

City of Delray Beach, Florida

Comprehensive Annual Financial Report

for Year Ended September 30, 2016



COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Delray Beach, Florida

Year Ended September 30, 2016
with Report of Independent Certified Public Accountants

Comprehensive Annual Financial Report

City of Delray Beach, Florida

Year Ended September 30, 2016
with Report of Independent Certified Public Accountants

Prepared by the
Finance Department

City of Delray Beach, Florida
Comprehensive Annual Financial Report
Year Ended September 30, 2016

Contents

I. INTRODUCTORY SECTION

Transmittal Letter	i
Certificate of Achievement	v
List of Principal Officials	vi
City of Delray Beach Organizational Chart	vii

II. FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	17
Statement of Activities	18

Fund Financial Statements

Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27

Notes to Financial Statements	28
-------------------------------------	----

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	79
Budgetary Comparison Schedule – Neighborhood Services Fund	80
Notes to Budgetary Comparison Schedules	81
Pension Funds	
Schedules of Changes in the Net Pension Liability and Related Ratios	82
Schedules of Net Pension Liability	85
Schedules of City Contributions	86
Schedules of Investment Returns	87
Schedules of Other Postemployment Benefits (OPEB) Funding Progress	88

City of Delray Beach, Florida
Comprehensive Annual Financial Report
Year Ended September 30, 2016

Contents

II. FINANCIAL SECTION (Continued)

Combining And Individual Fund Statements And Schedules

Non-Major Governmental Funds

Descriptions	89
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	91

Non-Major Enterprise Funds

Descriptions	92
Combining Statement of Net Position	93
Combining Statement of Revenues, Expenses, and Changes in Net Position	94
Combining Statement of Cash Flows	95

Internal Service Funds

Descriptions	96
Combining Statement of Net Position	97
Combining Statement of Revenues, Expenses, and Changes in Net Position	98
Combining Statement of Cash Flows	99

Fiduciary Funds

Descriptions	100
Combining Statement of Plan Net Position – Pension Trust Funds	101
Combining Statement of Changes in Plan Net Position – Pension Trust Funds	102

Other Supplementary Information

General Fund

Schedule of Revenue and Other Financing Sources – Budget and Actual	103
Schedule of Expenditures, Encumbrances and Other Financing Uses – Compared with Appropriations	105

Debt Service Requirements

Summary Schedule of Debt Service Requirements (Principal and Interest) to Maturity	107
Combined Schedule of General Obligation Bond Debt Service Requirements	108
Schedule of General Obligation Bonds (Series 2005)	109
Schedule of General Obligation Bonds (Series 2013)	110
Combined Schedule of Revenue Bond and Note Debt Service Requirements (Principal and Interest)	111
Schedule of Revenue Bonds (Series 2000)	112
Schedule of Revenue Refunding and Improvement Bonds (Series 2003)	113
Schedule of Utilities Tax Revenue Refunding and Improvement Bonds (Series 2015)	114

City of Delray Beach, Florida
Comprehensive Annual Financial Report
Year Ended September 30, 2016

Contents

II. FINANCIAL SECTION (Continued)

Other Supplementary Information (Continued)

Debt Service Requirements (Continued)

Combined Schedule of Water and Sewer Revenue Bonds	115
Schedule of Water and Sewer Revenue Bonds (Series 2006B)	116
Schedule of Water and Sewer Refunding Revenue Bonds (Series 2011A)	117
Schedule of Water and Sewer Revenue Refunding Bonds (Series 2011B)	118
Schedule of Installment Agreements (Capital Leases)	119
Combined Schedule of Community Redevelopment Agency Tax Increment Redevelopment Revenue Bonds (Series 2004, Series 1999 and Series 2012)	120

III. STATISTICAL SECTION

Descriptions	121
---------------------------	-----

Financial Trends

Net Position by Component	122
Changes in Net Position	124
Governmental Activities Tax Revenues by Source	128
Fund Balances of Governmental Funds	129
Changes in Fund Balances of Governmental Funds	131
General Governmental Tax Revenues by Source	133
Assessed Value and Estimated Actual Value of Taxable Property	134

Revenue Capacity

Property Tax Rates - Direct and Overlapping Governments	136
Principal Property Taxpayers	137
Property Tax Levies and Collections	138

Debt Capacity

Ratios of Outstanding Debt by Type	139
Ratios of General Bonded Debt Outstanding	140
Direct and Overlapping Governmental Activities Debt	141
Water and Sewer Pledged Revenue Coverage	142

Demographic and Economic Information

Principal Employers	143
Demographic and Economic Statistics	144

Operating Information

Full-time Equivalent Government Employees by Function	145
Capital Asset Statistics by Function	146
Operating Indicators by Function	147

City of Delray Beach, Florida
Comprehensive Annual Financial Report
Year Ended September 30, 2016

Contents

IV. COMPLIANCE SECTION

**Compliance With the Single Audit Act and the Rules of the Auditor
General for the State of Florida**

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 <i>Government Auditing Standards</i>	148
Schedule of Expenditures of Federal Awards.....	150
Notes to Schedule of Expenditures of Federal Awards	151
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	152
Schedule of Findings and Questioned Costs - Federal Award Programs.....	154
Corrective Action Plan.....	158
Management Letter	160
City Response to Management Letter.....	166
Independent Accountant's Report on Investment Compliance.....	168

Introductory Section

CITY OF DELRAY BEACH



100 N.W. 1st AVENUE

• DELRAY BEACH, FLORIDA 33444

• 561/243-7000

April 24, 2017

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, 2016. 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 CAFR is published to fulfill that requirement.

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

Caler, Donten, Levine, Cohen, Porter & Veil, P.A., Certified Public Accountants, have issued an unmodified opinion on the financial statements of the City of Delray Beach for the year ended September 30, 2016. The independent auditor’s report is located at the front of the financial section of this CAFR. Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE CITY OF DELRAY BEACH

Profile

The City of Delray Beach is a political subdivision of the State of Florida and is located in the southeastern part of the state in Palm Beach County on the Atlantic shoreline. Delray Beach was first settled as an agricultural community in 1895 and first incorporated in 1911. It was later incorporated as the City of Delray Beach on May 11, 1927. The City has a current estimated permanent population of approximately 64,000 with an additional estimated 12,600 seasonal residents.

The City of Delray Beach is a full service city with a Commission-Manager form of local government. The citizens elect a Mayor at large on a non-partisan basis every three (3) years who presides over four (4) Commissioners who are elected at large on a non-partisan basis for three (3) year terms in alternating years. The City Commission sets policy, approves legislation, adopts the Annual Budget, and sets rates and fees. The City Commission appoints the City Manager, who is the chief administrative officer of the

City, and the City Attorney, who acts on all legal matters pertaining to the City. The City Manager is charged with overseeing the daily business of the City and is responsible for the supervision of the City departments and employees. Department Heads serve at the pleasure of the City Manager and other employees are covered by either Civil Service regulations or union agreements.

Services Provided

The City of Delray Beach provides a full range of community services including public safety (police, fire protection and rescue services); parks and recreation (beaches, pools, marina, boat ramps, parks and multiple recreation centers); and public works (traffic, street maintenance and parking). Other recreational amenities of the City include golf courses, tennis courts and the tennis stadium.

The Environmental Services Department provides water and sewer, stormwater, engineering and construction services. The Community Improvement Department provides building permits, inspections, code enforcement, garbage and trash services, and administers the City's Community Development Block Grants. The City also provides general administrative services and financial support services. The City provides water, fire protection, emergency medical services, police dispatch services, building inspection and permitting, and limited sewer services to the Town of Gulfstream. Fire protection and emergency medical services, and limited water services are provided to the Town of Highland Beach. Both towns are serviced on a contractual basis.

Reporting Entity

This report includes all funds of the primary government (City of Delray Beach) and all organizations and component units for which the City is financially accountable, including the Community Redevelopment Agency ("CRA"), Downtown Development Authority ("DDA"), and South Central Regional Wastewater Treatment and Disposal Board ("SCRWTDB"), which was established as a joint venture with equity interests between the cities of Delray Beach and Boynton Beach.

Budgetary Control

The City maintains a system of budgetary controls within its accounting and financial management systems. The objective of these budgetary controls is to monitor compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. In accordance with state laws, the Approved Budget is posted on the City's website within 30 days of adoption. Appropriated budgets are legally required to be adopted for the general fund. Non-appropriated budgets, which are not legally required to be adopted, are also prepared for special revenue funds, enterprise funds and internal service funds. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the departmental level.

As part of the budgetary control system, an encumbrance system is utilized. An encumbrance is a commitment (purchase order) to acquire goods or services that have not yet been paid for. For operating purposes, outstanding encumbrances lapse at fiscal year-end and are then reappropriated as part of the new year budget. Blanket purchase orders are closed at fiscal year-end and are not reappropriated.

Economic Conditions and Outlook

The City maintains a good financial condition based on planning and fiscal controls. Standard & Poor's rates the City's outstanding General Obligation bonds AAA.

The decrease in taxable assessed values that began in 2009 has reversed, with significant growth beginning in 2013. The 2016 tax roll had an increase of 10.2%, although the total assessed value has not yet returned to the 2008 level. We expect this positive economic trend to continue.

CURRENT MAJOR INITIATIVES

Beautification Project

In 2015, a ribbon cutting ceremony was held to celebrate the completion of the US1/Federal Highway Beautification Project, stretching from just south of SE 10th Street to just north of George Bush Boulevard. Construction of the first phase of the NE 2nd Avenue Beautification Project was completed. This phase stretches from NE 4th Street to George Bush Boulevard. The project provides a safer corridor for pedestrians, cyclists, and vehicles as well as lighting and landscape improvements. Future phases of this project will take these improvements to the Boynton Beach boundary.

Economic Development

During fiscal year 2016, the Office of Economic Development “OED” assisted 14 announced projects, which leveraged more than \$3.5 million of private investment, impacting 431 jobs and 60,590 SF of commercial space. OED assisted 6 firms with \$46,215 in grant and incentive funding, and provided support to working groups related to the activation of municipal and institutional properties, nonprofits, shared workspaces, and entrepreneurship.

OED served as the project lead for the Congress Avenue Task Force, which delivered a report to the City Commission consisting of 13 recommendations for action, to advance and promote strategic investments along the 4.1-mile corridor that will enhance the tax base, attract jobs, and grow industry within Delray Beach. The City has seen a surge of private investment along Congress Avenue since the acceptance of the report. In 2016, PetMed Express announced an \$18.5 million acquisition to relocate its corporate headquarters and distribution center to Delray Beach, while Call 4 Health also relocated its corporate headquarters and call center and invested approximately \$600,000 in a facility to support their growing operations. The City is also seeing progress on a 42-acre mixed-use site that has been dormant for more than 10 years, with private owners now moving forward with redevelopment plans as a result of the Commission’s support of the Congress Avenue report.

In 2016, OED again led the City’s second annual “We ♥ Small Biz Month” to celebrate the collective impact of small businesses on the economy and to highlight the growing ecosystem of support formed by local economic development partners. The initiative included a series of seminars, networking events, and business walks as part of the City’s ongoing business retention and expansion efforts through the G.E.A.R. (Grow, Expand and Retain) Program.

FINANCIAL INFORMATION

Internal Accounting Controls

In the development and evaluation of the City's accounting and financial reporting systems, consideration is given to the adequacy and accuracy of the internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance that the assets of the City are safeguarded against loss from unauthorized use or disposition and that there are reliable financial records for the preparation of financial statements and for the accountability of those assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations utilize these criteria. Management believes that the City's system of internal accounting controls adequately safeguards the assets of the City and provides reasonable assurance of the proper recording of financial transactions.

Single Audit

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

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

The results of the City's single audit for the fiscal year ended September 30, 2016 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, 2015. This was the 33rd consecutive year the City received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our current report meets the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

A Comprehensive Annual Financial Report of this type and depth, illustrating the results of operations of the entire City and its various diversified funds and activities, could not have been prepared so completely and professionally without the dedication and commitment of the entire Finance Department, coordinated by the City's Chief Accounting Officer. Their technical expertise and concerted efforts were truly evident in the audit process. Their assistance and cooperation have allowed us to prepare, on a timely basis, a report which gives its readers a comprehensive view of the City's financial and economic position.

