852,793</u>	

City of Delray Beach, Florida
Notes to Budgetary Comparison Schedules
September 30, 2018

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 Board of Commissioners of the Delray Beach Community Redevelopment Agency (CRA) adopts an annual operating budget for the CRA. 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.
- ❖ Prior to September 1, the CRA Executive Director submits to the CRA Board of Commissioners 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 by the City and the CRA 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 for the City and the CRA 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.
- ❖ Changes or amendments to the CRA's budget for individual cost centers and in total must be approved by the Board of Commissioners; however, changes within CRA projects which do not affect the total cost center expenditures may be approved at the administrative level by the CRA Executive Director. Accordingly, the legal level of control is at the CRA cost center level.

The legally adopted appropriated budgets for the City 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 increasing budgeted appropriations by \$7,619,571 and \$2,645,692, respectively, during the year ended September 30, 2018.

The CRA's adopted budget is also prepared on the same modified accrual basis used to reflect revenues and expenditures, except that non-cash exchange transactions are not budgeted and loans to various entities are recorded as expenditures. The CRA Governing Board approved budget amendments decreasing budgeted appropriations by \$10,909,090, during the year ended September 30, 2018.

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 City 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 and major Special Revenue Funds revenues and expenditures reported in the budgetary comparison schedules differ from the revenues and expenditures reported on the basis of GAAP.

City of Delray Beach, Florida
Notes to Budgetary Comparison Schedules
September 30, 2018

2. Budget and Actual Comparisons (Continued)

The budget to actual differences of the City's General Fund and Neighborhood Service Fund and the CRA can be reconciled as follows:

	<u>Revenues</u>	<u>Expenditures</u>
General Fund		
Transfers	\$ 3,472,261	\$ 9,161,270
On-behalf payments for pension benefits	(1,861,145)	(1,861,145)
Proceeds from the sale of capital assets	1,432,730	-
Installment agreement issued	1,004,607	-
Encumbrances	-	1,963,232
Prior year encumbrances paid in current year	-	(1,878,312)
Net differences - GAAP and budgetary basis	<u>4,048,453</u>	<u>7,385,045</u>
GAAP basis	<u>123,998,708</u>	<u>118,816,572</u>
Budgetary basis	<u>\$ 128,047,161</u>	<u>\$ 126,201,617</u>
 Neighborhood Services Fund		
Transfers	\$ 175,781	\$ -
GAAP basis	<u>762,509</u>	<u>842,658</u>
Budgetary basis	<u>\$ 938,290</u>	<u>\$ 842,658</u>
 Community Redevelopment Agency Fund		
Proceeds of revenue bonds	\$ 1,250,000	\$ -
Proceeds of land sales	10,867	-
Principal paid on CRA note payable to the City	-	361,419
GAAP basis	<u>20,637,200</u>	<u>16,768,973</u>
Budgetary basis	<u>\$ 21,898,067</u>	<u>\$ 17,130,392</u>

City of Delray Beach, Florida

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

Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 2,493,225.00	\$ 2,119,345	\$ 2,192,881	\$ 2,203,317	\$ 2,249,595
Interest	8,777,037	8,375,249	8,161,229	7,791,771	7,502,443
Changes of benefit terms	-	-	522,720	-	-
Differences between expected and actual experience	1,447,270	(821,344)	(1,097,920)	1,375,784	-
Changes of assumptions	-	2,634,532	-	-	-
Benefit payments, including refunds	(7,307,689)	(6,971,817)	(6,535,065)	(5,993,746)	(5,436,303)
Net change in total pension liability	5,409,843	5,335,965	3,243,845	5,377,126	4,315,735
Total pension liability, beginning of fiscal year	122,223,203	116,887,238	113,643,393	108,266,267	103,950,532
Total pension liability, end of fiscal year (a)	\$ 127,633,046	\$ 122,223,203	\$ 116,887,238	\$ 113,643,393	\$ 108,266,267
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 2,151,438	\$ 1,969,163	\$ 2,046,827	\$ 2,178,705	\$ 2,084,010
Plan members	799,106	717,598	618,705	948,466	1,126,054
Net investment income	13,197,102	14,474,141	10,986,275	438,253	12,191,062
Other income	-	-	18,858	7,008	5,387
Benefit payments, including refunds	(7,307,689)	(6,971,817)	(6,535,065)	(5,993,746)	(5,436,303)
Administration expense	(73,250)	(77,550)	(82,336)	(73,705)	(79,025)
Net change in plan fiduciary net position	8,766,707	10,111,535	7,053,264	(2,495,019)	9,891,185
Plan fiduciary net position, beginning of fiscal year	124,951,385	114,839,850	107,786,586	110,281,605	100,390,420
Plan fiduciary net position, end of fiscal year (b)	\$ 133,718,092	\$ 124,951,385	\$ 114,839,850	\$ 107,786,586	\$ 110,281,605
Net Pension Liability (Asset), end of fiscal year [(a)-(b)]	\$ (6,085,046)	\$ (2,728,182)	\$ 2,047,388	\$ 5,856,807	\$ (2,015,338)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.8%	102.2%	98.2%	94.8%	101.9%
Covered Payroll	\$ 18,060,007	\$ 15,449,062	\$ 15,371,826	\$ 15,895,095	\$ 16,527,919
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(33.7)%	(17.7)%	13.3 %	36.8 %	(12.2)%

Note to Schedule:

Information prior to adoption of GASB Statement No. 68 in 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

Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Total Pension Liability - Note 1					
Service cost	\$ 2,250,201	\$ 2,257,858	\$ 4,161,533	\$ 4,116,670	\$ 4,215,639
Interest	10,150,990	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	(1,504,488)	4,431,186	1,568,118	(2,020,566)	-
Contributions - buyback	-	-	32,218	34,696	128,140
Changes of assumptions	12,110,938	-	7,407,717	-	-
Benefit payments, including refunds	(7,543,572)	(6,907,367)	(13,532,591)	(13,282,705)	(12,180,870)
Net change in total pension liability	15,464,069	9,221,044	13,168,667	8,492,269	10,424,181
Total pension liability, beginning of fiscal year	128,408,958	119,187,914	238,707,736	230,215,467	219,791,286
Total pension liability, end of fiscal year (a)	\$ 143,873,027	\$ 128,408,958	\$ 251,876,403	\$ 238,707,736	\$ 230,215,467
Plan Fiduciary Net Position - Note 1					
Contributions					
Employer	\$ 5,113,912	\$ 5,162,290	\$ 10,789,457	\$ 10,837,369	\$ 9,057,075
State	786,320	742,419	1,909,358	1,896,237	1,951,084
Plan members	1,126,780	924,337	1,806,021	1,634,828	1,594,712
Net investment income (loss)	6,880,290	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	(7,543,572)	(6,907,367)	(13,532,591)	(13,282,705)	(12,180,870)
Administration expense	(108,929)	(156,400)	(245,221)	(231,434)	(232,362)
Other	-	(160,328)	-	-	-
Net change in plan fiduciary net position	6,254,801	87,855,313	14,333,388	(1,045,367)	14,272,052
Plan fiduciary net position, beginning of fiscal year	87,855,313	-	153,260,618	154,305,985	140,033,933
Plan fiduciary net position, end of fiscal year (b)	\$ 94,110,114	\$ 87,855,313	\$ 167,594,006	\$ 153,260,618	\$ 154,305,985
Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 49,762,913	\$ 40,553,645	\$ 84,282,397	\$ 85,447,118	\$ 75,909,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.4%	68.4%	66.5%	64.2%	67.0%
Covered Payroll	\$ 11,125,424	\$ 10,738,126	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Net Pension Liability as a Percentage of Covered Payroll	447.3%	377.7%	429.1%	471.9%	460.8%

Notes to Schedule:

Information prior to adoption of GASB Statement No. 68 in 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.

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 68.75% 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.

Note 3 - Changes of assumptions

- 1. Effective October 1, 2017, the discount rate was lowered from 8.0% to 7.25%. The mortality assumption for active members prior to retirement was revised in accordance with a revision to the active member pre-retirement mortality assumption used by the Florida Retirement System in their July 1, 2016 actuarial valuation.

City of Delray Beach, Florida

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

Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016	2015	2014
Total Pension Liability - Note 1					
Service cost	\$ 2,325,806	\$ 2,278,992	\$ 4,161,533	\$ 4,116,670	\$ 4,215,639
Interest	11,229,505	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	(2,478,601)	4,606,418	1,568,118	(2,020,566)	-
Contributions - buyback	-	-	32,218	34,696	128,140
Changes of assumptions	11,964,611	-	7,407,717	-	-
Benefit payments, including refunds	(7,996,621)	(8,009,598)	(13,532,591)	(13,282,705)	(12,180,870)
Net change in total pension liability	15,044,700	9,352,827	13,168,667	8,492,269	10,424,181
Total pension liability, beginning of fiscal year	142,041,316	132,688,489	238,707,736	230,215,467	219,791,286
Total pension liability, end of fiscal year (a)	\$ 157,086,016	\$ 142,041,316	\$ 251,876,403	\$ 238,707,736	\$ 230,215,467
Plan Fiduciary Net Position - Note 1					
Contributions					
Employer	\$ 4,374,387	\$ 5,721,499	\$ 10,789,457	\$ 10,837,369	\$ 9,057,075
State	1,074,825	1,134,704	1,909,358	1,896,237	1,951,084
Plan members	991,333	903,846	1,806,021	1,634,828	1,594,712
Net investment income (loss)	7,839,367	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	(7,996,621)	(8,009,598)	(13,532,591)	(13,282,705)	(12,180,870)
Administration expense	(111,297)	(146,369)	(245,221)	(231,434)	(232,362)
Other	-	160,328	-	-	-
Net change in plan fiduciary net position	6,171,994	97,996,277	14,333,388	(1,045,367)	14,272,052
Plan fiduciary net position, beginning of fiscal year	97,996,277	-	153,260,618	154,305,985	140,033,933
Plan fiduciary net position, end of fiscal year (b)	\$ 104,168,271	\$ 97,996,277	\$ 167,594,006	\$ 153,260,618	\$ 154,305,985
Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 52,917,745	\$ 44,045,039	\$ 84,282,397	\$ 85,447,118	\$ 75,909,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.3%	69.0%	66.5%	64.2%	67.0%
Covered Payroll	\$ 10,494,232	\$ 8,954,177	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Net Pension Liability as a Percentage of Covered Payroll	504.3%	491.9%	429.1%	471.9%	460.8%

Notes to Schedule:

Information prior to adoption of GASB Statement No. 68 in 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.

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.

Note 3 - Changes of assumptions

- 1. Effective October 1, 2017, the discount rate was lowered from 8.0% to 7.25%. The mortality assumption for active members prior to retirement was revised in accordance with a revision to the active member pre-retirement mortality assumption used by the Florida Retirement System in their July 1, 2016 actuarial valuation.

City of Delray Beach, Florida

Required Supplementary Information - Pension Funds
Schedules of Net Pension Liability (Asset)

Last Five Fiscal Years

General Employees' Pension Plan							
Fiscal Year Ended September 30,	Total Pension	Liability	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
2018	\$ 127,633,046	\$ 133,718,092	\$ (6,085,046)	104.8%	\$ 18,060,007	(33.7)%	
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 Pension	Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2018	\$ 143,873,027	\$ 94,110,114	\$ 49,762,913	65.4%	\$ 11,125,424	447.3%	
2017	128,408,958	87,855,313	40,553,645	68.4%	10,738,126	377.7%	
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%	

Firefighters' Retirement System							
Fiscal Year Ended September 30, (Note 1)	Total Pension	Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2018	\$ 157,086,016	\$ 104,168,271	\$ 52,917,745	66.3%	\$ 10,494,232	504.3%	
2017	142,041,316	97,996,277	44,045,039	69.0%	8,954,177	491.9%	
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 adoption of GASB Statement No. 68 in 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
Last Five Fiscal Years

	Fiscal Year				
	2018	2017	2016 (Note 1)	2015 (Note 1)	2014 (Note 1)
General Employees' Pension Plan					
Actuarially determined contribution	\$ 2,151,438	\$ 1,969,163	\$ 2,046,827	\$ 2,178,705	\$ 2,084,010
Contributions in relation to actuarially determined contribution	2,151,438	1,969,163	2,046,827	2,178,705	2,084,010
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 18,060,007</u>	<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 payroll	<u>11.9%</u>	<u>12.7%</u>	<u>13.3%</u>	<u>13.7%</u>	<u>12.6%</u>
Police Officers' Retirement System					
Actuarially determined contribution	\$ 5,985,879	\$ 5,503,513	\$ 11,294,379	\$ 11,293,235	\$ 9,209,334
Contributions in relation to actuarially determined contribution	5,720,507	5,904,709	11,294,379	11,342,291	9,561,997
Contribution deficiency (excess)	<u>\$ 265,372</u>	<u>\$ (401,196)</u>	<u>\$ -</u>	<u>\$ (49,056)</u>	<u>\$ (352,663)</u>
Covered payroll	<u>\$ 11,125,424</u>	<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 payroll	<u>51.4%</u>	<u>55.0%</u>	<u>57.5%</u>	<u>62.6%</u>	<u>58.0%</u>
Firefighters' Retirement System					
Actuarially determined contribution	\$ 6,538,017	\$ 5,332,347	\$ 11,294,379	\$ 11,293,235	\$ 9,209,334
Contributions in relation to actuarially determined contribution	5,449,212	6,856,203	11,294,379	11,342,291	9,561,997
Contribution deficiency (excess)	<u>\$ 1,088,805</u>	<u>\$ (1,523,856)</u>	<u>\$ -</u>	<u>\$ (49,056)</u>	<u>\$ (352,663)</u>
Covered payroll	<u>\$ 10,494,232</u>	<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 payroll	<u>51.9%</u>	<u>76.6%</u>	<u>57.5%</u>	<u>62.6%</u>	<u>58.0%</u>

Notes to Schedule:

Information prior to adoption of GASB Statement No. 68 in 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.

Notes to Schedule (Continued)	General Employees'	Police Officers'	Firefighters'
Actuarial valuation date	10/1/2017	10/1/2017	10/1/2017
Measurement date	9/30/2018	9/30/2018	9/30/2018
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	7.25% / year	7.25% / 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, Female - 100% White Collar, Male - 50% White Collar/50% Blue Collar, Scale BB	RP-2000 Combined Healthy Participant, Female - 100% White Collar, Male - 10% White Collar/90% Blue Collar, Scale BB	RP-2000 Combined Healthy Participant, 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

Last Five Fiscal Years

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
2018	10.68%	7.81 %	8.01 %
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 adoption of GASB Statement No. 68 in 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 - City OPEB Plan
 Schedule of Changes in the Total OPEB Liability and Related Ratios

For the Fiscal Year Ended September 30, 2018

	<u>Fiscal Year</u>
	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 878,492
Interest	581,386
Changes of assumptions or other inputs	(804,506)
Benefit payments	(123,575)
Net change in total OPEB liability	531,797
Total OPEB liability, beginning of fiscal year	15,794,320
Total OPEB liability, end of fiscal year	\$ 16,326,117
Covered Employee Payroll	<u>\$ 49,971,711</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	<u>32.7%</u>

Notes to Schedule:

Information prior to adoption of GASB Statement No. 75 in fiscal year 2018 is not available.

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 the date of the most recent valuation. Since there are currently no invested plan assets held in trust to finance the OPEB obligation, the discount rate is the long-term expected rate of return on tax-exempt, high quality municipal bonds based on the Fidelity *20-Year Municipal GO AA Index*.

Changes in actuarial assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each year. The following are the discount rates used for each fiscal year:

2018	3.83%
2017	3.50%

City of Delray Beach, Florida

Required Supplementary Information - Delray Beach Police, Firefighters & Paramedics Retiree Benefit Fund
Schedule of Changes in the Total OPEB Liability and Related Ratios

For the Fiscal Year Ended September 30, 2018

	Fiscal Year
	2018
Total OPEB Liability	
Service cost	\$ 189,557
Interest	942,510
Changes of assumptions or other inputs	599,499
Benefit payments	(714,048)
Net change in total OPEB liability	1,017,518
Total OPEB liability, beginning of fiscal year	12,084,541
Total OPEB liability, end of fiscal year (a)	\$ 13,102,059
Plan Fiduciary Net Position	
Contributions	
Employer	\$ 624,815
Net investment income	544,708
Benefit payments	(714,048)
Administration expense	(14,711)
Net change in plan fiduciary net position	440,764
Plan fiduciary net position, beginning of fiscal year	5,039,149
Plan fiduciary net position, end of fiscal year (b)	\$ 5,479,913
Net OPEB Liability, end of fiscal year [(a)-(b)]	\$ 7,622,146
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	41.8%
Covered employee payroll	\$ 22,787,098
Net OPEB Liability as a Percentage of Covered Employee Payroll	33.4%

Notes to Schedule:

Information prior to adoption of GASB Statement No. 75 in fiscal year 2018 is not available.

Changes of assumptions

Effective October 1, 2017, the discount rate was lowered from 8.0% to 7.5%. In addition, the mortality table for healthy participants was changed from the RP-2000 Combined Mortality Table with Blue Collar Adjustment with separate rates for males and females to the RP-2000 Combined Healthy Participant Mortality Table with separate rates for males and females with 90% Blue Collar Adjustment / 10% White Collar Adjustment using Scale BB.

City of Delray Beach, Florida

Required Supplementary Information - Delray Beach Police, Firefighters & Paramedics Retiree Benefit Fund
Schedule of City Contributions

For the Fiscal Year Ended September 30, 2018

	<u>Fiscal Year</u> <u>2018</u>
Delray Beach Police, Firefighters & Paramedics Retiree Benefit Fund	
Actuarially determined contribution	\$ 976,925
Contributions in relation to actuarially determined contribution	624,815
Contribution deficiency (excess)	<u>\$ 352,110</u>
Covered employee payroll	<u>\$ 22,787,098</u>
Contributions as a percentage of covered employee payroll	<u>2.7%</u>

Notes to Schedule:

Information prior to adoption of GASB Statement No. 75 in fiscal year 2018 is not available.

Actuarial Assumptions:

Actuarial valuation date	9/30/2017
Measurement date	9/30/2018

Actuarially determined contribution rates are calculated at October 1, one year prior to the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Inflation	2.75% / year
Healthcare cost trend rate	N/A - fixed \$5,200 annual benefit with 25 or more years of service reduced 3% per year for service less than 25 years and increased 3% per year for service greater than 25 years. Minimum benefit of \$3,900.
Salary increases (with inflation)	5.00% - 6.25%
Investment rate of return (net of expenses, with inflation)	7.5% / year
Retirement age	Completion of 20 years of service, regardless of age
Mortality	RP-2000 Combined Healthy Participant Mortality Table with 90% Blue Collar Adjustment / 10% White Collar Adjustment using Scale BB

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.

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, 2018

	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	\$ 253,865	\$ 1,308,562	\$ -	\$ 1,391,494	\$ 1,267,143	\$ 40,372	\$ 1,509,444	\$ 3,233,936	\$ 122,971	\$ 650,490	\$ 9,778,277
Investments	-	-	-	-	2,610,490	-	-	10,737,464	-	-	13,347,954
Accounts receivable, net	-	500	-	-	147,552	-	-	-	-	-	148,052
Notes receivable	-	-	1,415,708	-	-	-	-	-	-	-	1,415,708
Interest receivable	-	-	-	-	8,574	-	-	22,909	-	-	31,483
Due from other funds	-	-	-	8,261	-	-	-	58,500	-	-	66,761
Total Assets	\$ 253,865	\$ 1,309,062	\$ 1,415,708	\$ 1,399,755	\$ 4,033,759	\$ 40,372	\$ 1,509,444	\$ 14,052,809	\$ 122,971	\$ 650,490	\$ 24,788,235
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES											
LIABILITIES											
Accounts payable and accrued items	\$ -	\$ -	\$ -	\$ 16,167	\$ 22,722	\$ -	\$ -	\$ 741,813	\$ -	\$ 21,591	\$ 802,293
Deposits payable	-	-	-	-	14,635	-	-	-	-	-	14,635
Due to other funds	-	-	-	-	150,000	-	-	-	-	-	150,000
Total Liabilities	-	-	-	16,167	187,357	-	-	741,813	-	21,591	966,928
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue	-	-	1,415,708	-	-	-	-	784,370	-	-	2,200,078
FUND BALANCES											
Restricted for:											
Debt service	-	-	-	-	-	40,372	1,509,444	-	-	-	1,549,816
Law enforcement	253,865	-	-	-	855,313	-	-	-	-	-	1,109,178
Capital improvements	-	-	-	-	-	-	-	-	122,971	-	122,971
Community development	-	-	-	-	1,377	-	-	-	-	-	1,377
Assigned to:											
Public safety	-	-	-	-	192,590	-	-	-	-	-	192,590
Parks and recreation	-	-	-	-	281,695	-	-	-	-	-	281,695
Capital improvements	-	1,309,062	-	1,383,588	2,515,427	-	-	12,526,626	-	628,899	18,363,602
Total Fund Balances	253,865	1,309,062	-	1,383,588	3,846,402	40,372	1,509,444	12,526,626	122,971	628,899	21,621,229
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 253,865	\$ 1,309,062	\$ 1,415,708	\$ 1,399,755	\$ 4,033,759	\$ 40,372	\$ 1,509,444	\$ 14,052,809	\$ 122,971	\$ 650,490	\$ 24,788,235

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, 2018

	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	
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,125,578	\$ -	\$ -	\$ -	\$ -	\$ 2,125,578
Intergovernmental	-	-	50,192	-	-	-	-	-	-	45,282	95,474
Charges for services	-	-	-	-	441,172	-	-	-	-	-	441,172
Fines and forfeitures	25,847	-	-	-	103,430	-	-	-	-	-	129,277
Miscellaneous	-	105,000	35,584	7,215	100,039	-	-	3,017,364	-	-	3,265,202
Total Revenues	25,847	105,000	85,776	7,215	644,641	2,125,578	-	3,017,364	-	45,282	6,056,703
EXPENDITURES											
Current:											
General government	-	-	85,776	-	26,674	-	-	432,882	-	-	545,332
Public safety	119,680	-	-	-	39,553	-	-	-	-	-	159,233
Physical environment	-	-	-	803,499	-	-	-	-	-	-	803,499
Parks and recreation	-	-	-	-	292,266	-	-	391,096	-	146,871	830,233
Capital outlay	-	-	-	-	52,230	-	-	7,132,429	107,624	-	7,292,283
Debt service:											
Principal retirement	-	-	-	-	-	1,700,000	545,000	-	-	-	2,245,000
Interest and fiscal charges	-	-	-	-	-	428,968	1,515,400	-	-	-	1,944,368
Total Expenditures	119,680	-	85,776	803,499	410,723	2,128,968	2,060,400	7,956,407	107,624	146,871	13,819,948
Excess of Revenues Over (Under)											
Expenditures	(93,833)	105,000	-	(796,284)	233,918	(3,390)	(2,060,400)	(4,939,043)	(107,624)	(101,589)	(7,763,245)
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	990,122	-	-	2,060,400	5,808,550	-	52,447	8,911,519
Transfers out	-	-	-	-	-	-	(1,800)	-	-	-	(1,800)
Total Other Financing Sources (Uses)	-	-	-	990,122	-	-	2,058,600	5,808,550	-	52,447	8,909,719
Net change in fund balance	(93,833)	105,000	-	193,838	233,918	(3,390)	(1,800)	869,507	(107,624)	(49,142)	1,146,474
Fund balances - October 1, 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
Fund balances - September 30, 2018	\$ 253,865	\$ 1,309,062	\$ -	\$ 1,383,588	\$ 3,846,402	\$ 40,372	\$ 1,509,444	\$ 12,526,626	\$ 122,971	\$ 628,899	\$ 21,621,229

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.

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, 2018

	Municipal Golf Course	Lakeview Golf Course	City Marina	Cemetery	Total Non-Major Enterprise Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 594,183	\$ 362,658	\$ 674,595	\$ 912,763	\$ 2,544,199
Investments	-	-	941,981	626,317	1,568,298
Accounts receivable, net	9,480	-	-	14,828	24,308
Interest receivable	-	-	3,094	2,057	5,151
Inventories	59,054	10,699	-	-	69,753
Prepaid expenses	85,489	9,499	-	-	94,988
Restricted assets					
Cash and cash equivalents	53,194	-	-	-	53,194
Total Current Assets	<u>801,400</u>	<u>382,856</u>	<u>1,619,670</u>	<u>1,555,965</u>	<u>4,359,891</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	1,173,492	-	3,274,128
Equipment	1,455,208	298,893	86,026	-	1,840,127
Construction in progress	38,350	-	-	-	38,350
Accumulated depreciation	(3,437,565)	(886,719)	(1,169,516)	-	(5,493,800)
Total Noncurrent Assets	<u>2,981,992</u>	<u>2,416,449</u>	<u>132,842</u>	<u>-</u>	<u>5,531,283</u>
Total Assets	<u>3,783,392</u>	<u>2,799,305</u>	<u>1,752,512</u>	<u>1,555,965</u>	<u>9,891,174</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued expenses	161,638	15,239	2,559	1,140	180,576
Unearned revenue	-	-	53,194	-	53,194
Current maturities of installment agreements	85,486	29,088	-	-	114,574
Refundable deposits payable	129,243	-	22,818	-	152,061
	<u>376,367</u>	<u>44,327</u>	<u>78,571</u>	<u>1,140</u>	<u>500,405</u>
Current Liabilities Payable from Restricted Assets:					
Accrued interest on long-term debt	1,778	-	-	-	1,778
Current maturities of revenue bonds	51,416	-	-	-	51,416
	<u>53,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,194</u>
Total Current Liabilities	<u>429,561</u>	<u>44,327</u>	<u>78,571</u>	<u>1,140</u>	<u>553,599</u>
Noncurrent Liabilities:					
Installment agreements	36,272	29,574	-	-	65,846
Total Liabilities	<u>465,833</u>	<u>73,901</u>	<u>78,571</u>	<u>1,140</u>	<u>619,445</u>
NET POSITION					
Net investment in capital assets	2,808,818	2,357,787	132,842	-	5,299,447
Restricted for debt service	51,416	-	-	-	51,416
Unrestricted	457,325	367,617	1,541,099	1,554,825	3,920,866
Total Net Position	<u>\$ 3,317,559</u>	<u>\$ 2,725,404</u>	<u>\$ 1,673,941</u>	<u>\$ 1,554,825</u>	<u>\$ 9,271,729</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, 2018