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

Respectfully submitted,



Laura Thezine, CPA
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, 2015

Executive Director/CEO

CITY OF DELRAY BEACH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2016

CITY COMMISSION

Mayor Cary Glickstein

Vice-Mayor Al Jacquet

Deputy Vice-Mayor Jordana L. Jarjura

Commissioner Mitchell J. Katz

Commissioner Shelly Petrolia

CITY STAFF

City Manager Donald B. Cooper

Assistant City Manager Francine Ramaglia

Assistant City Manager David E. Scott

City Attorney Janice Rustin

City Clerk Chevelle D. Nubin

Community Improvement Director Michael A. Coleman

Environmental Services Director John J. Morgan, Jr.

Chief Financial Officer Jack Warner

Fire Chief Neal deJesus

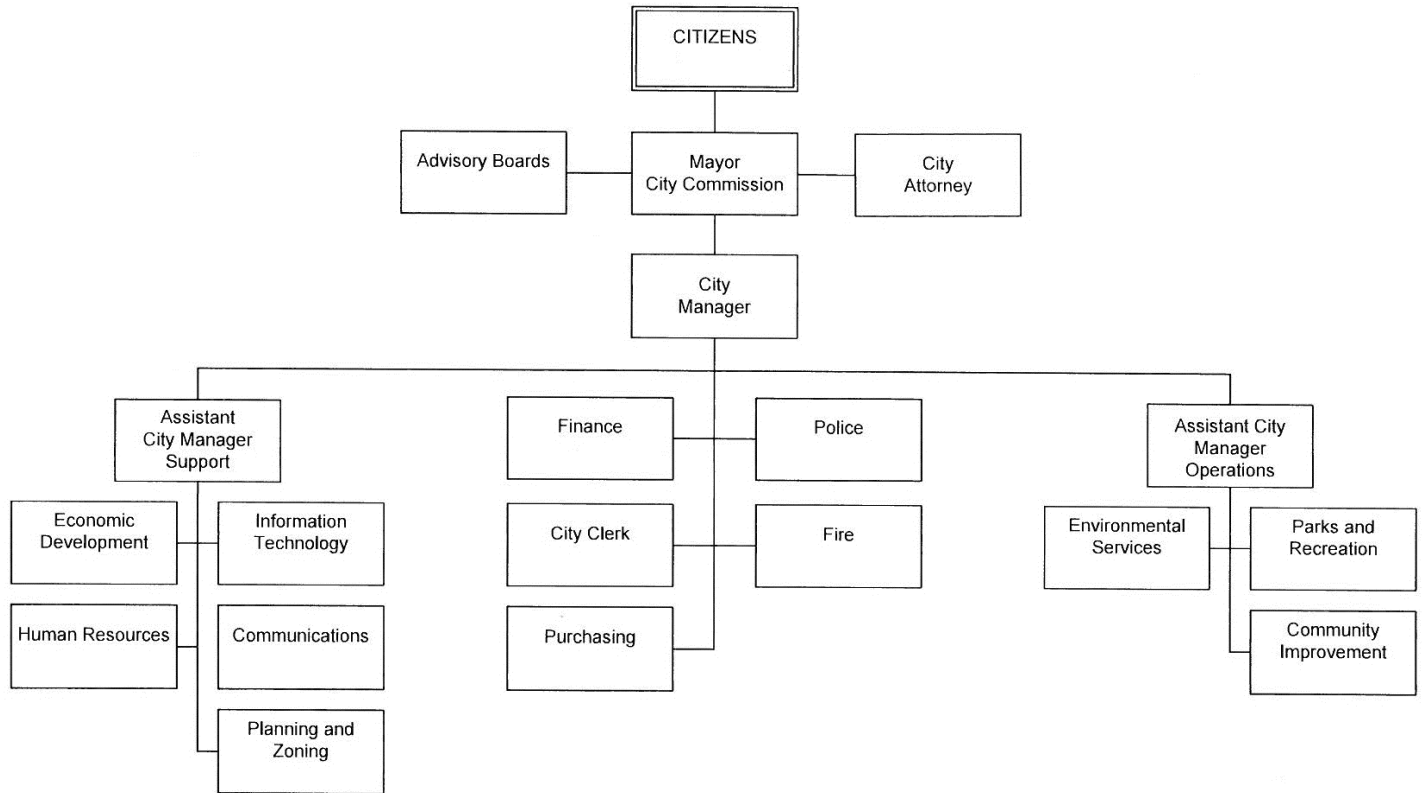
Human Resources Director Tennille Decoste

Parks and Recreation Director Suzanne F. Fisher

Planning and Zoning Director Timothy Stillings

Police Chief Jeffrey S. Goldman

City Organizational Chart



Financial Section



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

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Delray Beach, Florida (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police and Firefighters' Retirement System Fund, a fiduciary fund of the City, which represents 55%, 55% and 32%, respectively, of the assets, net position/fund balances and revenues/additions of the aggregate remaining fund information of the City, and the Delray Beach Downtown Development Authority, a discretely presented component unit of the City, which represents .4%, .5% and 4.7%, respectively, of the assets, net position and revenues of the City's discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Police and Firefighters' Retirement System Fund and Delray Beach Downtown Development Authority, are based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Police and Firefighters' Retirement System Fund, which were audited by another auditor, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Delray Beach, Florida, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 16 and the budgetary comparison schedule, pension information and other postemployment benefits information on pages 79 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, the other supplementary information and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund financial statements and schedules, the other supplementary information, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2017, on our consideration of the internal control over financial reporting of the City of Delray Beach, Florida, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance of the City of Delray Beach, Florida.

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

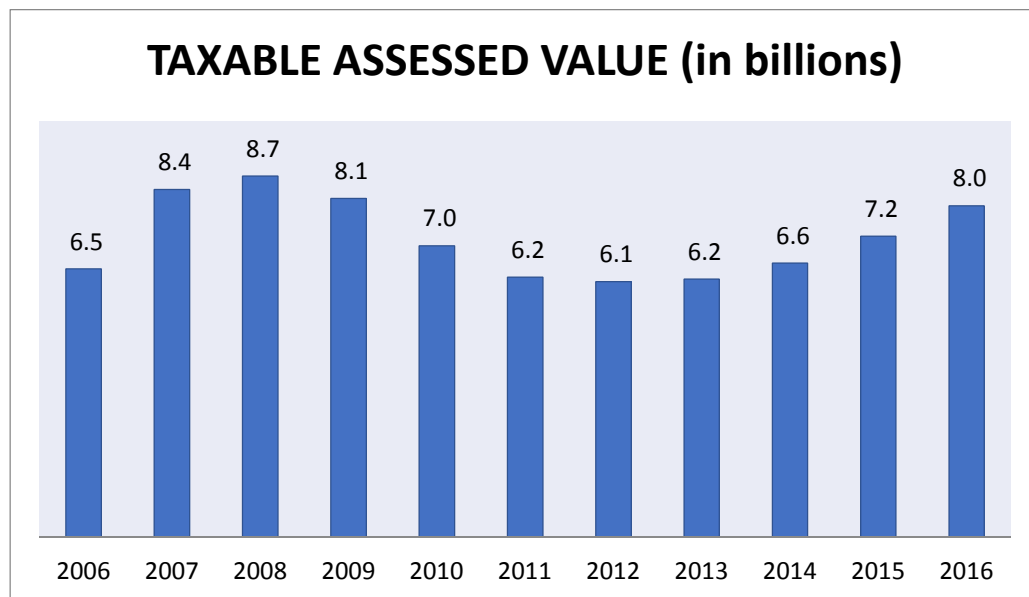
West Palm Beach, Florida
April 24, 2017

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, 2016. This information is to be considered alongside that in the letter of transmittal and the City's basic financial statements and notes to the financial statements. The financial analysis within the Management's Discussion and Analysis includes the City's primary government operations and joint venture for the South Central Regional Wastewater Treatment and Disposal Board. The operations of the City's two discretely presented component units; the Community Redevelopment Agency (CRA) and Downtown Development Authority (DDA), are excluded. The joint venture and component units issue separate audit reports that are available from each entity.

Financial Highlights

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



- The overall financial condition of the City's General Fund operations is influenced by the real estate market, the current state of the economy and State tax reform legislation. The decline in real estate values has stopped and the trend is now reversing. Taxable assessed value increased from \$7.24 billion for 2015 to \$8.0 billion for 2016, or 11%.
- The assets of the City (Primary Government) exceeded its liabilities (Total Net Position) at September 30, 2016, by \$229.8 million. Of this amount, \$42.8 million (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The effects of GASB Statement No. 68 and the restatement to record pension liabilities for the first time in 2015 were mitigated in 2016. Initially recording the pension liabilities in 2015 resulted in a decrease of \$74.2 million in the City's

unrestricted net position for the restatement related to the pension liabilities. In 2016, the City's net position increased by \$2.5 million due to favorable changes in pension benefits and pension plan operations during the year. The net pension liability and related deferred outflows and inflows decreased \$4.0 million to \$70.4 million for the Police and Firefighters' Pension Plan and increased \$1.5 million to \$351,000 for the General Employees' Pension Plan.

- Net position of the business-type activities increased by \$10.8 million attributable to 2016 operations. The increase in the business-type activities is approximately \$5 million or 86% more than the prior year increase in net position and reflects stable revenues and lower expenses and transfers.
- The unrestricted net position of the governmental activities reflects a deficit of \$10.5 million as compared to a deficit of \$6.7 million for the prior year. The decrease in unrestricted net position is attributable to a significant increase in the net investment in capital assets of \$15.5 million or 22.9% for 2016.
- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$63.4 million which decreased \$7.0 million from the prior year. The decrease is due primarily to net proceeds of \$18.5 million from the Series 2015 Utilities Tax Revenue Refunding and Improvement Bonds reported in 2015. A total of \$56.6 million or 89.3% of the combined ending fund balance is available for spending (Unassigned Fund Balance and Assigned Fund Balance). Of this amount, \$37.4 million is in the General Fund, \$6.4 million is in Special Revenue Funds and \$12.8 million is in Capital Projects Funds.
- At September 30, 2016, Unassigned Fund Balance for the General Fund was \$37.0 million or 33.7% of total General Fund expenditures of \$109.9 million. This is an increase of \$5.1 million or 16.1% from the prior year. The General Fund had a good year, with revenue increasing by 4.3% and expenditures increasing by 11.2%. The City's financial policy is to strive to maintain an Unassigned Fund Balance of between 15% to 25% of the expenditure budget as an acceptable reserve for first quarter cash flow (there are no tax remittances during the first two to three months of each fiscal year) and for unanticipated expenses such as storm damage costs, uninsured legal claims and other unforeseen expenses.

Overview of the Financial Statements

This management discussion and analysis report is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information that explains in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances and to report information about the City in a manner similar to those reports issued and used by private sector companies.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the differences presented as *net position*. Over time, increases or decreases in net position may help to serve as a useful indicator of whether the overall financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include such areas as General Government, Public Safety, Physical Environment and Parks and Recreation. The business-type activities of the City that rely on user fees and charges include areas such as Water and Sewer, Municipal Golf Course, Lakeview Golf Course, City Marina, Sanitation and Stormwater Utility operations.

Both of the government-wide financial statements include not only the City itself (known as the Primary Government), but also the legally separate CRA and DDA for which the City is financially accountable (known as component units). Financial information for these component units are reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 17 and 18 of this report.

Fund Financial Statements

Governmental Funds

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

The City maintains 12 individual governmental funds. Information is presented separately for the General Fund, Neighborhood Services Fund and the Capital Improvement 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 and sanitation operations.

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

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to

its employees. Additionally, the City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with its budget. Required supplementary information can be found on pages 79 through 88 of this report.

The *combining statements* for non-major governmental, non-major proprietary and the fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 89 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	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 92.0	\$ 98.5	\$ 61.9	\$ 59.8	\$ 153.9	\$ 158.3
Capital assets	142.1	137.9	108.6	102.5	250.7	240.4
Total Assets	234.1	236.4	170.5	162.3	404.6	398.7
Deferred outflows	18.3	19.6	0.6	1.8	18.9	21.4
Liabilities:						
Current liabilities	9.6	10.9	3.0	3.7	12.6	14.6
Noncurrent liabilities	165.4	179.4	14.0	17.3	179.4	196.7
Total Liabilities	175.0	190.3	17.0	21.0	192.0	211.3
Deferred inflows	1.5	1.6	0.2	0.0	1.7	1.6
Net Position:						
Net investment in capital assets	83.3	67.8	97.1	88.7	180.4	156.5
Restricted	3.1	3.0	3.5	3.9	6.6	6.9
Unrestricted (deficit)	(10.5)	(6.7)	53.3	50.5	42.8	43.8
Total Net Position	\$ 75.9	\$ 64.1	\$ 153.9	\$ 143.1	\$ 229.8	\$ 207.2

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 \$22.6 million or approximately 10.9% from \$207.2 million to \$229.8 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 (\$10.8 million).