	Municipal Golf Course	Lakeview Golf Course	City Marina	Cemetery	Total Non-Major Enterprise Funds
OPERATING REVENUES					
Charges for services	\$ 2,992,596	\$ 637,666	\$ 252,524	\$ 84,238	\$ 3,967,024
Other operating revenue	34,500	5,010	1,020	-	40,530
Total Operating Revenues	<u>3,027,096</u>	<u>642,676</u>	<u>253,544</u>	<u>84,238</u>	<u>4,007,554</u>
OPERATING EXPENSES					
Operating expenses	2,738,040	505,796	149,313	3,339	3,396,488
Depreciation	189,965	85,599	9,179	-	284,743
Total Operating Expenses	<u>2,928,005</u>	<u>591,395</u>	<u>158,492</u>	<u>3,339</u>	<u>3,681,231</u>
Operating Income	99,091	51,281	95,052	80,899	326,323
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	-	-	3,264	2,171	5,435
Rent revenue	23,485	-	95	-	23,580
Interest expense	(7,639)	(1,814)	-	-	(9,453)
Total Nonoperating Revenues (Expenses)	<u>15,846</u>	<u>(1,814)</u>	<u>3,359</u>	<u>2,171</u>	<u>19,562</u>
Income Before Transfers	114,937	49,467	98,411	83,070	345,885
Transfers out	<u>(35,520)</u>	<u>(21,663)</u>	<u>(51,434)</u>	<u>-</u>	<u>(108,617)</u>
Change In Net Position	79,417	27,804	46,977	83,070	237,268
Net Position - October 1, 2017	3,238,142	2,697,600	1,626,964	1,471,755	9,034,461
Net Position - September 30, 2018	<u>\$ 3,317,559</u>	<u>\$ 2,725,404</u>	<u>\$ 1,673,941</u>	<u>\$ 1,554,825</u>	<u>\$ 9,271,729</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 For the Fiscal Year Ended September 30, 2018

	Municipal Golf Course	Lakeview Golf Course	City Marina	Cemetery	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,040,237	\$ 645,700	\$ 273,254	\$ 84,238	\$ 4,043,429
Receipts from others	23,485	-	95	-	23,580
Payments to suppliers	(2,775,750)	(518,968)	(150,872)	(2,442)	(3,448,032)
Net cash provided by operating activities	<u>287,972</u>	<u>126,732</u>	<u>122,477</u>	<u>81,796</u>	<u>618,977</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY					
Transfers to other funds	(35,520)	(21,663)	(51,434)	-	(108,617)
Net cash used in noncapital financing activity	<u>(35,520)</u>	<u>(21,663)</u>	<u>(51,434)</u>	<u>-</u>	<u>(108,617)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(118,121)	(29,008)	-	-	(147,129)
Principal paid on capital debt	(83,653)	(23,542)	-	-	(107,195)
Interest paid on capital debt	(7,639)	(1,814)	-	-	(9,453)
Net cash used in capital and related financing activities	<u>(209,413)</u>	<u>(54,364)</u>	<u>-</u>	<u>-</u>	<u>(263,777)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of investments	-	-	(13,200)	(8,776)	(21,976)
Interest on investments	-	-	13,195	8,774	21,969
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(2)</u>	<u>(7)</u>
Net change in cash and cash equivalents	43,039	50,705	71,038	81,794	246,576
Cash and cash equivalents - October 1, 2017	604,338	311,953	603,557	830,969	2,350,817
Cash and cash equivalents - September 30, 2018	<u>\$ 647,377</u>	<u>\$ 362,658</u>	<u>\$ 674,595</u>	<u>\$ 912,763</u>	<u>\$ 2,597,393</u>
Reconciliation of cash and cash equivalents to statement of net position:					
Unrestricted cash and cash equivalents	\$ 594,183	\$ 362,658	\$ 674,595	\$ 912,763	\$ 2,544,199
Restricted cash and cash equivalents	53,194	-	-	-	53,194
Cash and cash equivalents - September 30, 2018	<u>\$ 647,377</u>	<u>\$ 362,658</u>	<u>\$ 674,595</u>	<u>\$ 912,763</u>	<u>\$ 2,597,393</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 99,091	\$ 51,281	\$ 95,052	\$ 80,899	\$ 326,323
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	189,965	85,599	9,179	-	284,743
Rent revenue	23,485	-	95	-	23,580
Change in assets and liabilities:					
Accounts receivable	(3,685)	-	-	-	(3,685)
Inventories	10,542	3,024	-	-	13,566
Prepaid expenses	(51,888)	(1,709)	-	-	(53,597)
Accounts payable and accrued expenses	14,178	(11,463)	(1,559)	897	2,053
Unearned revenue	-	-	16,756	-	16,756
Refundable deposits payable	6,284	-	2,954	-	9,238
Total adjustments	<u>188,881</u>	<u>75,451</u>	<u>27,425</u>	<u>897</u>	<u>292,654</u>
Net cash provided by operating activities	<u>\$ 287,972</u>	<u>\$ 126,732</u>	<u>\$ 122,477</u>	<u>\$ 81,796</u>	<u>\$ 618,977</u>
NON-CASH INVESTING ACTIVITY					
Realized and unrealized loss on investments	\$ -	\$ -	\$ (10,186)	\$ (6,772)	\$ (16,958)

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, 2018

	Insurance	Central Garage	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 4,683,158	\$ 869,920	\$ 5,553,078
Investments	5,115,759	2,921,144	8,036,903
Accounts receivable, net	19,092	-	19,092
Interest receivable	16,931	9,595	26,526
Inventories	-	123,492	123,492
Total Current Assets	<u>9,834,940</u>	<u>3,924,151</u>	<u>13,759,091</u>
Noncurrent Assets:			
Property and equipment			
Buildings	-	88,185	88,185
Equipment	131,661	31,001,122	31,132,783
Accumulated depreciation	(115,987)	(20,734,548)	(20,850,535)
Other asset			
Net pension asset	60,850	128,394	189,244
Total Noncurrent Assets	<u>76,524</u>	<u>10,483,153</u>	<u>10,559,677</u>
Total Assets	<u>9,911,464</u>	<u>14,407,304</u>	<u>24,318,768</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount related to pensions	23,989	50,617	74,606
Total Deferred Outflows of Resources	<u>23,989</u>	<u>50,617</u>	<u>74,606</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	247,492	347,149	594,641
Current maturities of installment agreements	-	198,839	198,839
Current portion of compensated absences	2,392	8,715	11,107
Current portion of insurance claims payable	1,692,308	-	1,692,308
Total Current Liabilities	<u>1,942,192</u>	<u>554,703</u>	<u>2,496,895</u>
Noncurrent Liabilities:			
Installment agreements	-	1,069,529	1,069,529
Compensated absences payable	21,263	88,558	109,821
Insurance claims payable	4,427,000	-	4,427,000
Other postemployment benefits obligation	97,957	261,218	359,175
Total Noncurrent Liabilities	<u>4,546,220</u>	<u>1,419,305</u>	<u>5,965,525</u>
Total Liabilities	<u>6,488,412</u>	<u>1,974,008</u>	<u>8,462,420</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to other postemployment benefits obligation	4,048	10,796	14,844
Deferred amount related to pensions	76,571	161,565	238,136
Total Deferred Inflows of Resources	<u>80,619</u>	<u>172,361</u>	<u>252,980</u>
NET POSITION			
Net investment in capital assets	15,674	9,086,391	9,102,065
Unrestricted	3,350,748	3,225,161	6,575,909
Total Net Position	<u>\$ 3,366,422</u>	<u>\$ 12,311,552</u>	<u>\$ 15,677,974</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, 2018

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 12,950,161	\$ 2,648,188	\$ 15,598,349
Other operating revenue	350,878	2,520,627	2,871,505
Total Operating Revenues	<u>13,301,039</u>	<u>5,168,815</u>	<u>18,469,854</u>
OPERATING EXPENSES			
Personal services	366,637	976,008	1,342,645
Other operating expenses	13,693,567	1,965,096	15,658,663
Depreciation	9,462	2,278,814	2,288,276
Total Operating Expenses	<u>14,069,666</u>	<u>5,219,918</u>	<u>19,289,584</u>
Operating loss	(768,627)	(51,103)	(819,730)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	17,727	10,122	27,849
Interest expense	-	(31,858)	(31,858)
Gain on disposal of equipment	-	22,050	22,050
Total Nonoperating Revenues (Expenses)	<u>17,727</u>	<u>314</u>	<u>18,041</u>
Loss Before Capital Contributions and Transfers	(750,900)	(50,789)	(801,689)
Capital contributions	-	231,061	231,061
Transfers in	-	79,160	79,160
Change In Net Position	(750,900)	259,432	(491,468)
Net Position - October 1, 2017, as originally reported	4,170,871	12,189,422	16,360,293
Restatement for implementation of GASB Statement 75	(53,549)	(137,302)	(190,851)
Net Position - October 1, 2017, as restated	<u>4,117,322</u>	<u>12,052,120</u>	<u>16,169,442</u>
Net Position - September 30, 2018	<u>\$ 3,366,422</u>	<u>\$ 12,311,552</u>	<u>\$ 15,677,974</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended September 30, 2018

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 13,311,948	\$ 5,168,815	\$ 18,480,763
Payments to suppliers	(13,672,690)	(2,521,264)	(16,193,954)
Payments to employees	(367,112)	(990,544)	(1,357,656)
Net cash provided by (used in) operating activities	<u>(727,854)</u>	<u>1,657,007</u>	<u>929,153</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY			
Transfers from other funds	-	79,160	79,160
Net cash provided by noncapital financing activity	<u>-</u>	<u>79,160</u>	<u>79,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(2,979,863)	(2,979,863)
Proceeds from the sale of capital assets	-	98,075	98,075
Principal paid on capital debt	-	(194,246)	(194,246)
Interest paid on capital debt	-	(31,858)	(31,858)
Net cash used in capital and related financing activities	<u>-</u>	<u>(3,107,892)</u>	<u>(3,107,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(71,687)	(40,935)	(112,622)
Interest on investments	71,657	40,916	112,573
Net cash used in investing activities	<u>(30)</u>	<u>(19)</u>	<u>(49)</u>
Net change in cash and cash equivalents	(727,884)	(1,371,744)	(2,099,628)
Cash and cash equivalents - October 1, 2017	5,411,042	2,241,664	7,652,706
Cash and cash equivalents - September 30, 2018	<u>\$ 4,683,158</u>	<u>\$ 869,920</u>	<u>\$ 5,553,078</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (768,627)	\$ (51,103)	\$ (819,730)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	9,462	2,278,814	2,288,276
Change in assets and liabilities:			
Accounts receivable	10,909	-	10,909
Inventories	-	(31,047)	(31,047)
Deferred amount related to OPEB obligation	4,048	10,796	14,844
Deferred amount related to pensions	20,596	51,506	72,102
Accounts payable and accrued expenses	(62,103)	(525,121)	(587,224)
Compensated absences payable	1,712	(14,245)	(12,533)
Insurance claims payable	82,980	-	82,980
OPEB obligation	3,191	8,509	11,700
Net pension asset	(30,022)	(71,102)	(101,124)
Total adjustments	<u>40,773</u>	<u>1,708,110</u>	<u>1,748,883</u>
Net cash provided by (used in) operating activities	<u>\$ (727,854)</u>	<u>\$ 1,657,007</u>	<u>\$ 929,153</u>
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES			
Equipment contributed from governmental capital assets	\$ -	\$ 231,061	\$ 231,061
Realized and unrealized loss on investments	<u>\$ (55,316)</u>	<u>\$ (31,586)</u>	<u>\$ (86,902)</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.

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF PLAN NET POSITION
 PENSION TRUST FUNDS
 September 30, 2018

	General Employees' Pension	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
ASSETS				
Cash	\$ 22,440	\$ 2,197	\$ 2,599	\$ 27,236
Investments:				
Money market mutual funds	1,401,069	1,922,533	2,278,465	5,602,067
U.S. Government securities	11,972,811	7,782,744	8,563,685	28,319,240
U.S. Government Agency securities	6,975,662	1,524,948	1,014,959	9,515,569
Mortgage and asset-backed securities	-	383,487	428,724	812,211
Domestic corporate bonds	7,631,112	6,325,725	7,368,164	21,325,001
International fixed income investment fund	5,090,764	3,432,232	3,840,576	12,363,572
Domestic equity securities	15,119,459	26,607,658	33,626,458	75,353,575
Domestic equity mutual funds	5,106,820	6,280,861	4,556,031	15,943,712
Domestic equity index funds	68,021,591	9,665,114	9,469,020	87,155,725
International equity mutual funds	12,167,074	15,018,661	16,998,721	44,184,456
Foreign stocks	136,704	332,000	405,402	874,106
Timber investment funds	-	1,233,254	1,366,847	2,600,101
Real estate investment trusts	-	459,791	511,840	971,631
Real estate investment funds	-	7,617,662	8,442,849	16,060,511
Fixed income alternative investment fund	-	3,356,826	3,720,454	7,077,280
Interest and dividends receivable	108,556	106,212	122,033	336,801
Pending trades receivable	937,390	946,671	1,106,110	2,990,171
Employee contributions receivable	-	39,327	36,014	75,341
City contributions receivable	-	798,813	-	798,813
State contributions receivable	-	786,320	1,074,825	1,861,145
Due from Firefighters' Retirement System	-	87,858	-	87,858
Total Assets	<u>134,691,452</u>	<u>94,710,894</u>	<u>104,933,776</u>	<u>334,336,122</u>
LIABILITIES				
Accounts payable	84,379	71,065	77,623	233,067
Pending trades payable	888,981	529,715	600,024	2,018,720
Due to Police Officers' Retirement System	-	-	87,858	87,858
Total Liabilities	<u>973,360</u>	<u>600,780</u>	<u>765,505</u>	<u>2,339,645</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 133,718,092</u>	<u>\$ 94,110,114</u>	<u>\$ 104,168,271</u>	<u>\$ 331,996,477</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2018

	General Employees' Pension	Police Officers' Retirement System	Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 2,151,438	\$ 5,113,912	\$ 4,374,387	\$ 11,639,737
State of Florida	-	786,320	1,074,825	1,861,145
Plan members	799,106	1,126,780	991,333	2,917,219
Total contributions	<u>2,950,544</u>	<u>7,027,012</u>	<u>6,440,545</u>	<u>16,418,101</u>
Investment earnings				
Net appreciation in fair value of investments	9,636,994	5,187,305	5,927,177	20,751,476
Interest, dividends and investment fund income	3,829,668	2,353,782	2,647,741	8,831,191
Other investment income	3,252	5,915	6,556	15,723
	<u>13,469,914</u>	<u>7,547,002</u>	<u>8,581,474</u>	<u>29,598,390</u>
Less investment expenses - custodian fees	<u>(272,812)</u>	<u>(666,712)</u>	<u>(742,107)</u>	<u>(1,681,631)</u>
Net investment earnings	<u>13,197,102</u>	<u>6,880,290</u>	<u>7,839,367</u>	<u>27,916,759</u>
Total Additions	<u>16,147,646</u>	<u>13,907,302</u>	<u>14,279,912</u>	<u>44,334,860</u>
DEDUCTIONS				
Benefits	7,181,239	7,426,110	7,986,172	22,593,521
Refunds of contributions	126,450	117,462	10,449	254,361
Administrative expenses	73,250	108,929	111,297	293,476
Total Deductions	<u>7,380,939</u>	<u>7,652,501</u>	<u>8,107,918</u>	<u>23,141,358</u>
Change In Plan Net Position	8,766,707	6,254,801	6,171,994	21,193,502
Net Position Restricted for Pension Benefits at October 1, 2017	<u>124,951,385</u>	<u>87,855,313</u>	<u>97,996,277</u>	<u>310,802,975</u>
Net Position Restricted for Pension Benefits at September 30, 2018	<u>\$ 133,718,092</u>	<u>\$ 94,110,114</u>	<u>\$ 104,168,271</u>	<u>\$ 331,996,477</u>

Other Supplementary Information

City of Delray Beach, Florida

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

For the Fiscal Year Ended September 30, 2018

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:				
Taxes:				
Ad valorem	\$ 63,066,609	\$ 63,566,609	\$ 63,702,987	\$ 136,378
Sales and use	1,517,462	1,467,462	1,436,066	(31,396)
Utility	6,576,404	6,751,687	6,661,474	(90,213)
Communications Services Tax	2,968,365	3,078,365	3,181,131	102,766
Business tax receipts	900,000	800,000	883,112	83,112
Total taxes	75,028,840	75,664,123	75,864,770	200,647
Fees and permits:				
Building permits	6,500,000	5,120,000	6,165,855	1,045,855
Franchise fees	5,243,004	5,363,004	5,240,982	(122,022)
Miscellaneous	955,012	2,146,300	2,736,149	589,849
License fees	50,000	50,000	7,041	(42,959)
Total fees and permits	12,748,016	12,679,304	14,150,027	1,470,723
Intergovernmental:				
Federal shared revenue:				
Hazmat Sustainment	65,660	114,882	101,605	(13,277)
Highway Safety Grants	-	20,000	70,000	50,000
Justice Assistance Grants	-	-	129,728	129,728
Total federal shared revenue	65,660	134,882	301,333	166,451
State shared revenue:				
State revenue sharing	2,126,277	2,161,277	2,171,328	10,051
Local government sales tax	5,211,402	5,131,402	5,132,153	751
Alcoholic beverage licenses tax	82,065	82,065	100,012	17,947
Municipal fuel tax refund	52,598	52,598	-	(52,598)
Mobile home licenses tax	-	-	603	603
Fire incentive	73,500	73,500	72,743	(757)
State grants	-	45,000	66,461	21,461
Total state shared revenue	7,545,842	7,545,842	7,543,300	(2,542)
Shared revenue from local units:				
County occupational licenses	107,500	107,500	148,293	40,793
Palm Beach County grants	-	-	36,279	36,279
Total shared revenue from local units	107,500	107,500	184,572	77,072
Total intergovernmental	7,719,002	7,788,224	8,029,205	240,981

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, 2018

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):				
Charges for services:				
General government	\$ 601,364	\$ 871,364	\$ 1,142,188	\$ 270,824
Public safety	8,302,112	8,122,838	7,888,270	(234,568)
Physical environment	123,727	138,727	123,191	(15,536)
Parking	1,885,528	1,940,596	2,121,218	180,622
Culture and recreation	1,649,530	1,233,361	1,007,567	(225,794)
Total charges for services	12,562,261	12,306,886	12,282,434	(24,452)
Fines and forfeitures:				
Court	927,206	1,041,206	1,150,627	109,421
Penalties on licenses and permits	66,076	66,076	85,811	19,735
Violations of local ordinances	195,000	195,000	108,650	(86,350)
Total fines and forfeitures	1,188,282	1,302,282	1,345,088	42,806
Miscellaneous:				
Interest	842,848	884,148	1,223,981	339,833
Rents and special assessments	127,372	127,372	117,244	(10,128)
Sale of capital assets	600	1,423,600	1,432,730	9,130
Contributions and donations	5,902,289	5,530,829	5,029,168	(501,661)
Recovery of administrative costs	4,109,195	3,856,987	3,856,975	(12)
Other	289,549	288,549	238,671	(49,878)
Total miscellaneous	11,271,853	12,111,485	11,898,769	(212,716)
Total revenue	120,518,254	121,852,304	123,570,293	1,717,989
Other financing sources:				
Prior year surplus	-	6,285,521	-	(6,285,521)
Installment agreement	-	-	1,004,607	1,004,607
Transfers in:				
Water and Sewer Fund	3,439,168	3,439,168	2,962,162	(477,006)
Municipal and Lakeview Golf Course Funds	57,183	57,183	57,183	-
City Marina Fund	51,434	51,434	51,434	-
Utilities Tax Fund	1,800	1,800	1,800	-
Sanitation Fund	92,638	92,638	92,638	-
Stormwater Utility Fund	420,837	420,837	307,044	(113,793)
Total transfers in	4,063,060	4,063,060	3,472,261	(590,799)
Total other financing sources	4,063,060	10,348,581	4,476,868	(5,871,713)
Total revenue and other financing sources	\$ 124,581,314	\$ 132,200,885	128,047,161	\$ (4,153,724)
Reconciliation to GAAP basis statements:				
On-behalf payments			1,861,145	
Revenue and other financing sources - GAAP basis			<u>\$ 129,908,306</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, 2018

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:						
City commission	\$ 226,557	\$ 365,033	\$ 259,091	\$ 5,500	\$ 264,591	\$ 100,442
City manager	875,916	967,512	953,049	56,000	1,009,049	(41,537)
Economic development	238,600	238,600	133,701	-	133,701	104,899
Human resources	881,120	907,140	906,785	-	906,785	355
Public information office	70,309	127,109	124,418	-	124,418	2,691
City clerk	864,540	870,102	717,671	21,000	738,671	131,431
Finance	1,940,015	2,292,367	2,119,724	23,417	2,143,141	149,226
Information technology	3,848,728	4,501,830	3,645,233	941,474	4,586,707	(84,877)
City attorney	1,435,333	1,435,333	1,179,382	-	1,179,382	255,951
Purchasing	701,893	701,893	611,322	163	611,485	90,408
Cemetery	320,850	405,271	346,475	6,479	352,954	52,317
Grants and Aids:						
Library	1,453,500	1,453,500	1,453,500	-	1,453,500	-
Other grants and aids	221,700	342,700	342,700	-	342,700	-
Miscellaneous and contingency	806,519	1,581,120	576,512	-	576,512	1,004,608
Transfers to component units	11,768,211	11,768,211	11,731,860	-	11,731,860	36,351
Total general government	25,653,791	27,957,721	25,101,423	1,054,033	26,155,456	1,802,265
Public safety:						
Law enforcement	31,208,430	32,536,553	32,540,343	182,917	32,723,260	(186,707)
Fire control	29,041,964	29,583,733	29,180,837	91,194	29,272,031	311,702
Community improvement administration	1,434,148	1,511,148	1,433,393	15,838	1,449,231	61,917
Planning and zoning	6,723,696	2,118,163	1,286,802	109,135	1,395,937	722,226
Building inspection	1,567,023	2,234,739	2,236,344	-	2,236,344	(1,605)
Code compliance	1,391,897	1,427,715	1,360,965	-	1,360,965	66,750
Total public safety	71,367,158	69,412,051	68,038,684	399,084	68,437,768	974,283
Physical environment:						
Engineering	2,573,512	2,734,985	1,701,869	163,602	1,865,471	869,514
Parking facilities	1,760,334	1,930,875	1,528,728	10,907	1,539,635	391,240
Public works:						
Traffic operations	473,986	473,986	419,511	135	419,646	54,340
Administration	597,800	597,800	585,053	-	585,053	12,747
Street lighting	777,113	819,113	818,193	-	818,193	920
Street maintenance	1,205,249	1,190,376	1,164,099	28,696	1,192,795	(2,419)
Building maintenance	2,175,953	3,210,162	2,257,916	262,699	2,520,615	689,547
Total physical environment	9,563,947	10,957,297	8,475,369	466,039	8,941,408	2,015,889

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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, 2018

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:						
Administration	\$ 885,003	\$ 941,953	\$ 793,716	\$ 32,000	\$ 825,716	\$ 116,237
Out of school program	405,350	405,350	375,049	-	375,049	30,301
Teen center	349,452	349,452	340,761	-	340,761	8,691
Catherine Strong Park	347,930	347,930	318,440	-	318,440	29,490
Community center	307,315	310,315	296,605	-	296,605	13,710
Veteran's park recreation facility	179,883	188,883	188,219	-	188,219	664
Pompey Park recreation facility	893,283	958,283	958,076	8,313	966,389	(8,106)
Parks maintenance	3,766,840	3,799,673	3,557,750	3,763	3,561,513	238,160
Special events	178,138	192,138	191,984	-	191,984	154
Tennis centers	1,278,910	1,532,910	1,396,083	-	1,396,083	136,827
Tennis stadium	2,603,418	2,603,418	2,487,053	-	2,487,053	116,365
Aquatics	547,137	547,137	404,307	-	404,307	142,830
Athletics	513,713	510,713	515,282	-	515,282	(4,569)
Total parks and recreation	12,256,372	12,688,155	11,823,325	44,076	11,867,401	820,754
Debt service:						
Principal retirement	1,835,952	1,835,952	1,505,732	-	1,505,732	330,220
Interest and fiscal charges	188,371	188,371	132,582	-	132,582	55,789
Total debt service	2,024,323	2,024,323	1,638,314	-	1,638,314	386,009
Total expenditures and encumbrances	120,865,591	123,039,547	115,077,115	1,963,232	117,040,347	5,999,200
Other financing uses:						
Transfers out to other funds:						
Neighborhood Services Fund	175,781	175,781	175,781	-	175,781	-
Beautification Fund	930,000	985,000	984,932	-	984,932	68
Utilities Tax Fund	2,060,400	2,060,400	2,060,400	-	2,060,400	-
Capital Improvement Fund	497,095	5,808,550	5,808,550	-	5,808,550	-
Beach Restoration Fund	52,447	52,447	52,447	-	52,447	-
Central Garage Fund	-	79,160	79,160	-	79,160	-
Total other financing uses	3,715,723	9,161,338	9,161,270	-	9,161,270	68
Total expenditures, encumbrances and other financing uses	\$ 124,581,314	\$ 132,200,885	\$ 124,238,385	\$ 1,963,232	126,201,617	\$ 5,999,268
Reconciliation to GAAP basis statements:						
Current year encumbrances outstanding					(1,963,232)	
Prior year encumbrances paid in current year					1,878,312	
On-behalf payments					1,861,145	
Expenditures and other financing uses - GAAP basis					\$ 127,977,842	

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	Governmental		Water and Sewer Revenue Bonds	Installment Agreements	Total Requirements
		Activities Revenue Bonds				
2019	\$ 2,142,108	\$ 8,599,248	\$ 2,160,481	\$ 488,639	\$ 13,390,476	
2020	2,147,006	7,784,758	1,937,403	456,792	12,325,959	
2021	2,139,201	7,775,934	1,951,329	426,835	12,293,299	
2022	2,133,746	7,781,434	1,948,965	397,384	12,261,529	
2023	2,130,461	7,780,209	-	387,566	10,298,236	
2024	2,134,041	7,415,080	-	387,610	9,936,731	
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>\$ 12,826,563</u>	<u>\$ 88,204,968</u>	<u>\$ 7,998,178</u>	<u>\$ 2,544,826</u>	<u>\$ 111,574,535</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
2019	\$ 1,750,000	\$ 392,108	\$ 2,142,108	\$ 10,684,455
2020	1,820,000	327,006	2,147,006	8,537,449
2021	1,880,000	259,201	2,139,201	6,398,248
2022	1,945,000	188,746	2,133,746	4,264,502
2023	2,015,000	115,461	2,130,461	2,134,041
2024	2,095,000	39,041	2,134,041	-
	<u>\$ 11,505,000</u>	<u>\$ 1,321,563</u>	<u>\$ 12,826,563</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			
2019	\$ 895,000	\$ 152,954	\$ 130,383	\$ 130,383	\$ 1,178,337	\$ 5,846,378	5.04%
2020	940,000	130,383	106,677	106,677	1,177,060	4,669,318	5.04
2021	985,000	106,677	81,836	81,836	1,173,513	3,495,805	5.04
2022	1,030,000	81,836	55,860	55,860	1,167,696	2,328,109	5.04
2023	1,080,000	55,860	28,624	28,624	1,164,484	1,163,625	5.04
2024	1,135,000	28,625	-	-	1,163,625	-	5.04
	<u>\$ 6,065,000</u>	<u>\$ 556,335</u>	<u>\$ 403,380</u>	<u>\$ 403,380</u>	<u>\$ 7,024,715</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			
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>\$ 5,440,000</u>	<u>\$ 210,436</u>	<u>\$ 151,412</u>	<u>\$ 5,801,848</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