A significant portion of the City's net position (\$180.4 million or 78.5% of the Total Net Position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of the related debt that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.9%) represents resources that are subject to restrictions on how they may be used. The balance in restricted position reflects a decrease of \$.3 million from the prior year. The decrease is primarily due to a decrease in debt service requirements for the business-type activities.

The unrestricted portion of net position represents resources that may be used to meet the City's ongoing obligations to its citizens and creditors. The 2016 governmental activities balance was a deficit of approximately \$10.5 million, primarily due to the 2015 restatement of beginning net position for pension liabilities in the governmental activities as required by GASB Statement No. 68. The business-type activities had unrestricted net position of approximately \$53.3 million.

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

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for services	\$ 20.3	\$ 20.7	\$ 43.0	\$ 43.3	\$ 63.3	\$ 64.0
Operating grants, contributions	3.7	6.5	0.8	0.4	4.5	6.9
Capital grants, contributions	0.9	0.6	1.1	1.3	2.0	1.9
General Revenues:						
Property Taxes	56.9	52.0	-	-	56.9	52.0
Other taxes	16.8	16.9	-	-	16.8	16.9
Intergovernmental	7.2	7.1	-	-	7.2	7.1
Other	17.2	13.1	0.3	0.2	17.5	13.3
Total Revenues	123.0	116.9	45.2	45.2	168.2	162.1

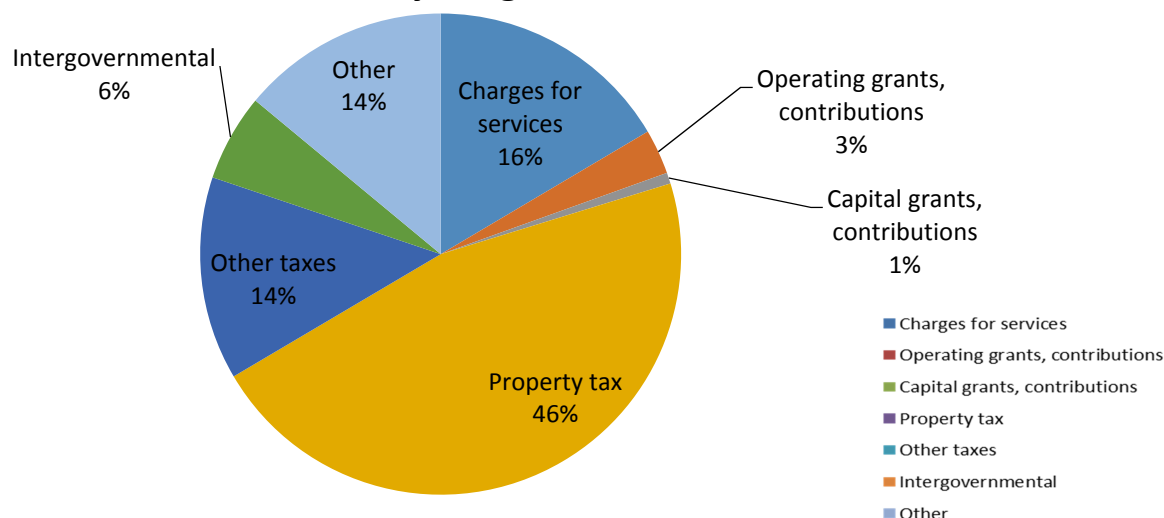
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Expenses						
General government	\$ 23.0	\$ 18.0	\$ -	\$ -	\$ 23.0	\$ 18.0
Public safety	65.9	62.0	-	-	65.9	62.0
Physical environment	7.7	8.1	-	-	7.7	8.1
Parks and recreation	13.3	13.4	-	-	13.3	13.4
Interest on long-term debt	2.2	3.3	-	-	2.2	3.3
Water and sewer	-	-	24.5	24.3	24.5	24.3
Stormwater utility	-	-	1.5	1.6	1.5	1.6
Municipal golf course	-	-	3.1	2.9	3.1	2.9
Lakeview golf course	-	-	0.6	0.6	0.6	0.6
City marina	-	-	0.1	0.1	0.1	0.1
Sanitation	-	-	3.7	6.3	3.7	6.3
Total Expenses	112.1	104.8	33.5	35.8	145.6	140.6
Change in Net Position Before Transfers	10.9	12.1	11.7	9.4	22.6	21.5
Transfers	0.9	3.6	(0.9)	(3.6)	-	-
Increase in Net Position	11.8	15.7	10.8	5.8	22.6	21.5
Beginning Net Position, as Originally Reported	64.1	123.2	143.1	136.7	207.2	259.9
Restatement for implementation of GASB Statements	-	(74.8)	-	0.6	-	(74.2)
Beginning Net Position, as Restated	64.1	48.4	143.1	137.3	207.2	185.7
Ending Net Position	\$ 75.9	\$ 64.1	\$ 153.9	\$ 143.1	\$229.8	\$ 207.2

Governmental activities increased the City's net position by \$11.8 million, which was primarily due to an increase in property taxes and other revenues. Expense increased by \$7.3 million, primarily due to increases in General Government and Public Safety.

Business-type activities net position had an increase of \$10.8 million which was attributable to water and sewer operations.

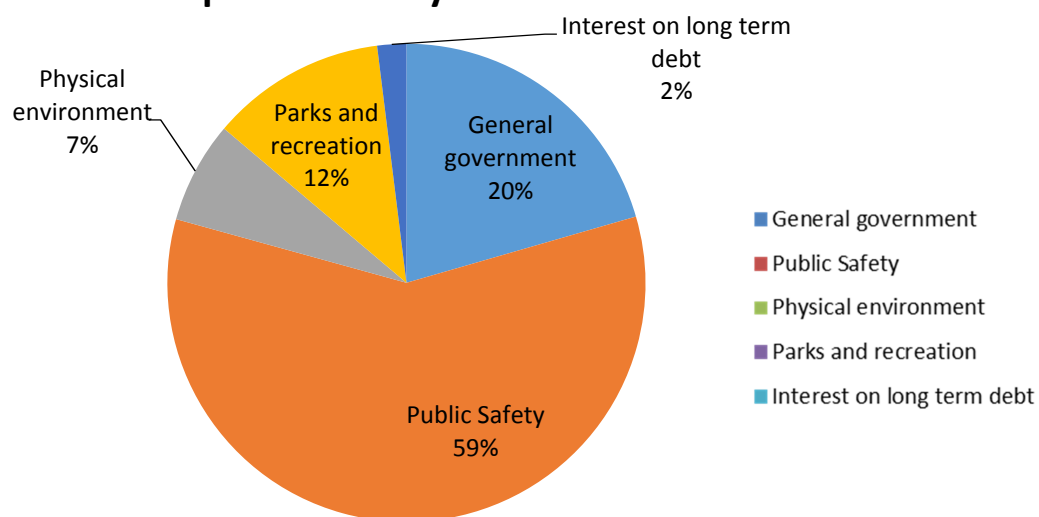
Revenues by sources for 2016 are summarized as follows:

Revenues by Program - Governmental Activities



Expenditures by function for 2016 are summarized as follows:

Expenditures by Function - Governmental Activities



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		Capital Improvement Fund	
	2016	2015	2016	2015	2016	2015
Revenues	\$ 114.6	\$ 109.8	\$ 0.9	\$ 2.1	\$ 5.3	\$ 4.3
Expenditures	(109.9)	(98.8)	(0.9)	(0.9)	(12.6)	(15.5)
Other financing sources (uses)	(6.7)	1.0	0.1	0.1	3.6	17.0
Change in Fund Balance	\$ (2.0)	\$ 12.0	\$ 0.1	\$ 1.3	\$ (3.7)	\$ 5.8

General Fund

The General Fund, which is the primary operating fund of the City and is not supported by user fees, recognized \$114,564,308 in total revenues offset with \$109,886,401 in expenditures and \$6,659,211 in net other financing uses. This resulted in a decrease in fund balance of \$1,981,304. Total Fund Balance decreased from \$41,065,385 in 2015 to \$39,084,081 in 2016. Of that amount, \$36,984,767 is Unassigned Fund Balance which represents 33.7% of our 2016 expenditure levels. Our internal financial policy is to maintain 15% to 25% of our expenditures in Unassigned Fund Balance for first quarter cash flow, uninsured legal claims and other emergency purposes.

Neighborhood Services Fund

The Neighborhood Services Fund is used to account for revenue received from federal, state and local governments under numerous grant programs which are used for various community development and improvement projects within the City. The Neighborhood Services Fund recognized \$871,350 in total revenues offset by \$919,428 in expenditures and \$152,942 in other financing sources. This resulted in an increase in the fund balance of \$104,864. Total Fund Balance increased from \$1,890,147 in 2015 to \$1,995,011 in 2016. The entire fund balance is restricted for community development projects.

Capital Improvement Fund

The Capital Improvement fund, which is used to account for construction of major capital facilities, recognized \$5,276,244 in total revenues offset by \$12,645,561 in expenditures and \$3,669,051 in other financing sources. This resulted in a decrease in the fund balance of \$3,700,266. Total Fund Balance decreased from \$15,755,168 in 2015 to \$12,054,902 in 2016. The entire fund balance is assigned for capital improvement projects.

Proprietary Funds

\$ in Millions	<u>Operating Income</u> <u>(Loss)</u>		<u>Change in Net</u> <u>Position</u>	
	2016	2015	2016	2015
Enterprise Funds				
Water and Sewer	\$ 10.3	\$ 9.9	\$ 6.8	\$ 6.7
Stormwater Utility	0.6	0.5	0.2	0.2
Municipal Golf Course	0.1	0.3	1.9	0.2
Lakeview Golf Course	0.1	0.1	1.2	0.1
City Marina	0.1	0.1	0.1	0.1
Sanitation	0.4	0.1	0.4	(1.6)
Internal Service Funds				
Insurance	0.9	0.8	0.9	0.9
Central Garage	0.1	0.1	0.8	0.2

Water and Sewer Fund

Operating revenues were approximately \$708,000 more than 2015 and operating expenses were approximately \$299,000 more than 2015. Lower capital contributions of approximately \$262,000 and higher net transfers out of approximately \$244,000 resulted in an increase of approximately \$6.8 million in net position in 2016.

Stormwater Fund

Operating revenues were approximately \$2,000 higher in 2016 than 2015 and operating expenses were approximately \$57,000 less than 2015. Nonoperating revenues, capital contributions and transfers out decreased by approximately \$34,000 resulted in an increase of approximately \$209,000 in net position in 2016.

Other Enterprise Funds

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

The **Municipal Golf Course** had operating income this year of \$113,038 compared to \$280,044 last year.

The **Lakeview Golf Course** had operating income of \$63,781 versus \$122,358 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 \$146,459 compared to \$127,325 last year.

The **Sanitation Fund** generated operating income of \$441,312 this year compared to \$78,440 last year. The large increase is due to an ordinance amendment that eliminated cart fees and reduced franchise fees for residential customers effective October 1, 2015.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department to other departments within the City on a cost

reimbursement basis. The City has two internal service funds; the Insurance Fund is used to account for all personnel insurances (health, life, disability) and property and casualty insurance, and the Central Garage Fund handles all the fueling, maintenance and replacement of city vehicles.

The **Insurance Fund** recorded an increase in our required self-insured "Incurred but Not Reported" (IBNR) claims liability from \$5,654,742 to \$5,966,869 for property, health and worker's compensation claims. All required reserves are determined by outside actuaries. The Insurance Fund has \$3,944,014 in Unrestricted Net Assets.

The **Central Garage Fund** had an operating income of \$51,717 compared to \$121,342 last year. The change resulted from a decrease in operating expenses primarily due to a decrease in other operating expense for the current year.