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2018	\$ 6,418,842	\$ 2,180,406	\$ 8,599,248	\$ 79,605,720
2019	5,766,725	2,018,033	7,784,758	71,820,962
2020	5,934,416	1,841,518	7,775,934	64,045,028
2021	6,122,528	1,658,906	7,781,434	56,263,594
2022	6,311,071	1,469,138	7,780,209	48,483,385
2023	6,142,627	1,272,453	7,415,080	41,068,305
2024	5,865,000	1,082,725	6,947,725	34,120,580
2025	6,050,000	890,526	6,940,526	27,180,054
2026	6,260,000	691,004	6,951,004	20,229,050
2027	2,855,000	573,500	3,428,500	16,800,550
2028	2,945,000	487,850	3,432,850	13,367,700
2029	3,030,000	399,500	3,429,500	9,938,200
2030	3,125,000	304,812	3,429,812	6,508,388
2031	3,225,000	203,250	3,428,250	3,080,138
2032	930,000	98,438	1,028,438	2,051,700
2033	960,000	67,050	1,027,050	1,024,650
2034	990,000	34,650	1,024,650	-
	<u>\$ 72,931,209</u>	<u>\$ 15,273,759</u>	<u>\$ 88,204,968</u>	

Note: Excludes allocable portion of business-type debt from the Revenue Bonds (Series 2000) and Revenue Refunding and Improvement Bonds (Series 2003). Includes all CRA Tax Increment Redevelopment Revenue Bonds.

City of Delray Beach, Florida

Schedule of Revenue Bonds (Series 2000)

Fiscal Year Ending September 30	Serial Bond Principal		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	June 1	December 1	June 1	June 1			
2019	\$ 600,000	\$ 15,735	\$ 15,735	\$ 631,470	\$ -	5.245%	

- 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				
2019	\$ 920,000	\$ 16,831	\$ 16,831	\$	\$ 953,662	\$ -	3.66%

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			
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>\$ 29,000,000</u>	<u>\$</u>	<u>1,457,750</u>	<u>\$ 1,173,550</u>	<u>\$ 31,631,300</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			
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>\$ 37,465,000</u>	<u>\$ 6,139,950</u>	<u>\$ 6,139,950</u>	<u>\$ 49,744,900</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
Debt Service Requirements

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2019	\$ 1,988,016	\$ 172,465	\$ 2,160,481	\$ 5,837,697
2020	1,820,000	117,403	1,937,403	3,900,294
2021	1,880,000	71,329	1,951,329	1,948,965
2022	1,925,000	23,965	1,948,965	-
	\$ 7,613,016	\$ 385,162	\$ 7,998,178	

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				
2019	\$ 185,000	\$ 18,985	\$ 14,511	\$ 218,496	\$ 644,018	4.84%	
2020	195,000	14,511	9,795	219,306	424,712	4.84	
2021	200,000	9,795	4,958	214,753	209,959	4.84	
2022	205,000	4,959	-	209,959	-	4.84	
	<u>\$ 785,000</u>	<u>\$ 48,250</u>	<u>\$ 29,264</u>	<u>\$ 862,514</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				
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>\$ 2,305,000</u>	<u>\$ 64,532</u>	<u>\$ 39,061</u>	<u>\$ 2,408,593</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				
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>\$ 4,310,000</u>	<u>\$ 120,666</u>	<u>\$ 73,041</u>	<u>\$ 4,503,707</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
2019	\$ 432,162	\$ 56,477	\$ 488,639	\$ 2,056,187
2020	410,585	46,207	456,792	1,599,395
2021	390,443	36,392	426,835	1,172,560
2022	370,381	27,003	397,384	775,176
2023	369,380	18,186	387,566	387,610
2024	378,408	9,202	387,610	-
	<u>\$ 2,351,359</u>	<u>\$ 193,467</u>	<u>\$ 2,544,826</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.
- PNC Leasing – Original amount of principal—\$1,004,607, 84-month term, 2.432% interest, payable monthly December 7, 2017 through December 7, 2023, secured by a fire ladder truck.

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			
2019	\$ 1,561,858	\$ 98,276	\$ 98,276	\$ 1,660,134	\$ 3,806,866	2.78 - 4.80 %	
2020	756,725	78,134	78,134	834,859	2,972,007	2.78 - 2.88	
2021	774,416	60,443	60,443	834,859	2,137,148	2.78 - 2.88	
2022	792,528	42,331	42,331	834,859	1,302,289	2.78 - 2.88	
2023	811,071	23,788	23,788	834,859	467,430	2.78 - 2.88	
2024	462,627	4,803	4,803	467,430	-	2.78 - 2.88	
Totals	\$ 5,159,225	\$ 307,775	\$ 307,775	\$ 5,467,000			

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) - \$3,919,225 draws to September 30, 2018 (Series 2012 - Tax-exempt) - \$50,000 draws to September 30, 2018 (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	<ul style="list-style-type: none"> - Serially September 1, 2001 through September 1, 2019 (Series 2004A and 1999A) - Serially September 1, 2018 through October 1, 2023 (Series 2012 and 2015)
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>: 4.2983% until September 1, 2019 - <u>Series 2012</u>: 2.10% on outstanding balance commencing October 1, 2012 and 2.88% on outstanding balance commencing April 1, 2016 - <u>Series 2015</u>: 2.78% on outstanding balance commencing April 1, 2016
Pledged Revenue	<ul style="list-style-type: none"> - Tax increment revenues
Denomination	<ul style="list-style-type: none"> - N/A
Call Features	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Not rated
Project:	<ul style="list-style-type: none"> - 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.

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Financial Trends.....	131
<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.....	145
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	148
<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	152
<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.....	154
<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			
	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 76,546,448	\$ 77,727,858	\$ 78,779,535	\$ 78,326,444
Restricted	10,728,740	13,592,226	6,520,365	1,801,017
Unrestricted (deficit)	23,962,095	21,879,827	26,242,684	35,072,705
Total governmental activities net position	\$ 111,237,283	\$ 113,199,911	\$ 111,542,584	\$ 115,200,166
Business-type activities				
Net investment in capital assets	\$ 66,198,545	\$ 69,465,739	\$ 69,465,739	\$ 76,043,338
Restricted	1,592,060	7,116,700	7,116,700	4,620,831
Unrestricted	43,117,847	39,543,220	39,543,220	43,705,842
Total business-type activities net position	\$ 110,908,452	\$ 116,125,659	\$ 116,125,659	\$ 124,370,011
Primary government				
Net investment in capital assets	\$ 142,744,993	\$ 147,193,597	\$ 148,245,274	\$ 154,369,782
Restricted	12,320,800	20,708,926	13,637,065	6,421,848
Unrestricted	67,079,942	61,423,047	65,785,904	78,778,547
Total primary government net position	\$ 222,145,735	\$ 229,325,570	\$ 227,668,243	\$ 239,570,177

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					
2013	2014	2015	2016	2017	2018
\$ 70,077,233	\$ 69,969,843	\$ 67,883,652	\$ 83,352,304	\$ 94,498,408	\$ 133,947,140
1,618,934	1,745,885	2,991,799	3,102,189	5,747,894	9,743,679
43,858,427	51,496,227	(6,748,871)	(10,566,092)	(16,349,766)	(24,386,173)
<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>	<u>\$ 119,304,646</u>
\$ 79,245,276	\$ 85,086,776	\$ 88,760,143	\$ 97,070,159	\$ 100,024,904	\$ 104,384,378
4,428,595	2,222,394	3,880,165	3,572,645	3,604,806	3,744,085
46,849,014	49,393,057	50,522,734	53,312,727	57,526,842	57,215,688
<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>	<u>\$ 165,344,151</u>
\$ 149,322,509	\$ 155,056,619	\$ 156,643,795	\$ 180,422,463	\$ 194,523,312	\$ 238,331,518
6,047,529	3,968,279	6,871,964	6,674,834	9,352,700	13,487,764
90,707,441	100,889,284	43,773,863	42,746,635	41,177,076	32,829,515
<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>	<u>\$ 284,648,797</u>

CITY OF DELRAY BEACH, FLORIDA

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

Expenses	Fiscal Year			
	2009	2010	2011	2012
Governmental activities:				
General government	\$ 22,331,793	\$ 22,451,901	\$ 18,350,964	\$ 19,076,155
Public safety	54,234,648	56,042,835	56,586,070	54,742,173
Physical environment	9,859,520	8,378,489	7,559,512	7,638,881
Parks and recreation	14,790,100	15,334,070	15,647,602	15,241,008
Economic development	-	-	-	-
Interest on long-term debt	3,278,142	2,863,293	2,701,776	2,551,029
Total governmental activities expenses	<u>104,494,203</u>	<u>105,070,588</u>	<u>100,845,924</u>	<u>99,249,246</u>
Business-type activities:				
Water and Sewer	25,636,462	26,196,959	29,558,007	25,957,121
Municipal Golf Course	2,952,315	3,006,373	2,976,846	2,932,249
Lakeview Golf Course	744,544	669,681	676,158	614,895
City Marina	131,235	137,095	136,955	122,499
Sanitation	4,443,701	4,391,569	4,293,784	4,640,061
Stormwater Utility	1,390,004	1,490,446	1,677,612	1,694,769
Cemetery	-	-	-	-
Total business-type activities expenses	<u>35,298,261</u>	<u>35,892,123</u>	<u>39,319,362</u>	<u>35,961,594</u>
Total primary government expenses	<u>\$ 139,792,464</u>	<u>\$ 140,962,711</u>	<u>\$ 140,165,286</u>	<u>\$ 135,210,840</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 3,216,555	\$ 3,279,505	\$ 3,623,718	\$ 5,651,807
Public safety	6,739,002	7,346,627	7,022,063	7,842,116
Physical environment	971,381	1,371,036	1,419,279	1,605,704
Parks and recreation	1,465,722	1,578,023	1,726,011	2,011,941
Economic development	-	-	-	-
Operating grants and contributions:				
General government	4,645,288	4,930,159	2,529,998	3,432,599
Public safety	1,986,484	1,921,898	1,844,661	2,362,428
Physical environment	24,979	92,887	-	-
Parks and recreation	143,090	89,883	466,706	281,651
Economic development	-	-	-	-
Capital grants and contributions:				
General government	848,436	598,366	414,403	119,652
Public safety	200,900	-	-	-
Physical environment	40,977	160,346	18,424	37,408
Total governmental activities program revenues	<u>20,282,814</u>	<u>21,368,730</u>	<u>19,065,263</u>	<u>23,345,306</u>
Business-type activities:				
Charges for services:				
Water and Sewer	33,445,652	31,861,348	31,962,663	30,855,031
Municipal Golf Course	3,303,511	2,995,351	2,820,197	2,807,593
Lakeview Golf Course	749,367	666,964	666,591	655,175
City Marina	204,467	185,435	209,145	195,627
Sanitation	4,942,922	4,770,585	4,739,150	5,046,386
Stormwater Utility	2,095,636	2,105,069	2,112,375	2,135,445
Cemetery	-	-	-	-
Operating grants and contributions:				
Water and Sewer	1,092,926	386,822	511,829	351,852
Municipal Golf Course	37,040	43,671	51,769	53,799
Lakeview Golf Course	5,985	5,643	5,855	5,443
City Marina	35,653	9,997	1,628	4,682
Sanitation	130,030	780,500	322,010	305,901
Stormwater Utility	17,366	13,260	12,757	12,859
Cemetery	-	-	-	-
Capital grants and contributions:				
Water and Sewer	1,102,611	872,684	713,526	913,308
Municipal Golf Course	-	-	2,762	545
Stormwater Utility	-	-	72,644	-
Total business-type activities program revenues	<u>47,163,166</u>	<u>44,697,329</u>	<u>44,204,901</u>	<u>43,343,646</u>
Total primary government program revenues	<u>\$ 67,445,980</u>	<u>\$ 66,066,059</u>	<u>\$ 63,270,164</u>	<u>\$ 66,688,952</u>
Net (expense)/revenue				
Governmental activities	\$ (84,211,389)	\$ (83,701,858)	\$ (81,780,661)	\$ (75,903,940)
Business-type activities	11,864,905	8,805,206	4,885,539	7,382,052
Total primary government net expense	<u>\$ (72,346,484)</u>	<u>\$ (74,896,652)</u>	<u>\$ (76,895,122)</u>	<u>\$ (68,521,888)</u>