Budgetary Highlights

General Fund: The difference between the original and final amended budget for 2016 was an increase of \$9,685,646. There was a positive variance between the final adopted budget and actual results of operations of \$8.9 million (excluding other debt proceeds and prior year surplus). Actual revenues (excluding other debt proceeds and prior year surplus) exceeded the final budget by approximately \$3,788,000 and actual expenditures and other financing uses were less than final budget by approximately \$5,161,000. The increase in current year revenues was attributable to an increase of approximately \$559,000 in taxes, \$565,000 in fees and permits, \$355,000 in charges for services, \$366,000 in fines and forfeitures and an increase of approximately \$1.9 million in miscellaneous income due in part to prior year accrued expenses for the Inspector General services that were overturned by the courts in December 2016.

Neighborhood Services Fund: The difference between the original and final amended budget for 2016 was an increase of \$1,855,034. The budget was increased with the expectation of additional spending of available grant funds that did not occur in 2016. The increased expenditures are anticipated for next fiscal year.

Capital Asset and Debt Administration

Capital Assets

As of September 30, 2016, the City had \$250.7 million invested in a variety of capital assets, as reflected in Table A-3 below, which represents a net increase of \$10.3 million from the previous fiscal year. Additional information can be found in Note 9 Capital Assets beginning on page 48. Capital asset activity for 2016 is summarized below:

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

	Beginning Balance 10/01/2015	Increases	Decreases	Ending Balance 9/30/2016
Governmental Activities:				
Land	\$ 39.7	\$.6	\$ -	\$ 40.3
Construction in Progress	15.0	4.4	(14.1)	5.3
Non-Depreciable Assets	54.7	5.0	(14.1)	45.6

	Beginning Balance 10/01/2015	Increases	Decreases	Ending Balance 9/30/2016
Buildings	\$ 39.5	\$.4	\$ -	\$ 39.9
Improvements Other	122.8	15.0	(2.3)	135.5
Equipment	44.0	5.7	(1.3)	48.4
Less: Accumulated Depreciation	(123.1)	(7.8)	3.6	(127.3)
Depreciable Assets- Net	83.2	13.3	0.0	96.5
Capital Assets- Governmental	137.9	18.3	(14.1)	142.1
Business-Type Activities:				
Land	5.7	-	-	5.7
Construction in Progress	6.5	7.3	(2.9)	10.9
Non-Depreciable Assets	12.2	7.3	(2.9)	16.6
Buildings	13.8	-	-	13.8
Improvements Other	170.9	4.9	-	175.8
Equipment	14.8	.7	(0.9)	14.6
Less: Accumulated Depreciation	(109.2)	(3.9)	.9	(112.2)
Depreciable Assets- Net	90.3	1.7	-	92.0
Capital Assets- Business-Type	\$ 102.5	\$ 9.0	\$ (2.9)	\$ 108.6

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

Major capital asset changes during the fiscal year 2016 were primarily for Construction in Progress in the General Construction Fund for Federal Highway and other beautification projects, as well as improvements in the Water and Sewer Fund primarily for the automated meter reading replacement project.

Debt Administration

As of September 30, 2016, the City had total debt outstanding of \$85,956,780 compared to \$99,253,757 as of September 30, 2015. Of this \$85.9 million amount, and gross of any related unamortized premium or discounts:

- \$42.3 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,
- A bond anticipation note of \$5.1 million was fully paid in 2016,
- \$14.8 million is general obligation bond debt which is debt backed by the full faith and credit of the City,
- \$11.5 million is revenue bonds that are backed by a pledge of the water and sewer system net revenues,
- \$8.1 million is for compensated absences,
- \$6.0 million is for insurance claims reserves, and
- \$0.3 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 2016 is summarized as follows:

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

	Beginning Balance 10/01/2015	Increases	Decreases	Ending Balance 9/30/2016
Governmental Activities:				
Revenue Bonds	\$ 46.6	\$ -	\$ (4.3)	\$ 42.3
Bond Anticipation Note	5.1	-	(5.1)	-
General Obligation Bonds	16.4	-	(1.6)	14.8
Unamortized Premium	3.2	-	(0.2)	3.0
Total Bonds Payable	71.3	-	(11.2)	60.1
Installment Agreements	0.4	-	(0.1)	0.3
Compensated Absences	6.9	1.0	(0.9)	7.0
Insurance Claims Payable	5.7	7.9	(7.7)	5.9
Governmental Activities	\$ 84.3	\$ 8.9	\$ (19.9)	\$ 73.3
Business-Type Activities:				
Revenue Bonds	\$ 13.8	\$ -	\$ (2.4)	\$ 11.4
Installment Agreements	-	0.1	-	0.1
Compensated Absences	1.2	0.1	(0.2)	1.1
Business Type Activities	15.0	0.2	(2.6)	12.6
Total Debt Outstanding	\$ 99.3	\$ 9.1	\$ (22.5)	\$ 85.9

In October 2013, the general obligation bonds of the City were upgraded to a rating of AAA from Standard & Poor's, which is their highest available rating. For more detailed information regarding the City's debt and debt financing activity, refer to Note 12 - Noncurrent Liabilities beginning on page 52.

Economic Factors and FY 2016-17 Budget and Rates

- ❖ The Florida legislature is considering various proposals which could have a significant impact on local government's revenue and expenditures, as well as the government's ability to maintain or improve services to the residents. The City is monitoring these initiatives and their future impact to the City.
- ❖ The current total millage rate decreased from 7.4639 mills for 2015 to 7.3367 mills for 2016. The operations portion decreased from 7.1611 mills to 7.0611 mills and the debt service portion decreased 9.0% to .2756 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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency	Downtown Development Authority
ASSETS					
Cash and cash equivalents	\$ 42,077,720	\$ 12,526,100	\$ 54,603,820	\$ 7,704,257	\$ 160,611
Investments	41,232,730	19,239,613	60,472,343	-	-
Receivables:					
Accounts, net	1,246,643	2,966,428	4,213,071	9,492	-
Unbilled accounts	-	1,055,149	1,055,149	-	-
Notes receivable	2,346,308	-	2,346,308	2,723,137	-
Notes receivable from component unit	3,519,948	-	3,519,948	-	-
Interest receivable	110,189	46,621	156,810	-	-
Due from other governments	790,199	-	790,199	-	-
Due from component unit	1,319,273	-	1,319,273	-	-
Due from primary government	-	-	-	79,134	-
Internal balances	(1,653,045)	1,653,045	-	-	-
Inventories	93,654	364,381	458,035	-	-
Prepaid expenses	670,937	368	671,305	-	41,036
Assets acquired for sale	277,981	-	277,981	-	-
Deposits	-	-	-	19,886	-
Restricted assets	-	3,719,658	3,719,658	-	-
Investment in regional plant (joint venture)	-	20,354,468	20,354,468	-	-
Capital assets:					
Non-depreciable capital assets	45,660,834	16,596,889	62,257,723	31,883,097	-
Depreciable capital assets, net	96,422,179	92,030,745	188,452,924	2,630,433	-
Total Assets	234,115,550	170,553,465	404,669,015	45,049,436	201,647
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on refundings	1,641,011	-	1,641,011	-	-
Deferred amount related to pensions	16,684,643	605,535	17,290,178	-	-
Total Deferred Outflows of Resources	18,325,654	605,535	18,931,189	-	-
LIABILITIES					
Accounts payable and accrued expenses	5,130,141	1,401,666	6,531,807	637,910	23,170
Contracts payable and retainages	-	146,426	146,426	7,500	-
Deposits payable	1,083,485	1,237,909	2,321,394	7,344	-
Unearned revenue	2,646,921	44,414	2,691,335	16,191	-
Accrued interest on long-term debt	645,416	147,013	792,429	-	-
Due to component unit	79,134	-	79,134	-	-
Due to primary government	-	-	-	1,319,273	-
Noncurrent liabilities:					
Due within one year					
Bonds and note payable	3,357,280	1,892,720	5,250,000	1,698,776	-
Installment agreements	121,658	27,233	148,891	-	-
Compensated absences	825,383	83,784	909,167	-	-
Insurance claims payable	1,643,869	-	1,643,869	-	-
Due in more than one year					
Bonds and note payable	56,747,011	9,555,316	66,302,327	7,960,397	-
Installment agreements	145,771	82,206	227,977	-	-
Compensated absences	6,156,877	994,672	7,151,549	-	-
Insurance claims payable	4,323,000	-	4,323,000	-	-
Net OPEB obligation	6,256,601	900,249	7,156,850	-	-
Net pension liability	85,837,797	491,988	86,329,785	-	-
Total Liabilities	175,000,344	17,005,596	192,005,940	11,647,391	23,170
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pensions	1,552,459	197,873	1,750,332	-	-
NET POSITION					
Net investment in capital assets	83,352,304	97,070,159	180,422,463	27,745,709	-
Restricted for:					
Debt service	1,512,898	1,892,720	3,405,618	-	-
Law enforcement	1,307,711	-	1,307,711	-	-
Capital improvements	281,580	1,679,925	1,961,505	-	-
Unrestricted (Deficit)	(10,566,092)	53,312,727	42,746,635	5,656,336	178,477
Total Net Position	\$ 75,888,401	\$ 153,955,531	\$ 229,843,932	\$ 33,402,045	\$ 178,477

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, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Community Redevelopment Agency (CRA)	Downtown Development Authority (DDA)
PRIMARY GOVERNMENT									
Governmental Activities:									
General Government	\$ 22,968,532	\$ 7,378,380	\$ 960,763	\$ 944,673	\$ (13,684,716)	\$ -	\$ (13,684,716)	\$ -	\$ -
Public Safety	65,918,444	9,031,132	2,604,202	-	(54,283,110)	-	(54,283,110)	-	-
Physical Environment	7,714,515	2,063,648	-	-	(5,650,867)	-	(5,650,867)	-	-
Parks and Recreation	13,311,802	1,825,824	210,948	-	(11,275,030)	-	(11,275,030)	-	-
Interest on Long-term Debt	2,229,468	-	-	-	(2,229,468)	-	(2,229,468)	-	-
Total Governmental Activities	112,142,761	20,298,984	3,775,913	944,673	(87,123,191)	-	(87,123,191)	-	-
Business-type Activities:									
Water and Sewer	24,467,001	32,815,643	430,950	1,092,373	-	9,871,965	9,871,965	-	-
Stormwater Utility	1,546,867	2,111,117	22,986	-	-	587,236	587,236	-	-
Municipal Golf Course	3,098,149	3,129,388	78,803	-	-	110,042	110,042	-	-
Lakeview Golf Course	566,898	610,903	8,544	-	-	52,549	52,549	-	-
City Marina	88,509	223,401	11,743	-	-	146,635	146,635	-	-
Sanitation	3,748,162	4,132,645	254,232	-	-	638,715	638,715	-	-
Total Business-type Activities	33,515,586	43,023,097	807,258	1,092,373	-	11,407,142	11,407,142	-	-
Total Primary Government	\$ 145,658,347	\$ 63,322,081	\$ 4,583,171	\$ 2,037,046	(87,123,191)	11,407,142	(75,716,049)	-	-
COMPONENT UNITS									
Community Redevelopment Agency (CRA)	\$ 14,153,682	\$ 191,502	\$ 226,723	\$ -				(13,735,457)	-
Downtown Development Authority (DDA)	696,273	-	49,186	-				-	(647,087)
Total Component Units	\$ 14,849,955	\$ 191,502	\$ 275,909	\$ -				(13,735,457)	(647,087)
General Revenues:									
Taxes:									
Property Taxes					56,876,767	-	56,876,767	14,735,740	705,739
Franchise Fees					5,132,170	-	5,132,170	-	-
Utility Service Taxes					9,383,744	-	9,383,744	-	-
Sales Taxes					1,426,451	-	1,426,451	-	-
Local Business Tax					839,208	-	839,208	-	-
Intergovernmental Not Restricted to Specific Programs					7,174,725	-	7,174,725	-	-
Investment Earnings					306,237	248,146	554,383	71,582	198
Gain on Disposal of Capital Assets					37,765	15,352	53,117	-	-
Miscellaneous					16,829,794	-	16,829,794	-	29,086
Transfers					878,151	(878,151)	-	-	-
Total General Revenues and Transfers					98,885,012	(614,653)	98,270,359	14,807,322	735,023
Change in Net Position					11,761,821	10,792,489	22,554,310	1,071,865	87,936
Net Position - October 1, 2015,					64,126,580	143,163,042	207,289,622	32,330,180	90,541
Net Position - September 30, 2016					\$ 75,888,401	\$ 153,955,531	\$ 229,843,932	\$ 33,402,045	\$ 178,477