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 18,456,193	\$ 23,014,006	\$ 18,050,754	\$ 22,968,532	\$ 26,679,900	\$ 31,680,429	
57,249,952	58,417,444	62,013,271	65,918,444	70,348,624	75,694,658	
8,110,979	7,984,163	8,143,146	7,714,515	10,366,782	14,065,033	
24,399,517	15,370,063	13,400,031	13,311,802	14,195,210	15,653,597	
-	-	-	-	-	11,244,955	
2,414,349	2,090,947	3,259,673	2,229,468	2,306,897	2,806,144	
<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>	<u>151,144,816</u>	
24,799,536	24,462,318	24,335,317	24,467,001	26,741,734	25,899,650	
3,060,771	3,073,076	2,934,725	3,098,149	2,909,445	2,952,039	
605,393	575,059	556,711	566,898	563,587	593,209	
80,426	93,963	94,090	88,509	107,813	158,492	
4,686,520	4,677,510	6,326,114	3,748,162	5,195,029	6,534,537	
1,660,899	1,476,036	1,631,007	1,546,867	1,893,877	1,889,375	
-	-	-	-	800	3,339	
<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>38,030,641</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>	<u>\$ 189,175,457</u>	
\$ 5,566,254	\$ 6,104,202	\$ 7,583,178	\$ 7,378,380	\$ 10,451,376	\$ 10,051,233	
8,046,157	7,971,996	8,912,161	9,031,132	9,481,433	9,362,635	
1,753,619	1,985,081	2,048,277	2,063,648	1,706,116	2,244,409	
1,766,249	1,860,432	2,125,935	1,825,824	1,686,662	1,448,739	
-	-	-	-	-	424,354	
3,035,452	4,031,439	3,711,327	960,763	3,474,068	5,825,944	
2,280,986	2,162,469	2,717,267	2,604,202	2,123,336	2,310,771	
10,000	-	-	-	-	-	
1,864,383	7,334,572	102,871	210,948	24,990	81,561	
-	-	-	-	-	260,589	
136,689	435,039	615,926	944,673	429,737	2,467,808	
-	-	-	-	-	-	
3,963,421	120,248	-	-	-	-	
<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>	<u>34,478,043</u>	
30,771,956	31,571,968	32,482,206	32,815,643	34,135,162	33,491,651	
2,998,040	3,005,811	3,127,554	3,129,388	3,113,583	2,992,596	
610,313	635,489	662,453	610,903	646,391	637,666	
209,625	243,234	219,286	223,401	239,205	252,524	
5,183,866	4,969,127	4,693,015	4,132,645	4,200,945	4,348,694	
2,158,887	2,128,772	2,108,862	2,111,117	2,160,127	2,181,550	
-	-	-	-	92,890	84,238	
590,080	343,532	55,970	430,950	986,210	701,424	
57,160	60,962	63,652	78,803	58,649	57,985	
5,118	4,612	5,378	8,544	5,649	5,010	
1,914	2,570	2,281	11,743	2,543	1,115	
229,518	207,656	206,278	254,232	235,566	427,388	
388	12,334	23,466	22,986	11,239	-	
-	-	-	-	600	-	
1,808,752	877,588	1,354,457	1,092,373	842,618	1,204,893	
-	-	-	-	-	-	
60,101	48,442	13,294	-	65,810	349,371	
<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>46,736,105</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>	<u>\$ 81,214,148</u>	
\$ (82,207,780)	\$ (74,871,145)	\$ (77,049,933)	\$ (87,123,191)	\$ (94,519,695)	\$ (116,666,773)	
9,792,173	9,754,135	9,140,188	11,407,142	9,384,902	8,705,464	
<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>	<u>\$ (107,961,309)</u>	

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position (Continued)

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 53,984,307	\$ 56,656,596	\$ 47,467,480	\$ 46,224,759
Franchise fees	5,333,561	4,986,589	4,857,533	4,758,027
Utility service taxes	8,958,175	9,038,143	8,777,975	8,805,643
Sales taxes	1,308,213	1,301,502	1,293,963	1,307,897
Local business tax	789,705	616,861	702,394	700,100
Intergovernmental, unrestricted	5,917,818	5,763,694	5,983,120	5,864,142
Investment earnings	322,165	227,535	306,887	275,451
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	8,425,515	7,479,767	7,022,162	8,307,853
Transfers	3,547,891	3,593,799	3,711,820	3,317,650
Total governmental activities	<u>88,587,350</u>	<u>89,664,486</u>	<u>80,123,334</u>	<u>79,561,522</u>
Business-type activities				
Investment earnings	6,897	5,800	29,609	77,359
Gain (loss) on disposal of capital assets	-	-	-	-
Transfers	(3,547,891)	(3,593,799)	(3,711,820)	(3,317,650)
Total business-type activities	<u>(3,540,994)</u>	<u>(3,587,999)</u>	<u>(3,682,211)</u>	<u>(3,240,291)</u>
Total primary government	<u>\$ 85,046,356</u>	<u>\$ 86,076,487</u>	<u>\$ 76,441,123</u>	<u>\$ 76,321,231</u>
Changes in Net Position				
Governmental activities	\$ 11,833,506	\$ 1,962,628	\$ (1,657,327)	\$ 3,657,582
Business-type activities	8,323,911	5,217,207	1,203,328	4,141,761
Total primary government	<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>	<u>\$ (453,999)</u>	<u>\$ 7,799,343</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 47,036,144	\$ 47,695,425	\$ 51,971,057	\$ 56,876,767	\$ 59,282,428	\$ 83,602,342
4,640,568	5,134,527	5,269,680	5,132,170	5,209,446	5,240,982
8,958,647	9,307,370	9,462,152	9,383,744	9,468,782	9,842,605
1,310,488	1,341,267	1,397,627	1,426,451	3,654,505	3,561,644
748,768	737,231	786,579	839,208	911,668	883,112
6,261,001	6,795,748	7,143,751	7,174,725	7,381,660	7,543,300
363,285	258,802	308,589	306,237	873,235	1,852,523
2,240,888	-	29,100	37,765	28,361	-
7,725,615	7,533,386	12,793,025	16,829,794	13,411,235	12,438,792
3,685,290	3,724,750	3,562,620	878,151	2,306,510	3,475,651
<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>	<u>128,440,951</u>
90,795	132,999	270,617	248,146	123,770	75,389
-	16,958	-	15,352	(1,141)	-
<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>(3,475,651)</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>(3,400,262)</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>	<u>\$ 125,040,689</u>
\$ 762,914	\$ 7,657,361	\$ 15,674,247	\$ 11,761,821	\$ 8,008,135	\$ 11,774,178
6,197,678	6,179,342	5,848,185	10,792,489	7,201,021	5,305,202
<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>	<u>\$ 17,079,380</u>

CITY OF DELRAY BEACH, FLORIDA

Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

Accrual Basis of Accounting

Fiscal Year	Property Taxes	Tax Increment Revenue ⁽¹⁾	Franchise Fees	Utility Service Taxes	Sales and Use Tax ⁽²⁾	Local Business Tax	Total
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
2018	63,702,987	19,899,355	5,240,982	9,842,605	3,561,644	883,112	103,130,685

(1) The tax increment revenue is from the Delray Beach Community Redevelopment Agency that was a blended component unit beginning in 2018.

(2) In 2017 the City began receiving the proceeds of a local option sales tax approved by voters for a 10 year period to finance local infrastructure capital projects.

CITY OF DELRAY BEACH, FLORIDA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2009	2010	2011	2012
General fund				
Reserved	\$ 3,992,760	\$ 3,723,755	\$ -	\$ -
Unreserved	19,747,589	20,337,823	-	-
Nonspendable:				
Inventories	-	-	27,178	27,688
Prepaid items	-	-	719,973	828,555
Long-term notes receivable	-	-	3,165,084	3,173,159
Restricted for:				
Capital improvements	-	-	5,984	5,984
Committed for:				
Economic development	-	-	-	1,000,000
Assigned to:				
General government	-	-	151,013	151,304
Public safety	-	-	-	-
Physical environment	-	-	-	-
Parks and recreation	-	-	-	-
Subsequent year's budget	-	-	-	1,600,000
Unassigned	-	-	18,682,823	19,741,367
Total General Fund	<u>\$ 23,740,349</u>	<u>\$ 24,061,578</u>	<u>\$ 22,752,055</u>	<u>\$ 26,528,057</u>
All other governmental funds				
Reserved	\$ 767,398	\$ 789,940	\$ -	\$ -
Unreserved, reported in:				
Capital Project Funds	9,962,213	7,421,960	-	-
Special revenue funds	3,500,989	5,377,312	-	-
Nonspendable:				
Prepaid items	-	-	289	-
Long-term notes receivable	-	-	1,726,988	-
Restricted for:				
Debt service	-	-	505,430	505,178
Law enforcement	-	-	1,066,733	1,000,591
Capital improvements	-	-	-	289,264
Community development	-	-	322,144	985,816
Assigned to:				
Public safety	-	-	130,456	121,420
Parks and recreation	-	-	1,230,965	1,385,951
Capital improvements	-	-	7,629,593	8,155,302
Subsequent year's budget	-	-	-	-
Unassigned				
Special Revenue Funds (deficit)	-	-	(640,364)	-
Total all other governmental funds	<u>\$ 14,230,600</u>	<u>\$ 13,589,212</u>	<u>\$ 11,972,234</u>	<u>\$ 12,443,522</u>

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

	2013	2014	2015	2016	2017	2018	
\$	-	\$	-	\$	-	\$	-
	-	-	-	-	-	-	-
	31,810	22,270	20,467	20,091	18,465	52,610	
	796,362	803,979	912,548	669,738	32,809	60,108	
	3,139,659	3,139,659	7,282,742	3,500	-	-	
	5,984	5,984	5,984	5,985	5,984	5,985	
	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
	209,672	373,543	-	-	152,070	1,054,033	
	-	-	-	-	578,755	399,084	
	-	-	-	-	1,110,890	466,039	
	-	-	-	-	36,597	44,076	
	-	-	-	400,000	-	3,148,441	
	22,864,687	23,700,352	31,843,644	36,984,767	39,273,110	37,908,768	
\$	28,048,174	\$ 29,045,787	\$ 41,065,385	\$ 39,084,081	\$ 42,208,680	\$ 44,139,144	
\$	-	\$	-	\$	-	\$	-
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	-	-	935	750	-	29,314	
	-	-	-	-	-	-	
	520,914	519,593	1,514,496	1,512,898	1,555,006	1,549,816	
	815,232	946,004	1,195,724	1,307,711	1,166,924	1,109,178	
	276,804	274,304	275,595	275,595	34,519,980	36,078,700	
	733,533	556,557	1,890,147	1,995,011	1,618,720	1,715,729	
	126,383	127,523	124,615	137,876	178,284	192,590	
	1,328,551	1,404,962	1,586,977	1,773,431	302,628	281,695	
	12,170,799	20,530,505	22,686,037	17,304,033	17,041,318	24,209,669	
	-	-	-	-	-	6,977,412	
	(11,483)	-	-	-	-	-	
\$	15,960,733	\$ 24,359,448	\$ 29,274,526	\$ 24,307,305	\$ 56,382,860	\$ 72,144,103	

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2009	2010	2011	2012
Revenues				
Taxes	\$ 65,040,400	\$ 63,613,102	\$ 58,241,812	\$ 57,038,399
Licenses and permits	8,393,462	7,848,364	7,957,960	9,534,404
Intergovernmental	12,717,659	12,798,521	10,824,485	11,940,820
Charges for services	8,579,286	9,122,062	9,418,571	11,132,277
Fines and forfeitures	753,473	1,591,354	1,272,073	1,202,914
Miscellaneous	8,683,421	7,624,308	7,285,098	8,550,807
Total revenues	104,167,701	102,597,711	94,999,999	99,399,621
Expenditures				
Current				
General government	21,001,014	20,223,169	17,848,375	17,900,248
Public safety	54,034,021	55,750,747	55,095,307	53,017,993
Physical environment	7,253,871	5,695,353	4,849,851	4,950,217
Parks and recreation	12,491,281	13,044,535	12,874,379	12,759,647
Economic development	-	-	-	-
Capital outlay	8,021,386	6,056,493	4,758,088	4,360,188
Debt service				
Principal retirement	4,553,835	3,357,533	3,490,360	3,734,924
Interest and other fiscal charges	3,134,074	2,873,815	2,723,863	2,574,191
Bond issue costs	-	-	-	-
Total expenditures	110,489,482	107,001,645	101,640,223	99,297,408
Excess of revenues over (under) expenditures	(6,321,781)	(4,403,934)	(6,640,224)	102,213
Other financing sources (uses)				
Bonds issued	-	-	-	-
Bond anticipation note issued	-	-	-	-
Installment agreement issued	260,600	-	-	825,000
Proceeds from sale of capital assets	49,802	22,161	1,903	1,727
Redemption of bonds	-	-	-	-
Transfers in	9,214,199	7,548,409	7,983,124	6,723,835
Transfers out	(5,692,610)	(3,486,795)	(4,271,304)	(3,405,485)
Total other financing sources (uses)	3,831,991	4,083,775	3,713,723	4,145,077
Net change in fund balances	\$ (2,489,790)	\$ (320,159)	\$ (2,926,501)	\$ 4,247,290
Debt service as a percentage of non-capital expenditures	7.50%	6.17%	6.41%	6.65%

	2013	2014	2015	2016	2017	2018
\$	58,054,047	\$ 59,081,293	\$ 63,617,415	\$ 68,526,170	\$ 73,317,383	\$ 97,889,703
	9,281,304	10,431,335	12,124,145	11,364,551	14,557,921	14,150,027
	13,451,822	20,324,228	13,675,216	10,950,638	13,004,054	15,761,576
	11,300,477	11,357,851	12,148,312	12,468,984	12,461,409	13,147,960
	1,191,070	1,267,052	1,666,774	1,597,619	1,515,703	1,474,365
	8,130,876	7,900,378	14,592,475	17,785,403	15,230,734	14,891,618
	101,409,596	110,362,137	117,824,337	122,693,365	130,087,204	157,315,249
	17,639,897	21,181,580	18,948,238	23,125,406	24,211,901	28,034,121
	54,885,089	56,479,283	61,070,530	65,947,616	67,581,678	69,350,959
	5,427,738	5,474,282	5,828,266	5,557,126	7,371,526	10,359,928
	21,758,749	12,942,976	11,718,153	11,936,500	11,973,800	12,652,879
	-	-	-	-	-	11,244,955
	5,367,587	7,184,219	7,950,057	9,839,169	11,806,866	12,658,192
	6,932,904	5,489,848	14,676,629	11,197,870	3,468,713	7,390,732
	2,423,784	2,128,407	2,157,085	2,350,249	2,151,910	2,750,170
	18,574	42,030	620,925	-	70,560	-
	114,454,322	110,922,625	122,969,883	129,953,936	128,636,954	154,441,936
	(13,044,726)	(560,488)	(5,145,546)	(7,260,571)	1,450,250	2,873,313
	2,629,000	8,810,000	42,285,456	-	31,500,000	1,250,000
	11,799,612	6,190,036	1,799,244	-	-	-
	-	-	-	-	-	1,004,607
	889	-	934	790	42,309	1,443,597
	-	(8,767,970)	(25,568,032)	-	-	-
	8,049,046	7,096,181	6,159,463	10,953,739	13,395,520	12,559,561
	(4,396,496)	(3,371,431)	(2,596,843)	(10,644,483)	(11,187,925)	(9,163,070)
	18,082,051	9,956,816	22,080,222	310,046	33,749,904	7,094,695
\$	5,037,325	\$ 9,396,328	\$ 16,934,676	\$ (6,950,525)	\$ 35,200,154	\$ 9,968,008
	8.58%	7.34%	14.64%	11.28%	4.81%	7.15%

CITY OF DELRAY BEACH, FLORIDA

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

Fiscal Year	Property Taxes	Tax Increment Revenue ⁽¹⁾	Utility Service Taxes	Sales and Use Tax ⁽²⁾	Local Business Tax	Total
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
2018	63,702,987	19,899,355	9,842,605	3,561,644	883,112	97,889,703

(1) The tax increment revenue is from the Delray Beach Community Redevelopment Agency that was a blended component unit beginning in 2018.

(2) In 2017 the City began receiving the proceeds of a local option sales tax approved by voters for a 10 year period to finance local infrastructure capital projects.

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	
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
2018	2017	13,031,532,052	308,798,636	5,280,088	13,345,610,776

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
\$ 3,074,589,654	\$ 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%
3,739,167,107	9,606,443,869	7.0900	11,025,497,279	87.13%

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
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
2018	6.8611	0.2289	7.0900	6.7690	4.9023	1.7818	20.5431

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, 2018

	2018				2009			
	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.	\$ 101,964,448	\$ 722,928	1	1.06%	\$ -	\$ -	-	-
Tenet Healthcare Corp	80,404,624	570,069	2	0.84%	51,311,894	351,507	5	0.54%
CO BB Delray Owner LLC	77,399,682	548,764	3	0.81%	-	-	-	-
Granite Worthing LLC	70,868,148	502,455	4	0.74%	-	-	-	-
Citation Club Investors	67,051,532	475,395	5	0.70%	45,527,268	311,880	7	0.53%
Ocean Properties Ltd.	59,491,678	421,796	6	0.62%	38,323,893	262,534	8	0.44%
Alta Congress Owner LLC	57,121,078	404,988	7	0.59%	-	-	-	-
Linton Delray LLC	51,680,580	366,415	8	0.54%	56,358,753	386,080	4	0.71%
MFREVF II SOFA LLC	49,925,568	353,972	9	0.52%	-	-	-	-
Lifespace Communities Inc.	41,169,160	291,889	10	0.43%	-	-	-	-
MS LPC South Congress Holdings, LLC	-	-	-	-	82,307,311	563,838	1	0.99%
Palm Beach County Health Facilities Auth.	-	-	-	-	61,046,946	418,196	2	0.77%
RREEF	-	-	-	-	60,071,383	411,513	3	0.76%
Life Care Retirement Communities, Inc.	-	-	-	-	46,252,628	316,849	6	0.58%
Morse Operations Inc.	-	-	-	-	31,538,888	216,054	9	0.40%
Realty Associates Fund V	-	-	-	-	28,114,709	192,597	10	0.36%
Totals	<u>\$ 657,076,498</u>	<u>\$ 4,658,671</u>		<u>6.85%</u>	<u>\$ 500,853,673</u>	<u>\$ 3,431,048</u>		<u>6.08%</u>

Source: Palm Beach County Property Appraiser's Office

Net Tax Levy:

Fiscal Year 2018	68,138,009
Fiscal Year 2009	54,234,643

City Millage Rate:

Fiscal Year 2018	7.0900
Fiscal Year 2009	6.8504

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
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%
2018	68,138,009	63,682,559	93.46%	20,428	63,702,987	93.49%

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

*Net Tax Levy is for City ad valorem taxes and excludes tax increment revenues received by the CRA.

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			
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	-	180,420	81,926,403	2.71%	1,307
2015	16,435,000	54,939,822	386,854	13,761,371	-	180,420	85,703,467	2.79%	1,357
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
2018	11,505,000	75,524,364	2,170,939	7,613,016	-	180,420	96,993,739	2.81%	1,401

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
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%	62,700	286.60
2015	16,435,000	-	16,435,000	7,239,395,652	0.23%	63,175	260.15
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
2018	11,505,000	40,372	11,464,628	9,606,443,869	0.12%	69,228	165.61

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, 2018*

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 89,200,303	100.00%	\$ 89,200,303
Overlapping:			
Palm Beach County	82,850,000	5.13%	4,250,205
Palm Beach County School District			
Capital Outlay Bond	11,967,000	5.08%	607,924
Certificates of Participation	1,355,973,000	5.08%	68,883,428
Total overlapping debt	1,450,790,000		73,741,557
Total direct and overlapping debt	\$ 1,539,990,303		\$ 162,941,860
Population			69,228
Total direct and overlapping debt per capita			\$ 2,353.70

⁽¹⁾ Estimates based on 2018 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 Expenses ⁽⁴⁾	Current Coverage ⁽⁵⁾
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	32,717,661	19,392,578	13,325,083	434,399	30.67
2016	33,402,805	19,693,777	13,709,028	2,057,854	6.66
2017	35,198,510	21,903,576	13,294,934	2,058,376	6.46
2018	34,240,093	21,342,061	12,898,032	2,058,364	6.27

(1) Includes investment earnings, intergovernmental and rent (excludes capital contributions).

(2) Excludes depreciation expense, interest expense, investment expense, amortization expense and loss on joint venture.

(3) Excludes expenses totaling \$3,085,995 in Fiscal Year 2009 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.

(5) Debt service coverage requirement is 1.1.

CITY OF DELRAY BEACH, FLORIDA

Principal Employers

Current Year and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2018</u>			<u>Fiscal Year 2009</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Delray Medical Center	1,280	1	3.54%	1,516	1	4.49%
Palm Beach County School District	1,079	2	2.99%	-	-	-
Lifespace Communities	950	3	2.63%	-	-	-
City of Delray Beach	846	4	2.34%	-	-	-
Ed Morse Delray Toyota & Scion	350	5	0.97%	350	5	1.04%
Pinecrest Rehabilitation Hospital	300	6	0.83%	300	8	0.89%
Schumacher Automotive Group	250	7	0.69%	-	-	-
Marriott Hotels	250	8	0.69%	-	-	-
Aldridge Connors LLC	230	9	0.64%	-	-	-
Walmart	215	10	0.60%	-	-	-
Publix Supermarkets	-	-	-	432	2	1.28%
Jetflite Inc	-	-	-	425	3	1.26%
Ancco Services	-	-	-	400	4	1.19%
Home Depot	-	-	-	330	6	0.98%
Delray Motors	-	-	-	301	7	0.89%
South County Medical Health Center	-	-	-	300	8	0.89%
Lincoln Mercury Mitsubishi	-	-	-	300	8	0.89%
Totals	<u>5,750</u>		<u>15.92%</u>	<u>4,654</u>		<u>13.80%</u>

Note: Total City Employment for Delray Beach: 2018 36,133 2009 33,780

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⁾
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%
2018	69,228	1,471,150	49,940	3,457,246,320	45.1	7,259	3.1%

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	69	68	68	67	67	59	62.5	72.5	80.5	74
Public Safety										
Community Improvement	5	5	5	5	5	5	7.5	6	12	14
Planning & Zoning	16	16	16	16	16	12.5	14	15	16	16.5
Building Inspection	20	20	20	20	20	16	14	19	20	20
Code Compliance	18	17	17	17	17	15	18.5	18	18	16.5
Law Enforcement	236	242	242	239	229	225	212.5	216.5	222	230.5
Fire Control	154	154	156	155	160	157	173	182.5	186	196
Community Development										
Block Grant	7	7	7	7	7	6	5	9.5	6	6
Insurance	4	4	4	4	4	4	3	4	2	2
City Garage	12	12	12	12	12	12	10	13	14.5	13
Physical Environment										
Public Works	25.5	25.5	25.5	25.5	25.5	27	21.5	20.5	22	36
Engineering	7	7	7	7	7	7	6	6	7	9
Sanitation	4	4	4	4	4	4	4	4	4	3
Stormwater Utility	6	6	6	6.5	6.5	6	5	7	6.5	5
Parks and Recreation	113	113	112	110	105	136	110.5	105	107	112.5
Water & Sewer Utility	117.5	116.5	116.5	118	118	117	111	114	111	92
Total	814.0	817.0	818.0	813.0	803.0	808.5	778.0	812.5	834.5	846.0

CITY OF DELRAY BEACH, FLORIDA

*Capital Asset Statistics by Function
Last Ten Fiscal Years*

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Stations	3	3	3	3	3	3	3	3	2	2
Patrol units	219	219	217	208	181	201	209	212	206	214
Fire										
Fire stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	16	15	16	12	10	10	9	9	12	12
ALS rescue vehicles	9	9	9	9	9	9	9	9	12	12
Leisure Services										
Ballfields - lighted	15	16	16	16	15	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	48	48	48	48	48	48	48	48	48
Parks	17	17	22	22	22	22	23	24	24	59
Roads and Streets										
Lane miles ⁽³⁾	305	305	314	314	321	321	308	308	309	310

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Physical arrests	2,534	2,331	2,620	2,342	2,068	2,012	2,014	1,793	2,262	2,097
Traffic violations	11,249	11,443	11,314	12,393	10,135	10,913	19,702	19,703	17,815	18,472
Fire										
Number of calls	11,905	11,960	12,008	12,282	13,171	13,406	13,255	12,136	16,404	15,877
Parks and Recreation										
Library										
Circulation	274,611	257,950	252,179	237,755	234,029	226,938	191,759	187,400	180,989	170,969
Programs offered	1,224	1,284	1,145	1,194	975	808	791	756	1,506	1,982
Program attendance	33,770	29,237	24,021	25,905	25,052	23,055	24,488	22,232	19,663	26,894
Leisure Services										
Youth athletic participants	20,965	18,125	17,837	24,389	20,238	38,220	35,638	29,573	24,000	36,000
Camp program participants	699	395	352	384	525	382	2,021	1,845	953	900
Class participants	24,700	22,756	28,328	36,556	54,839	59,342	50,747	49,786	36,605	25,000
Water/Sewer Utility										
Water customers	21,156	21,320	21,407	21,596	21,795	22,010	22,132	22,212	20,392	22,556
Water main breaks	442	476	408	442	401	374	477	373	305	268
Sewer customers	21,088	21,225	21,093	20,935	20,950	20,505	20,784	20,329	20,475	19,413
Sewer main breaks	3	2	-	3	-	-	-	1	1	5
Avg daily water consumption (thousands of gallons)	10,944	11,643	11,356	10,953	11,029	10,925	11,000	11,759	12,008	14,960

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

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 unit, 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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated March 20, 2019.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to those charged with governance in a separate management letter dated March 20, 2019.

Purpose of this Report

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

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

West Palm Beach, Florida
March 20, 2019

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2018

Grantor / Program Title	CFDA Number	Grant Number/ Pass-through Entity Identifying Number	2018 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	\$ 58,381	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-16-MC-12-0033	24,139	-
Community Development Block Grants/Entitlement Grants	14.218	B-17-MC-12-0033	<u>267,078</u>	<u>68,915</u>
Total U.S. Department of Housing and Urban Development			349,598	68,915
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Award				
Bulletproof Vest Partnership Program	16.607	2017-BUBX-17085567	<u>14,088</u>	<u>-</u>
Total U.S. Department of Justice			14,088	-
U.S. Department of Transportation				
Pass-through Award from the State of Florida Department of Transportation				
Highway Planning and Construction	20.205	G0K27	497,895	-
Highway Planning and Construction	20.205	G0R54	234,560	-
State and Community Highway Safety Program	20.600	G0P26	50,000	-
National Priority Safety Programs	20.616	G0Q45	<u>20,000</u>	<u>-</u>
Total U.S. Department of Transportation			802,455	-
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-U5-10-60-01-111	278,805	-
Homeland Security Grant Program	97.067	17-DS-V4-10-60-23-380	21,686	-
Homeland Security Grant Program	97.067	18-DS-X1-10-60-23-374	<u>6,431</u>	<u>-</u>
Total U.S. Department of Homeland Security			306,922	-
Total Federal Awards			<u>\$ 1,473,063</u>	<u>\$ 68,915</u>

See notes to schedule of expenditures of federal awards.