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

CITY OF DELRAY BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	Major Funds			Non-Major	Total
	General	Neighborhood	Capital	Governmental	Governmental
	Fund	Fund	Improvement	Funds	Funds
	Fund	Fund	Fund	Funds	Funds
ASSETS					
Cash and cash equivalents	\$ 20,466,603	\$ 2,011,681	\$ 3,814,109	\$ 6,987,452	\$ 33,279,845
Investments	19,493,081	-	10,556,717	3,210,744	33,260,542
Accounts receivable, net	1,049,997	1,463	-	178,777	1,230,237
Notes receivable	3,500	1,624,145	-	718,663	2,346,308
Notes receivable from component unit	3,519,948	-	-	-	3,519,948
Interest receivable	65,367	-	19,771	7,156	92,294
Due from other governments	719,043	71,156	-	-	790,199
Due from component unit	1,278,616	30,803	7,500	2,354	1,319,273
Inventories	20,091	-	-	-	20,091
Prepaid items	669,738	-	-	750	670,488
Assets acquired for sale	-	277,981	-	-	277,981
Total Assets	\$ 47,285,984	\$ 4,017,229	\$ 14,398,097	\$ 11,105,896	\$ 76,807,206
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued items	\$ 2,467,249	\$ 67,752	\$ 1,870,159	\$ 65,086	\$ 4,470,246
Deposits payable	1,079,835	-	-	3,650	1,083,485
Due to other funds	377,023	-	-	-	377,023
Due to component unit	29,134	-	-	50,000	79,134
Total Liabilities	3,953,241	67,752	1,870,159	118,736	6,009,888
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	4,248,662	1,954,466	473,036	729,768	7,405,932
FUND BALANCES					
Nonspendable:					
Inventories	20,091	-	-	-	20,091
Prepaid items	669,738	-	-	750	670,488
Long-term notes receivable	3,500	-	-	-	3,500
Restricted for:					
Debt service	-	-	-	1,512,898	1,512,898
Law enforcement	-	-	-	1,307,711	1,307,711
Capital improvements	5,985	-	-	275,595	281,580
Community development	-	1,995,011	-	-	1,995,011
Committed for:					
Economic development	1,000,000	-	-	-	1,000,000
Assigned to:					
Public safety	-	-	-	137,876	137,876
Parks and recreation	-	-	-	1,773,431	1,773,431
Capital improvements	-	-	12,054,902	5,249,131	17,304,033
Subsequent year's budget	400,000	-	-	-	400,000
Unassigned	36,984,767	-	-	-	36,984,767
Total Fund Balances	39,084,081	1,995,011	12,054,902	10,257,392	63,391,386
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 47,285,984	\$ 4,017,229	\$ 14,398,097	\$ 11,105,896	\$ 76,807,206

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, 2016

Total Fund Balances - Governmental Funds **\$ 63,391,386**

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	\$ 245,596,205	
Less accumulated depreciation	<u>(109,474,181)</u>	136,122,024

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

Interest receivable	1,094,418	
Long-term receivables	144,645	
Notes receivable from component unit	<u>3,519,948</u>	4,759,011

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

Deferred outflows related to pensions	16,599,470	
Deferred inflows related to pensions	<u>(1,524,626)</u>	15,074,844

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

Deferred charges on refundings	1,641,011	
Bond premium	<u>(2,977,327)</u>	(1,336,316)

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	(645,416)	
Bonds and installment agreements payable	(57,394,393)	
Compensated absences	(6,858,246)	
Net OPEB obligation	(6,119,763)	
Net pension liability	<u>(85,768,595)</u>	(156,786,413)

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	15,939,887	
Less amount allocated to business-type activities	<u>(1,276,022)</u>	14,663,865

Total Net Position - Governmental Activities **\$ 75,888,401**

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, 2016

	Major Funds			Non-Major	Total
	General	Neighborhood	Capital	Governmental	Governmental
	Fund	Services	Improvement	Funds	Funds
REVENUES					
Taxes	\$ 68,526,170	\$ -	\$ -	\$ -	\$ 68,526,170
Licenses and permits	11,364,551	-	-	-	11,364,551
Intergovernmental	9,884,763	642,531	12,800	410,544	10,950,638
Charges for services	11,969,568	-	-	499,416	12,468,984
Fines and forfeitures	1,506,611	-	-	91,008	1,597,619
Miscellaneous	11,312,645	228,819	5,263,444	980,495	17,785,403
Total Revenues	114,564,308	871,350	5,276,244	1,981,463	122,693,365
EXPENDITURES					
Current:					
General government	21,435,312	919,428	380,323	390,343	23,125,406
Public safety	65,501,335	-	347,806	98,475	65,947,616
Physical environment	4,732,759	-	43,407	780,960	5,557,126
Parks and recreation	11,326,044	-	60,753	549,703	11,936,500
Capital outlay	668,265	-	9,075,232	95,672	9,839,169
Debt service:					
Principal retirement	5,485,461	-	2,713,059	2,999,350	11,197,870
Interest and fiscal charges	737,225	-	24,981	1,588,043	2,350,249
Total Expenditures	109,886,401	919,428	12,645,561	6,502,546	129,953,936
Excess of revenues over (under) expenditures	4,677,907	(48,078)	(7,369,317)	(4,521,083)	(7,260,571)
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	790	-	-	-	790
Transfers in	3,881,390	153,242	3,748,611	3,170,496	10,953,739
Transfers out	(10,541,391)	(300)	(79,560)	(23,232)	(10,644,483)
Total Other Financing Sources (Uses)	(6,659,211)	152,942	3,669,051	3,147,264	310,046
Net change in fund balances	(1,981,304)	104,864	(3,700,266)	(1,373,819)	(6,950,525)
Fund balances - October 1, 2015	41,065,385	1,890,147	15,755,168	11,631,211	70,341,911
Fund balances - September 30, 2016	\$ 39,084,081	\$ 1,995,011	\$ 12,054,902	\$ 10,257,392	\$ 63,391,386

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, 2016

Net Change in Fund Balances - Total Governmental Funds **\$ (6,950,525)**

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	\$ 9,839,169	
Depreciation expense	<u>(5,976,310)</u>	
		3,862,859

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. (14,514)

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	819,627	
Change in note receivable from component unit	(601,572)	
Change in long-term receivables	<u>(140,015)</u>	
		78,040

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	62,932	
Compensated absences expense	(92,148)	
Pension expense	2,943,841	
Other postemployment benefits expense	<u>(1,005,061)</u>	
		1,909,564

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 Retirement		
Principal paid	11,197,870	
Amortization of debt premiums and deferred charges on refundings	<u>57,849</u>	
		11,255,719

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	1,769,826	
Less allocation to business type activities	<u>(149,148)</u>	
		<u>1,620,678</u>

Change in Net Position of Governmental Activities **\$ 11,761,821**

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, 2016

	Business-Type Activities				Governmental
	Major Funds		Non-Major	Total	Internal
	Water and Sewer Fund	Stormwater Fund	Enterprise Funds	Enterprise Funds	Service Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 11,022,846	\$ -	\$ 1,503,254	\$ 12,526,100	\$ 8,797,875
Investments	11,779,355	4,453,292	3,006,966	19,239,613	7,972,188
Accounts receivable, net	2,429,299	-	537,129	2,966,428	16,406
Unbilled accounts receivable	1,055,149	-	-	1,055,149	-
Interest receivable	29,995	9,925	6,701	46,621	17,895
Due from other funds	2,631,488	-	-	2,631,488	-
Inventories	288,033	-	76,348	364,381	73,563
Prepaid expenses	-	368	-	368	449
Restricted assets:					
Cash and cash equivalents	2,150,451	46,162	48,698	2,245,311	-
Investments	1,474,347	-	-	1,474,347	-
Total Current Assets	32,860,963	4,509,747	5,179,096	42,549,806	16,878,376
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	157,367,862	15,224,306	3,244,216	175,836,384	-
Equipment	12,106,095	816,725	1,670,185	14,593,005	23,624,540
Construction in progress	9,920,768	927,077	80,220	10,928,065	-
Accumulated depreciation	(99,847,530)	(7,368,987)	(4,956,475)	(112,172,992)	(17,751,736)
Other assets:					
Investment in regional plant joint venture	20,354,468	-	-	20,354,468	-
Total Noncurrent Assets	110,295,782	12,775,696	5,910,624	128,982,102	5,960,989
Total Assets	143,156,745	17,285,443	11,089,720	171,531,908	22,839,365
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount related to pensions	562,193	21,671	21,671	605,535	85,173
LIABILITIES					
Current Liabilities					
Accounts payable and accrued expenses	937,350	55,164	409,152	1,401,666	659,895
Contracts payable and retainages	146,426	-	-	146,426	-
Unearned revenue	9,435	-	34,979	44,414	-
Current maturities of installment agreements	-	-	27,233	27,233	-
Compensated absences payable	83,169	615	-	83,784	13,240
Insurance claims payable	-	-	-	-	1,643,869
Due to other funds	-	2,254,465	-	2,254,465	-
Refundable deposits payable	1,084,216	-	153,693	1,237,909	-
Total Current Liabilities	2,260,596	2,310,244	625,057	5,195,897	2,317,004
Current Liabilities Payable from Restricted Assets					
Accrued interest on long-term debt	142,813	2,422	1,778	147,013	-
Current maturities of revenue bonds	1,802,060	43,740	46,920	1,892,720	-
Total Current Liabilities	1,944,873	46,162	48,698	2,039,733	-
Total Current Liabilities	4,205,469	2,356,406	673,755	7,235,630	2,317,004
Noncurrent Liabilities					
Revenue bonds payable, net	9,360,550	94,950	99,816	9,555,316	-
Installment agreements	-	-	82,206	82,206	-
Long-term portion of compensated absences payable	919,808	31,855	43,009	994,672	110,774
Long-term portion of insurance claims payable	-	-	-	-	4,323,000
Net other postemployment benefits obligation	821,027	50,414	28,808	900,249	136,838
Net pension liability	456,772	17,608	17,608	491,988	69,202
Total Noncurrent Liabilities	11,558,157	194,827	271,447	12,024,431	4,639,814
Total Liabilities	15,763,626	2,551,233	945,202	19,260,061	6,956,818
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pensions	183,709	7,082	7,082	197,873	27,833
NET POSITION					
Net investment in capital assets	78,778,704	12,637,006	5,654,449	97,070,159	5,960,989
Restricted for:					
Debt service	1,802,060	43,740	46,920	1,892,720	-
Renewal and replacement	1,679,925	-	-	1,679,925	-
Unrestricted	45,510,914	2,068,053	4,457,738	52,036,705	9,978,898
Total Net Position	\$ 127,771,603	\$ 14,748,799	\$ 10,159,107	152,679,509	\$ 15,939,887
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				1,126,874	
Current year adjustment				149,148	
Net Assets of Business-Type Activities, Statement of Net Position				<u>\$ 153,955,531</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, 2016

	Business-Type Activities				Governmental Activities
	Major Funds		Non-Major	Total	Internal
	Water and Sewer Fund	Stormwater Fund	Enterprise Funds	Enterprise Funds	Service Funds
OPERATING REVENUES					
Charges for services					
Water sales	\$ 14,566,778	\$ -	\$ -	\$ 14,566,778	\$ -
Sewer and stormwater fees	18,248,865	2,111,117	-	20,359,982	-
Golf fees	-	-	3,740,291	3,740,291	-
Marina fees	-	-	223,401	223,401	-
Sanitation fees	-	-	4,132,645	4,132,645	-
Risk management	-	-	-	-	13,294,458
Fleet management	-	-	-	-	2,390,086
Other operating revenue	430,950	22,986	127,785	581,721	2,585,207
Total Operating Revenues	33,246,593	2,134,103	8,224,122	43,604,818	18,269,751
OPERATING EXPENSES					
Personal services	8,323,940	482,805	259,031	9,065,776	1,285,894
Other operating expenses	11,369,837	670,669	6,956,176	18,996,682	14,272,000
Depreciation	3,260,502	403,252	244,325	3,908,079	1,779,676
Total Operating Expenses	22,954,279	1,556,726	7,459,532	31,970,537	17,337,570
Operating Income	10,292,314	577,377	764,590	11,634,281	932,181
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	156,212	57,152	34,782	248,146	92,215
Rent revenue	-	-	225,537	225,537	-
Share of regional plant joint venture net loss	(1,346,726)	-	-	(1,346,726)	-
Interest expense	(287,312)	(8,785)	(42,186)	(338,283)	-
Gain (loss) on disposal of equipment	(12)	-	15,364	15,352	51,489
Investment expense	(9,188)	-	-	(9,188)	-
Total Nonoperating Revenues (Expenses)	(1,487,026)	48,367	233,497	(1,205,162)	143,704
Income Before Capital Contributions and Transfers	8,805,288	625,744	998,087	10,429,119	1,075,885
Capital contributions	1,092,373	-	-	1,092,373	125,046
Transfers in	112,000	-	2,982,724	3,094,724	580,000
Transfers out	(3,243,055)	(416,580)	(313,240)	(3,972,875)	(11,105)
Change In Net Position	6,766,606	209,164	3,667,571	10,643,341	1,769,826
Net Position - October 1, 2015	121,004,997	14,539,635	6,491,536	-	14,170,061
Net Position - September 30, 2016	\$ 127,771,603	\$ 14,748,799	\$ 10,159,107	-	\$ 15,939,887
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				149,148	
Change In Net Position as reported on the Statement of Activities for Business-type Activities				\$ 10,792,489	