City of Delray Beach, Florida

Notes to Schedule of Expenditures of Federal Awards

September 30, 2018

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, 2018. 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, 2018 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, 2018. 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 opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

West Palm Beach, Florida
March 20, 2019

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified Opinion*

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Award Programs

Internal control over major Federal Award Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes No

Type of auditor's report issued on compliance for major Federal Award Programs: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? 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

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

\$ 750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

None

SECTION IV - OTHER MATTERS

A Corrective Action Plan is not required because there were no audit findings reported.

CITY OF DELRAY BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2018

A. FINANCIAL STATEMENT FINDINGS

Finding
Number

Finding

MATERIAL WEAKNESSES

2016-001 Bank Reconciliations

2016 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.

2017 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.

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.

Current Status: Bank reconciliations were prepared and reviewed in a timely manner during 2018. This finding was resolved and requires no further action by management.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

A. FINANCIAL STATEMENT FINDINGS (Continued)

Finding
Number

Finding

MATERIAL WEAKNESSES (Continued)

2016-002 Pension Plan Reconciliations

2016 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.

2017 Condition: 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.

Recommendation: 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.

Current Status: The City reconciled the pension plans' investment activity to the general ledger on a monthly basis. This finding was resolved and requires no further action by management.

2017-001 Vendor Master File Changes

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.

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

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

A. FINANCIAL STATEMENT FINDINGS (Continued)

Finding
Number

Finding

MATERIAL WEAKNESSES (Continued)

2017-001 Vender Master File Changes (Continued)
(Continued)

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 of its purchasing and accounts payable functions.

Current Status: This finding was resolved and requires no further action by management.

2017-002 Schedule of Expenditures of Federal Awards

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.

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.

Current Status: The SEFA was accurately prepared for 2018 in accordance with the Uniform Guidance. This finding was resolved and requires no further action by management.

SIGNIFICANT DEFICIENCIES

2016-003 Financial Closing and Reconciliation Procedures

2016 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

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

A. FINANCIAL STATEMENT FINDINGS (Continued)

Finding
Number

Finding

SIGNIFICANT DEFICIENCIES (Continued)

2016-003 Financial Closing and Reconciliation Procedures (Continued)
(Continued)

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.

2017 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.

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.

Current Status: This finding was resolved and requires no further action by management.

2017-003 Purchasing Cards

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

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

For the Fiscal Year Ended September 30, 2018

A. FINANCIAL STATEMENT FINDINGS (Continued)

Finding
Number

Finding

SIGNIFICANT DEFICIENCIES (Continued)

**2017-003 Purchasing Cards (Continued)
(Continued)**

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.

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.

Current Status: This finding was resolved and requires no further action by management.

2017-004 Cash Disbursements and Internal Controls

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.

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.

Current Status: This finding was resolved and requires no further action by management.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

A. FINANCIAL STATEMENT FINDINGS (Continued)

<u>Finding Number</u>	<u>Finding</u>
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SIGNIFICANT DEFICIENCIES (Continued)

2017-005 Revenue Reconciliation

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.

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.

Current Status: The City is now reconciling all revenue sources each day. This finding was resolved and requires no further action by management.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

B. FINDINGS – FEDERAL AWARD PROGRAMS

<u>Finding Number</u>	<u>Finding</u>
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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**

**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 the 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.

Current Status: This finding was resolved and requires no further action by management.

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 file changes and provide for adequate segregation of duties.

Current Status: This finding was resolved and requires no further action by management.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

B. FINDINGS – FEDERAL AWARD PROGRAMS (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.

Current Status: This finding was resolved and requires no further action by management.

2017-009 Cash Disbursements and Internal Control

Significant Deficiency: As discussed in Finding 2017-004, cash disbursement internal control procedures do not provide for the review and approval of the preliminary 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.

Current Status: This finding was resolved and requires no further action by management.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

B. FINDINGS – FEDERAL AWARD PROGRAMS (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**

2017-010 Activities Allowed or Unallowed

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.

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

Current Status: This finding was resolved and requires no further action by management.

2017-011 Special Tests and Provisions

Condition: The City could not provide certified payrolls from the contractor to demonstrate compliance with the requirements of wage rate and Department of Labor (DOL) regulations and requirements that the contractor's employees be paid a prevailing wage rate for the area or location. The City was not monitoring the grant contract for this requirement.

Recommendation: 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.

Current Status: This finding was resolved and requires no further action by management.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2018

B. FINDINGS – FEDERAL AWARD PROGRAMS (Continued)

<u>Finding Number</u>	<u>Finding</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>Condition:</i> The City did not file the Federal Financial Reports as required.</p> <p><i>Recommendation:</i> We recommend that the City file these reports by the required due dates.</p> <p><i>Current Status:</i> This finding was resolved and requires no further action by management.</p>
2017-013	<p>Allowable Costs/Allowable Activities</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>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>Current Status:</i> This finding was resolved and requires no further action by management.</p>

Management Letter



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Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the City of Delray Beach, Florida (the “City”), as of and for the year ended September 30, 2018, and have issued our report thereon dated March 20, 2019.

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 March 20, 2019, 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 2017 schedule of findings and questioned costs and our management letter dated June 27, 2018. Accordingly, the following findings are considered resolved or no longer applicable:

- 2016-001 Bank Reconciliations
- 2016-002 Pension Plan Reconciliations
- 2016-003 Financial Closing and Reconciliation Procedures
- 2016-005 Parking tickets and EMS Billing

- 2016-009 Investment Policy Compliance
- 2017-001 Vendor Master File Changes
- 2017-002 Schedule of Expenditures of Federal Awards
- 2017-003 Purchasing Cards
- 2017-004 Cash Disbursements and Internal Controls
- 2017-005 Revenue Reconciliation
- 2017-006 Bank Reconciliations – Highway Planning and Construction Grant CFDA #20.205 and Disaster Grants-Public Assistance (Hurricane Matthew) CFDA#97.036
- 2017-007 Vendor Master File – Highway Planning and Construction Grant CFDA #20.205 and Disaster Grants-Public Assistance (Hurricane Matthew) CFDA#97.036
- 2017-008 Schedule of Expenditures of Federal Awards – Highway Planning and Construction Grant CFDA #20.205 and Disaster Grants-Public Assistance (Hurricane Matthew) CFDA#97.036
- 2017-009 Cash Disbursements and Internal Control – Highway Planning and Construction Grant CFDA #20.205 and Disaster Grants-Public Assistance (Hurricane Matthew) CFDA#97.036
- 2017-010 Activities Allowed or Unallowed – Highway Planning and Construction Grant CFDA #20.205
- 2017-011 Special Test and Provisions – Highway Planning and Construction Grant CFDA #20.205
- 2017-012 Reporting – Disaster Grants-Public Assistance (Hurricane Matthew) CFDA#97.036
- 2017-013 Allowable Costs/Allowable Activities – Disaster Grants-Public Assistance (Hurricane Matthew) CFDA#97.036
- 2017-014 Payroll Internal Controls
- 2017-015 Utility Billing Internal Controls
- 2017-018 Monthly Financial Reporting
- 2017-019 Capital Asset Disposals
- 2017-020 Deferred Retirement Option Plan
- 2017-021 Policies and Procedures Manual
- 2017-022 Residential Housing Loan Programs
- 2017-023 Journal Entry Documentation and Approval
- 2017-024 Banking Agreements
- 2017-025 Central Garage Internal Service Fund

Our prior year findings 2017-016 *IT Administrator Rights* and 2017-017 *IT Security* noted in the 2017 Management Letter were rejected by the City and no longer apply.

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, 2018.

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, 2018. 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. The results of our procedures disclosed no matters that are required to be reported.

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 2018 audit, we have the following recommendations:

2018-001 IT System Improvements

Criteria: City IT systems should be secure from unauthorized access.

Conditions: We noted the following opportunities to improve security controls over the City's IT systems:

1. The City prepares regular backup copies of IT information, however the backup copies are not currently encrypted. Although the backup copies are never outside of the direct control of the IT Department, best practices generally recommend that all backup copies of IT systems be encrypted as an additional layer of security.
2. The City has purchased an automated patch management system to install necessary security patches to all desktop computers as the patches are issued by software companies. The City's automated system was disabled for a period of time and has recently been restored, but not all desktop computers have been patched. The installation of security patches should be a high priority to protect the City's IT systems.
3. Some of the City's IT systems have been verified as PCI compliant but there are other systems that have not been reviewed to date.

Cause: Additional steps to enhance IT security could be taken.

Effect: Security vulnerabilities could be exploited to gain unauthorized access to the City's IT systems.

Recommendations: We recommend the following:

1. All backup copies should be encrypted.
2. The installation of security patches should be a high priority task that is completed for all desktop computers within 30 days.
3. Password resets should be based on a formal authorization system rather than verbal requests from users.
4. PCI compliance should be verified for all City IT systems.

2018-002 Recording Leased Capital Assets

Criteria: The City should record all capital assets purchased.

Conditions: The City contracted to purchase a fire truck for approximately \$1 million during the prior year and paid a deposit for the purchase. The fire truck was financed with a capital lease installment agreement that was finalized when the fire truck was delivered to the City in the current fiscal year. The fire truck was entered into the detailed capital asset records and assigned a property control number at the time of delivery, however, the purchase was not recorded as a capital outlay of the General Fund and was not recorded and depreciated in the general fixed asset account group.

Cause: The balance of the purchase price was paid through a capital lease installment agreement and therefore did not require a cash payment by the City upon delivery of the asset.

Effect: A major capital asset purchase was not recorded in the City's fund accounting system.

Recommendation: The City should review the reconciliation procedures for capital assets to ensure the proper internal controls are in place to reconcile the detail property records to the current year capital asset purchases and disposals.

2018-003 Capital Asset Disposal Documentation

Criteria: The City should establish internal controls to ensure that all capital asset disposals are properly recorded.

Conditions: The City amended the Administrative Policy for Capital Assets on September 25, 2017 to change certain approvals and documentation for capital assets dispositions. The prior policy included the use of a *Property Disposition and Release of Custody Form* to be completed and approved prior to the disposal of a capital asset. The form was eliminated in the revised policy adopted September 25, 2017, however, there was no effective replacement procedure or control to ensure the capital asset disposals are properly reported to the Finance Department.

Cause: Following the modification of the policy on September 25, 2017, there was not an effective method to document the approval and reporting of capital asset disposals.

Effect: Without the *Property Disposition and Release of Custody Form* there is no internal control in place to verify the disposal of a capital asset.

Recommendation: We recommend that the City review the procedures in place for approval and reporting of capital asset disposals to ensure that all capital asset disposals are documented, approved and reported to the Finance Department. The City should consider updating and utilizing the prior *Property Disposition and Release of Custody Form* for this purpose and including the form in an update to the Administrative Policy for capital assets.

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.

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

West Palm Beach, Florida
March 20, 2019

March 29, 2019

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, 2018

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

2018-001 IT System Improvements

Management agrees with the recommendations and the IT Department has already addressed or plans to address the items as follows:

1. **Encryption of Backups:** We have researched this and have found that our current backup product, Veeam, has an included encryption option. We have designed a scheme for key management that will provide a way to retrieve and unencrypt these backups in the event of disaster and will be implementing this in fiscal year 2019.
2. **Patching Systems:** Our patch system has been turned back on. As of today, about half of our desktops have been patched up to date. We have scheduled about 100 per evening, but we have only addressed about half of our PC population thus far because machines were being powered down at night. Our target is to have this completely addressed by September 30, 2019.
3. **Password Resets:** Identifying users that request password changes is solved by implementing two factor authentication (TFA) and a tool such as ManageEngine's ADSelfService. IT is investigating these tools and will select one and deploy before September 30, 2019. We have been told that Microsoft is including TFA with our level of Enterprise Agreement, but we are not certain that the availability is within our time line.
4. **PCI Compliance:** In June, our in-house Selectron system (the only payment card system in IT) moves to the PCI Compliant online Selectron system. The current system had been updated for security by Selectron in 2017 – online payments flow directly to Selectron, which invokes a PayPal transaction to pay the City. Currently no payer/payment data resides on any other IT systems. Payment window systems at Utility Billing, Building, Business Tax and Code Enforcement use direct to bank scanning devices provided by PNC Bank. No payer or payment data is held on any City system.

2018-002 Recording Leased Capital Assets

Management agrees with the recommendation. The City's Finance Department will review the reconciliation process to ensure that all leased capital assets and acquisitions are properly recorded in the fixed assets module. We will also ensure that the expense is recognized as a capital outlay, and the asset and depreciation are recorded in the general fixed assets account group.

2018-003 Capital Asset Disposal Documentation

Management agrees with the recommendation. The City's Finance Department will review the procedures in place for capital asset disposal reporting and will update the *Property Disposition and Release of Custody Form*. In addition, the City will revise the Administrative Policy for Capital Assets to include the updated form in the revised policy.

Respectfully submitted,



Laura Thezine CPA, CGFO
Acting Finance Director



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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, during the year ended September 30, 2018. Management of the City of Delray Beach (the "City") is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Delray Beach complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2018.

This report is intended to describe our testing of compliance with Section 218.415, Florida Statutes, and is not suitable for any other purpose.

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

West Palm Beach, Florida
March 20, 2019