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, 2016

	Business-Type Activities				Governmental Activities
	Major Funds		Non-Major	Total	Internal
	Water and Sewer Fund	Stormwater Fund	Enterprise Funds	Enterprise Funds	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 40,230,036	\$ 2,138,529	\$ 8,261,755	\$ 50,630,320	\$ 18,270,334
Receipts from others	430,950	-	225,537	656,487	-
Payments to suppliers	(11,619,384)	104,886	(10,083,054)	(21,597,552)	(13,247,673)
Payments to employees	(8,000,856)	(447,144)	(246,062)	(8,694,062)	(1,169,587)
Net cash provided by (used in) operating activities	21,040,746	1,796,271	(1,841,824)	20,995,193	3,853,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	112,000	-	2,982,724	3,094,724	580,000
Transfers to other funds	(3,243,055)	(416,580)	(313,240)	(3,972,875)	(11,105)
Net cash provided by (used in) noncapital financing activities	(3,131,055)	(416,580)	2,669,484	(878,151)	568,895
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(8,119,170)	(1,338,496)	(407,363)	(9,865,029)	(1,223,864)
Proceeds from the sale of capital assets	-	-	16,444	16,444	75,762
Capital contributions	1,092,373	-	-	1,092,373	-
Principal paid on capital debt	(1,756,390)	(44,310)	(535,925)	(2,336,625)	-
Interest paid on capital debt	(301,464)	(9,544)	(31,164)	(342,172)	-
Net cash used in capital and related financing activities	(9,084,651)	(1,392,350)	(958,008)	(11,435,009)	(1,148,102)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales (purchases) of investments	(136,927)	(44,020)	1,147,779	966,832	(78,804)
Interest on investments	133,571	49,660	29,724	212,955	78,804
Net cash provided by (used in) investing activities	(3,356)	5,640	1,177,503	1,179,787	-
Net increase (decrease) in cash and cash equivalents	8,821,684	(7,019)	1,047,155	9,861,820	3,273,867
Cash and cash equivalents - October 1, 2015	4,351,613	53,181	504,797	4,909,591	5,524,008
Cash and cash equivalents - September 30, 2016	\$ 13,173,297	\$ 46,162	\$ 1,551,952	\$ 14,771,411	\$ 8,797,875
Reconciliation of cash and cash equivalents to statement of net position:					
Unrestricted cash and cash equivalents	\$ 11,022,846	\$ -	\$ 1,503,254	\$ 12,526,100	\$ 8,797,875
Restricted cash and cash equivalents	2,150,451	46,162	48,698	2,245,311	-
Cash and cash equivalents - September 30, 2016	\$ 13,173,297	\$ 46,162	\$ 1,551,952	\$ 14,771,411	\$ 8,797,875
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 10,292,314	\$ 577,377	764,590	\$ 11,634,281	\$ 932,181
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	3,260,502	403,252	244,325	3,908,079	1,779,676
Provision for doubtful accounts	50,964	-	-	50,964	-
Miscellaneous revenue	-	-	225,537	225,537	-
Change in assets, deferred outflows/inflows and liabilities:					
Accounts receivable	(33,101)	4,426	14,903	(13,772)	583
Due from other funds	7,380,855	-	-	7,380,855	-
Inventories	34,704	-	527	35,231	-
Prepaid expenses	33,198	1,772	20,383	55,353	303,365
Deferred amount related to pensions	1,235,090	63,148	56,145	1,354,383	202,484
Accounts payable and accrued expenses	(317,449)	(105,100)	(389,537)	(812,086)	408,835
Unearned revenue	-	-	(17,071)	(17,071)	-
Compensated absences payable	(120,667)	1,922	(4,502)	(123,247)	15,847
Net pension liability	(892,636)	17,994	(41,546)	(916,188)	(148,085)
Net OPEB obligation	101,297	(47,403)	2,872	56,766	46,061
Insurance claims payable	-	-	-	-	312,127
Due to other funds	-	878,883	(2,757,724)	(1,878,841)	-
Refundable deposits payable	15,675	-	39,274	54,949	-
Total adjustments	10,748,432	1,218,894	(2,606,414)	9,360,912	2,920,893
Net cash provided by (used in) operating activities	\$ 21,040,746	\$ 1,796,271	\$ (1,841,824)	\$ 20,995,193	\$ 3,853,074
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES					
Amortization of bond premiums	\$ -	\$ -	\$ (7,371)	\$ (7,371)	\$ -
Amortization of deferred charges on refundings	\$ -	\$ -	\$ 25,383	\$ 25,383	\$ -
Installment agreement debt issued	\$ -	\$ -	\$ 140,100	\$ 140,100	\$ -
Contributions of capital assets	\$ 1,092,373	\$ -	\$ -	\$ 1,092,373	\$ 125,046
Realized and unrealized gains on investments	\$ 13,987	\$ 4,628	\$ 3,125	\$ 21,740	\$ 8,284

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, 2016

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 5,509,319
Investments:	
U.S. Government securities	9,660,194
U.S. Government Agency securities	8,582,194
Mortgage and asset-backed securities	4,096,213
Municipal obligations	1,558,179
International fixed income investment fund	7,523,100
Domestic and international corporate bonds	29,787,271
Domestic equity securities	84,836,580
Domestic and international equity investment funds	39,057,659
Timber investment funds	6,014,227
Alternative investments	84,863,289
Interest and dividends receivable	807,060
Due from broker for securities sold	313,733
Employee contributions receivable	65,687
Prepaid expenses	343,449
Total Assets	<u>283,018,154</u>
LIABILITIES	
Accounts payable	178,662
Due to broker for securities purchased	405,636
Total Liabilities	<u>584,298</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 282,433,856</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, 2016

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 12,836,284
State	1,909,358
Plan members	<u>2,424,726</u>
Total contributions	17,170,368
Investment earnings	
Net appreciation in fair value of investments	19,968,151
Interest and dividends	<u>5,397,988</u>
	25,366,139
Less investment expenses - custodian fees	<u>924,147</u>
Net investment earnings	24,441,992
Other income	<u>169,505</u>
Total additions	41,781,865
DEDUCTIONS	
Benefits	19,882,033
Refunds of contributions	185,623
Administrative expenses	<u>327,557</u>
Total deductions	<u>20,395,213</u>
Change In Plan Net Position	21,386,652
Net Position Restricted for Pension Benefits - October 1, 2015	<u>261,047,204</u>
Net Position Restricted for Pension Benefits - September 30, 2016	<u><u>\$ 282,433,856</u></u>

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

1. Financial Reporting Entity

In conformance with the pronouncements of the Governmental Accounting Standards Board (“GASB”), the financial reporting entity of the City of Delray Beach, Florida (the “City”), includes the primary government and all organizations for which the primary government is financially accountable. The City was established pursuant to Section 12677, Laws of Florida, 1927. Financial accountability was determined based on the City’s ability to impose its will on an organization or the potential of the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Discretely Presented Component Units

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Two dependent special districts of the City, created pursuant to Florida Statutes, have been included in the reporting entity as discretely presented component units. The districts are the Delray Beach Community Redevelopment Agency (the “CRA”) and the Delray Beach Downtown Development Authority (the “DDA”). Both of these entities are considered component units, as the City appoints the governing board of each, and has the ability to remove members of the board at will.

The CRA is a dependent special district established by the City under authority granted by Florida Statute 163, Section III. The CRA is a legally separate entity established by Ordinance number 46-85 of the Delray Beach City Commission on June 18, 1985. The purpose of the CRA is to promote and guide the physical and economic redevelopment of approximately 1,900 acres in the center of the City. The CRA is governed by a seven member Board of Commissioners appointed by the Delray Beach City Commission.

The DDA was created after the City petitioned the State of Florida. An Act allowing the DDA became law on March 22, 1971. The original boundary of the DDA was established by Section 3, Chapter 71-604 Laws of Florida, 1971. The expanded boundary was established by Chapter 94-476 Laws of Florida effective May 13, 1994. The purpose of the DDA is to promote and guide the economic development and improvement of the downtown area of the City. The governing body of the DDA is appointed by the Delray Beach City Commission. In addition, the City approves the DDA’s budget.

Except as otherwise indicated, the notes to the financial statements pertain only to the primary government of the City. The separate financial statements of the CRA and the DDA can be obtained directly from the respective entities.

Joint Venture

The South Central Regional Wastewater Treatment and Disposal Board (the “Board”) is reported as a joint venture accounted for using the equity method as discussed in Note 10. The Board is an independent special district created by the Cities of Delray Beach and Boynton Beach, whose City Commissions comprise the Board’s governing body. Control and oversight are exercised equally by both cities represented on the Board. The separate financial statements of the Board can be obtained directly from the finance department of the Board.

2. Significant Accounting Policies

The City maintains its accounting records in accordance with the principles and policies applicable to governmental units set forth by the Government Accounting Standards Board (GASB).

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *General revenues*. The City does not allocate indirect costs; however, an administrative service fee is charged by the General Fund to other operating funds that is eliminated like a reimbursement (reducing revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (such as finance, legal, human resources, information systems, etc.).

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all time and purpose restrictions imposed by the provider have been met. The proprietary fund financial statements distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering services. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administration, and depreciation. Other revenues and expenses are considered nonoperating revenues and expenses. Water and sewer and other proprietary fund revenues are recognized as earned when the services are provided. For purposes of measuring the net pension liability, deferred inflows/outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's defined benefit pension plans and the additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the City's defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Ad valorem taxes and charges for services are susceptible to accrual when collected in the current year or within 60 days subsequent to year end. Intergovernmental revenue and utility service taxes are recorded in accordance with their legal or contractual requirements if collected in the current period or within 60 days after year end, except for grant revenue, which is recorded when the related expenditures/expenses are incurred and the time and purpose restrictions have been met. Interest is recorded when earned. Licenses and permits, fines and forfeitures and miscellaneous revenue are recorded as revenue when received in cash, because they are generally not measurable until actually received.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

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

Emergency medical transport services provided by the City are billed and recorded at the time services are rendered. Other material revenues which are susceptible to accrual include franchise fees, state revenue sharing and other state shared revenue. Revenues which are not both available and measurable and are thus not susceptible to accrual include utility service taxes, permits and occupational licenses. Business taxes collected in advance of periods to which they relate are recorded as unavailable revenues, a deferred inflow of resources. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except that principal and interest on long-term obligations are reported only when due in conformity with GAAP. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Neighborhood Services Fund – This fund accounts for revenue received from federal, state and local governments under numerous grant programs which are used for various community development and improvement projects within the City.

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.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

Cash, Cash Equivalents and Investments

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable represent amounts due for various City services and utilities, provided primarily to local businesses and residents. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable and historical collection trends. Accounts receivable are written off on an individual basis in the year the City deems them uncollectible. An allowance for doubtful accounts has been provided for those accounts where collectability appears to be doubtful. The City does not require collateral from its customers, except for the Water and Sewer Fund, which requires deposits for services. The City maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses.

Unbilled Service Receivables

Within the enterprise funds, the Water and Sewer Fund recognizes revenue on the basis of monthly cycle billings to customers for services provided. As a result of this cycle billing method, there are unbilled receivables at the end of each fiscal year with respect to services provided, but not billed at such date. It is the policy of the City to accrue these amounts at year-end. The other enterprise funds do not have unbilled receivables at year-end.

Inventories

Inventories consist of materials, supplies and goods held for sale and are carried at cost on the average cost basis. General Fund inventories are accounted for using the consumption method whereby inventories are recorded as expenditures in the period when used.

Prepaid Items/Expenses

Payments for insurance premiums and other administrative expenditures/expenses extending over more than one accounting period are accounted for as prepaid items/expenses and allocated between accounting periods when consumed rather than when purchased.

Interfund Transactions

Transactions among funds during the year are described as follows:

Interfund services provided and used - Transactions which are revenues to the recipient fund and expenditures/expenses to the disbursing fund. These are transactions which would otherwise be recorded as revenues or expenditures/expenses if they were conducted with organizations external to the City.

Reimbursements - These transactions are reimbursements of a fund for the disbursement of monies initially made from it, which are properly applicable to another fund. Such reimbursements are recorded as an expenditure or expense in the reimbursing fund and as reductions of the interfund receivable in the fund that is reimbursed.

Transfers - Transfers which, because of budgetary or legal restrictions, must be expended by funds other than the fund initially receiving the revenue. These transfers are recorded as transfers in (out).

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.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Intra-Entity Transactions

Intra-entity transactions consist of transactions and balances between the primary government and its discretely presented component units and are separately reported from interfund balances. Current maturities of long-term intra-entity transactions are reported separately as due to and due from the respective entities.

Assets Acquired for Sale

Assets acquired for sale consist of residential properties purchased by the City through its Neighborhood Stabilization Program ("NSP"). The NSP rehabilitates and resells properties in the City to low income residents. The properties are reported at the lower of cost or estimated net realizable value.

Capital Assets

Capital asset acquisitions are recorded as expenditures in the governmental fund financial statements 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 fair value at the date of receipt. Capital costs which materially extend the useful life of existing properties are capitalized. Capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Interest is capitalized on projects during the construction period based upon average accumulated project expenditures. Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, lighting and drainage systems and similar assets that are immovable and of value only to the City) are capitalized and reported in the Improvements Other Than Buildings category.

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

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

Unavailable / Unearned Revenue

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Compensated Absences

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

The City's policy regarding the accumulation of compensated absences is summarized as follows:

Vacation Leave - Employees become eligible to use accrued vacation after one year of continuous service and may then use vacation as it is earned. The maximum vacation days allowed to be accumulated is 18, 24-hour days for fire department personnel and 36, 8-hour days for all other full-time personnel. Upon termination in good standing, employees are compensated for all accrued vacation leave at their pay rate on the date of termination.

Sick Leave - Employees earn hours of sick leave per month based on their scheduled work hours; 8 hours per month for 40-hour work week employees and 9.6 hours per month for 48-hour work week employees. If an employee retires with 20 years or more of service, sick leave is paid up to a maximum of 1,120 hours for general employees and police officers or 1,344 hours for 48-hour work week firefighter employees. Upon retirement with less than 20 years of service or resignation, employees are compensated for unused sick leave at their pay rate on the date of termination, up to 560 hours (70 days) for general employees and police officers and 672 hours (84 days) for firefighters according to the following vesting schedule:

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

Noncurrent Obligations

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

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

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the government-wide and proprietary funds statements of net position and the governmental funds balance sheet report a separate section for deferred outflows and/or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Deferred Outflows / Inflows of Resources (Continued)

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

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has one item, deferred amounts related to pensions, which is reported as a deferred inflow of resources on the government-wide and proprietary funds statements of net position. A deferred inflow of resources related to pensions results from differences between expected and actual experience which are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). The City also has one item, unavailable revenues, which arises only under the modified accrual basis of accounting and is reported as a deferred inflow of resources on the governmental funds balance sheet. The unavailable revenues include amounts received in advance for business licenses, grants and long-term receivables for various housing assistance programs provided by the City. These amounts are deferred and recognized as an inflow of resources in the year that the amounts become available.

Fund Balance / Net Position

Fund Balance

Nature and Purpose of Fund Equity Classifications - In the fund financial statements, governmental funds report fund equity classifications that comprise a hierarchy based primarily on the extent to which the City is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

Nonspendable - Nonspendable fund balances include amounts that cannot be spent because they are either 1) not in spendable form; or, 2) legally or contractually required to be maintained intact.

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

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

Assigned - Assigned fund balances include amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Commission assigns fund balance by adopting a resolution giving direction to the City Manager. Assignments are generally temporary and do not require action by the City Commission for removal.

Unassigned - Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the General Fund.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

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 19% of budgeted 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 \$3,102,189 restricted for debt service, law enforcement and capital improvements and business-type activities net position of \$3,572,645 restricted for debt service and capital improvements.

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

Property Taxes

Ad valorem property taxes are assessed on property valuations as of January 1 and levied the following October. Property taxes are due March 31 and become delinquent April 1. Ad valorem property taxes are collected by Palm Beach County and remitted to the City. Revenue is recognized at the time monies are received from Palm Beach County. At September 30, unpaid delinquent taxes are reflected as a receivable and are offset in full by an allowance for estimated uncollectible accounts. Delinquent property taxes must be advertised within 45 days after delinquency, and after May 1 the property is subject to levy, seizure and sale by the County Tax Collector. Delinquent tax certificates are sold and become a lien on the property on June 1. State Statutes permit municipalities to levy property taxes at a maximum rate of 10 mills (\$10.00 for each \$1,000 of assessed valuation).

During 2007, the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments in the State of Florida. Local governments that adopt a property tax levy in excess of the limit under State law will lose their Half-Cent Sales Tax distribution from the State for the succeeding twelve months. The maximum tax levy allowed by a majority vote of the governing body is generally based on a percentage change applied to the prior year (2014/2015) 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, 2016, the City adopted an operating millage rate of 7.0611 and a debt service millage of 0.2756, resulting in a tax levy of \$58,512,469 for 2016. Property tax growth is generally limited to the annual growth rate of per capita personal income plus the value of new construction.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year-end, if any, are reported as fund balance assigned to encumbrances in the General Fund. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year-end.

On-behalf Payments

The City receives on-behalf payments from the State of Florida to be used for Police Officer and Firefighters pension benefits. Such payments are recorded as intergovernmental revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements, but are not budgeted and therefore are not included in the General Fund budgetary basis financial statements. On-behalf payments to the City totaled \$1,909,358 for the fiscal year ended September 30, 2016.

Implementation of GASB Statements

The City implemented the following GASB Statements during the fiscal year ended September 30, 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application*, addresses financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governments in conformity with GAAP and the framework for selecting those principles.

GASB Statement No. 72 required additional disclosure in the notes to the financial statements. GASB Statement No. 76 did not have any material effect on the 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new standards of financial reporting for governments whose employees are provided with other postemployment benefits (OPEB) through defined benefit and defined contribution OPEB plans and requires enhanced note disclosures and schedules of required supplementary information for OPEB plans. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2017.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to employees of other entities. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2018.
- GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about the reporting government's own tax abatement agreements and agreements that are entered into by other governments that reduce the reporting government's tax revenues. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2017.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Implementation of GASB Statements (Continued)

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2017.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2017.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, amends the blending requirements for financial statement presentation of component units of all state and local governments and requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2017.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary and requires that a government recognize assets representing the beneficial interest in the irrevocable split-interest agreement administered by a third party if the government controls the present service capacity of the beneficial interests. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2018.
- GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statement No. 67, No. 68 and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement will be effective for the City's fiscal year ending September 30, 2018.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2019.
- GASB Statement No. 84, *Fiduciary Activities*, establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. The requirements of this statement will be effective for the City for the fiscal year ending September 30, 2020.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

2. Significant Accounting Policies (Continued)

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses/expenditures. Actual results could vary from the estimates that were used.

3. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments of the City and its pension trust funds at September 30, 2016, 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	\$ 36,039,130	\$ 1,547	\$ 36,040,677
Cash equivalents and investments	82,756,691	281,486,678	364,243,369
Total cash, cash equivalents and investments	\$ 118,795,821	\$ 281,488,225	\$ 400,284,046
Cash and cash equivalents	\$ 54,603,820	\$ 5,509,319	\$ 60,113,139
Investments	60,472,343	275,978,906	336,451,249
Restricted cash and cash equivalents	2,245,311	-	2,245,311
Restricted investments	1,474,347	-	1,474,347
Total cash, cash equivalents and investments	\$ 118,795,821	\$ 281,488,225	\$ 400,284,046

Deposits with Financial Institutions

At September 30, 2016, the City's cash and cash equivalents included deposits with financial institutions of \$36,022,030 and petty cash of \$17,100 and the pension trust funds had deposits with financial institutions of \$1,547. 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); negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under Federal or Florida laws; money market mutual funds limited to U.S. Government securities; obligations of the Federal Farm Credit Banks, Fannie Mae, Freddie Mac, the Federal Home Loan Bank or its district banks; obligations guaranteed by the Government National Mortgage Association; and any additional investments authorized by the City's Investment Policy of Board or Trustees for the Pension Plans. The City's investment policy also authorizes the City to invest, with certain limitations, in repurchase agreements, commercial paper, bankers acceptances, corporate notes and obligations, mortgage-backed securities, state and local government tax exempt debt, registered investment companies and Florida intergovernmental investment pools.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

The City's pension trust funds may also invest in tax sale certificates of the State of Florida or any of its political subdivisions, preferred and common stocks of certain domestic and international corporations, debt securities of certain domestic and international corporations, mutual funds (including exchange traded funds), and alternative investments, including private investment funds consisting of equity and fixed income investments, real estate, timberlands, and similar investments that are not publicly traded.

The following summarizes the cash equivalents and investments of the City and its pension trust funds reported on the statement of net position and statement of fiduciary net position at September 30, 2016:

	City Primary Government	Fiduciary Funds Pension Trust	Total
Cash equivalents			
Money market mutual funds	\$ 11,784,632	\$ 5,507,772	\$ 17,292,404
Florida intergovernmental investment pools	9,025,369	-	9,025,369
Total cash equivalents	20,810,001	5,507,772	26,317,773
Investments			
U.S. Government securities	19,421,604	9,660,194	29,081,798
U.S. Government Agency securities	26,830,593	8,582,194	35,412,787
Mortgage and asset-backed securities	-	4,096,213	4,096,213
Certificates of deposit	5,000,000	-	5,000,000
Municipal obligations	499,655	1,558,179	2,057,834
International fixed income investment funds	-	7,523,100	7,523,100
Domestic and international corporate bonds	9,298,953	29,787,271	39,086,224
Commercial paper	895,885	-	895,885
Domestic equity securities	-	84,836,580	84,836,580
Domestic and international equity investment funds	-	39,057,659	39,057,659
Timber investment funds	-	6,014,227	6,014,227
Alternative investments	-	84,863,289	84,863,289
Total investments	61,946,690	275,978,906	337,925,596
Total cash equivalents and investments	\$ 82,756,691	\$ 281,486,678	\$ 364,243,369

The Florida intergovernmental investment pools consist of two investment pools, Florida Cooperative Liquid Assets Securities System (FLCLASS) and Florida Surplus Asset Fund (FL SAFE), organized under Florida Statutes Section 163, the Florida Interlocal Cooperation Act, by Florida public agencies for the purpose of operating an independent investment pool for local governments in Florida. The investment pools are administered by a Board of Trustees elected by the participants in the pool and 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.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

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

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

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

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

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

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

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

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

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

Investments measured at net asset value (NAV): Domestic and international equity and fixed income investment funds and alternative investment funds investing in fixed income and equity securities, timberland and real estate, are valued at the unadjusted NAV per share at September 30, 2016, calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies based on the fair value of the underlying fund investments, as determined by the fund manager, if available, or by valuations of a fund's underlying assets as provided by the general partner or investment manager, since the assets are not publicly traded. Timberland and real estate values are based upon annual independent appraisals performed for assets held by the funds. The fair value of timberlands and real estate is the price that would be received if the asset was sold to a market participant assuming the highest and best use of each asset at the measurement date. The pooled investment funds in fixed income and equity investments are not publicly traded and invest in various types of equity securities and fixed income securities.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

The alternative investment funds may hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the management of the pension funds and their investment advisors in the absence of readily ascertainable market values.

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, 2016.

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, 2016. The fair value of the City's investments at September 30, 2016 is summarized as follows:

	Fair Values at September 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt securities				
U.S. Government	\$ 29,081,798	\$ -	\$ -	\$ 29,081,798
U.S. Government Agencies	-	35,412,787	-	35,412,787
Mortgage and asset-backed	-	4,096,213	-	4,096,213
Municipal obligations	-	2,057,834	-	2,057,834
International fixed income investment funds	7,523,100	-	-	7,523,100
Corporate bonds	-	39,086,224	-	39,086,224
Commercial paper	-	895,885	-	895,885
Total debt securities	36,604,898	81,548,943	-	118,153,841
Equity and other investments				
Domestic equity securities	84,836,580	-	-	84,836,580
Equity mutual funds	39,057,659	-	-	39,057,659
Timber funds	-	-	6,014,227	6,014,227
Total equity securities	123,894,239	-	6,014,227	129,908,466
Total investments	<u>\$ 160,499,137</u>	<u>\$ 81,548,943</u>	<u>\$ 6,014,227</u>	248,062,307
Investments measured at NAV				
Pooled equity index fund				42,012,571
Equity investment funds				12,944,636
Fixed income index fund				11,177,022
Alternative investment funds				
Fixed income investment fund				6,277,773
Real estate investment funds				12,451,287
Total investments at NAV				<u>84,863,289</u>
Total investments at fair value				<u>\$ 332,925,596</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

3. Cash, Cash Equivalents and Investments (Continued)

Investments (Continued)

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. 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, economic and governmental risks; and, market risk. At September 30, 2016, the investments measured at NAV had future funding commitments of \$4,944,193, no lock-up periods and were redeemable monthly, quarterly or annually with 5 to 90 days' notice.

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, 2016 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, 2016, the ratings for the City's investment portfolio ranged from A to AAA. Pension investments in debt securities must be rated investment grade by a NRSRO at the date of purchase. The NRSRO ratings for the fixed income investments of the primary government and pension funds are summarized as follows at September 30, 2016.

	NRSRO Rating	Fair Value
Primary Government		
Money market mutual funds	Unrated	\$ 11,784,632
Florida intergovernmental investment pools	AAAm	9,025,369
U.S. Government and Agency securities	AA	46,252,197
Municipal obligations	AA	499,655
Corporate bonds	AA – A	9,298,953
Commercial paper	A	895,885
Pension Trust Funds		
Money market mutual funds	Unrated	5,507,772
U.S. Government and Agency securities	AAA – AA	18,242,388
Mortgage and asset-backed securities	AA	4,096,213
Municipal obligations	AAA – BBB	1,558,179
International fixed income investment funds	Unrated	7,523,100
Domestic and international corporate bonds	AA – BBB	29,787,271
Alternative investment - fixed income index fund	Unrated	11,177,022
Alternative investment - fixed income investment fund	Unrated	6,277,773

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

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.

	Average Duration (in years)	Fair Value
Primary Government		
U.S. Government securities	1.7	\$ 19,421,604
U.S. Government Agency securities	2.2	26,830,593
Municipal obligations	1.6	499,655
Corporate bonds	1.4	9,298,953
Commercial paper	0.3	895,885
Certificates of deposit	0.5	5,000,000
Pension Trust Funds		
U.S. Government securities	4.8	9,660,194
U.S. Government Agency securities	10.1	8,582,194
Mortgage and asset-backed securities	2.2	4,096,213
Municipal obligations	12.9	1,558,179
International fixed income investment fund	Not Available	7,523,100
Domestic and international corporate bonds	8.1	29,787,271
Alternative investment - fixed income index fund	Not Available	11,177,022
Alternative investment - fixed income investment fund	Not Available	6,277,773

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

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

Discretely Presented Component Units

Cash: The CRA's cash at September 30, 2016, includes deposits with financial institutions with a bank balance of \$7,684,392, a book balance of \$7,697,251, Florida Prime deposits of \$6,756 and \$250 of petty cash. The CRA's deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. The DDA's cash balance at September 30, 2016, includes deposits with financial institutions that were fully covered by federal depository insurance.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

4. Receivables

Current receivables and the allowance for doubtful accounts were as follows at September 30, 2016:

	Governmental Activities	Business-Type Activities
Property taxes receivable:		
General Fund	\$ 206,910	\$ -
Stormwater Utility Fund	-	6,271
Accounts receivable:		
General Fund	2,426,587	-
Water and Sewer Fund	-	4,411,926
Non-Major Funds	180,240	537,129
Internal Service Funds	16,406	-
Allowance for doubtful accounts	(1,583,500)	(933,749)
	<u>\$ 1,246,643</u>	<u>\$ 4,021,577</u>

5. Notes Receivable

Notes receivable consist of the following at September 30, 2016:

General Fund

Non-interest-bearing note receivable from EPOCH, a Delray Beach not-for-profit organization, to assist in funding for a museum project. Payments of \$3,500 are due December 31 of each year, with full payment due by December 31, 2017. \$ 3,500

Other Governmental Funds

Non-interest-bearing notes receivable from individual property owners for rehabilitation, enhancement and preservation of affordable housing properties. Principal payments are amortized over 5-20 years. Repayment of the loans is contingent upon the sale of real estate prior to the required time frame or release date. Loan repayments are restricted under terms of federal and state grant programs to reinvestment in affordable housing properties. 2,342,808

Total Governmental Activities \$ 2,346,308

In 1990 the City received a grant of approximately \$4 million through the Urban Development Action Grant Program (UDAG) for the purpose of constructing a low-income housing project within the City known as Auburn Trace. In connection with the UDAG funding, the City approved three loans to the developer, who also obtained a commercial first mortgage loan for construction of the project. The City's first loan to the developer financed the City's sale of 36 acres of property to the developer for \$730,000 with a non-interest bearing, five year promissory note for \$720,000 secured by a lien on the property. The City's second loan to the developer was for \$3,840,000 from the UDAG monies and was secured by a second mortgage on the property. The second mortgage was payable annually over a 50 year term with 3% interest that was deferred until maturity in accordance with the repayment provisions of the UDAG funding. The City's third loan to the developer was for \$768,000 from City funds and was payable annually over a 25 year term with zero interest. The loans for \$720,000 and \$768,000 were paid in full in fiscal years 2006 and 2010, respectively, and the related liens on the property were released. The remaining second mortgage note receivable from the developer had an outstanding balance of \$4,350,378 which was paid off in February 2016.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

5. Notes Receivable (Continued)

On October 8, 2014 the first mortgage lender filed a foreclosure action against the developer and on January 7, 2015, the developer filed for voluntary Chapter 11 bankruptcy. Thereafter on May 29, 2015, the City paid \$4,232,851 to purchase the defaulted first mortgage note with an outstanding principal balance of \$4,221,526 and accrued interest and fees of approximately \$768,000 from the developer's first mortgage lender. In connection with the acquisition of the first mortgage note, the City obtained an independent appraisal of the Auburn Trace property indicating the current fair value was \$8.5 million, which exceeded the outstanding principal balance due on the City's first and second mortgage notes receivable.

In addition to the outstanding principal balance on the two Auburn Trace mortgage notes receivable, the City was also entitled to pre-bankruptcy petition accrued interest, accrued interest on the first mortgage at the default rate of 20%, late payment fees, legal fees and other related charges, all subject to approval of the bankruptcy court. On September 17, 2015, the bankruptcy court approved a monthly payment to the City of \$30,000 by the debtor in possession, commencing in September 2015, for amounts due on the City's first mortgage note.

On February 12, 2016, the Auburn Trace property was sold for \$11,300,000 and the City received a payment of \$9,909,313 in full satisfaction of the outstanding first and second mortgage loans and accrued interest and late fees and approximately \$110,000 for pre-petition attorney fees and costs related to the Auburn Trace property.

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

The City's outstanding notes receivable from the CRA at September 30, 2016, consisted of the following:

US Highway 1 Improvements: The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the US Highway One improvements planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The City initially financed the project with a line of credit and planned to obtain permanent financing after the project was completed. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. Thereafter, the CRA pays the City an amount equal to the principal and interest on the City's debt for the project based on the CRA's share of the project funding for a period of twelve years. Principal on the loan is payable by the CRA annually on June 1st in amounts ranging from \$250,000 to \$374,190. Interest is payable semi-annually on June 1st and December 1st at 3.25% on the outstanding principal balance. The note receivable from the CRA was \$2,891,352 at September 30, 2016.

Library Property Acquisition: In connection with the planned redevelopment by the CRA of the former site of the Delray Beach Public Library, the City entered into a tri-party interlocal agreement in March 2013, with the CRA and the Delray Beach Chamber of Commerce to relocate the Chamber's offices and purchase the City's reversionary rights in the property. The CRA agreed to purchase the City's property rights for a total of \$2,270,870, payable to the City in equal annual installments of \$266,215, including interest at 3.0%, commencing March 8, 2014. In the event the CRA sells or conveys any portion of the property during the term of the loan, the CRA agreed to pay the City a lump sum principal payment on the loan equal to 50% of the sales proceeds received by the CRA, in addition to the annual installment payments due on the loan, but not in excess of the total loan amount. The CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity. The note receivable from the CRA was \$628,596 as of September 30, 2016.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

5. Notes Receivable (Continued)

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

The CRA's outstanding notes receivable at September 30, 2016 consist of the following:

Notes Receivable from Delray Beach Community Land Trust

Construction Mortgages: The CRA provides advances to the Delray Beach Community Land Trust, Inc. (CLT) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2016, the total advances receivable from the CLT were \$325,249 all of which is considered collectible by the CRA.

Land Acquisition Mortgage: In April 2013, the CRA loaned \$116,000 to the CLT for the purchase of suitable building lots in the City for the CLT's affordable housing program. Interest only payments are due quarterly on the loan at 2.1% commencing April 1, 2014 and continuing through maturity of the loan on April 12, 2018, at which time the outstanding principal is due and payable to the CRA. In the event the CLT's interest in the property is sold or otherwise transferred prior to the maturity date of the loan, all outstanding principal and accrued interest is immediately due. The loan is collateralized by a first purchase money mortgage on the property acquired by the CLT. The note receivable balance was \$116,000 as of September 30, 2016.

Note Receivable from Delray Beach Chamber of Commerce

In February 2013, the CRA entered into an agreement with The Greater Delray Beach Chamber of Commerce, Inc. (the "Chamber") to provide funding for the relocation of the Chamber's offices to the Old School Square Parking Garage retail office space in order to facilitate redevelopment by the CRA of the property then occupied by the Chamber (the "Chamber property"). The agreement provides that the CRA will fund up to \$459,675 of the cost to build out the Chamber's new office space, of which the Chamber agreed to repay \$250,000 to the CRA over 15 years. The Chamber executed a promissory note to the CRA for \$250,000 payable in 180 equal monthly installments of \$1,849, including interest at 4.0%, beginning April 1, 2014, through maturity. Within 30 days following occupancy of the new office space by the Chamber, the Chamber agreed to execute a release and termination of its existing lease on the Chamber property, thereby allowing the CRA to redevelop the property. The note receivable balance was \$218,004 as of September 30, 2016.

Note Receivable from Prime Delray Hotel, LLC

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

Second Mortgage Loans Receivable

The CRA provided home mortgage loan assistance to eligible low income individuals who qualified under the CLT or CRA home subsidy program for the purchase of a home or the rehabilitation of an existing home within the City. The home purchase or rehabilitation subsidy provided by the CRA is secured by a second mortgage on

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

5. Notes Receivable (Continued)

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

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, 2016, the amount of the individual second mortgages originated in 2008 through 2016, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. The loans receivable totaled \$563,884 as of September 30, 2016.

6. Due from/Due to Component Unit

The amounts due from/due to component unit consist of the following balances for the Delray Beach Community Redevelopment Agency at September 30, 2016:

Due from Component Unit

<u>General Fund</u>	
Clean and Safe Program	\$ 1,278,616
<u>Neighborhood Services Fund</u>	
Housing rehabilitation	9,720
Neighborhood planner	21,083
<u>Capital Improvement Fund</u>	
Old School Square rehabilitation	7,500
<u>Beautification Fund</u>	
Street swap	2,354
Total Due from Component Unit	<u>\$ 1,319,273</u>

Due to Component Unit

<u>General Fund</u>	
Shared employees	\$ 29,134
<u>Special Projects Fund</u>	
Eagle Nest project	50,000
Total Due to Component Unit	<u>\$ 79,134</u>

7. Due from Other Governments

The total amount due from other governments of \$790,199 at September 30, 2016, represents the amount due from federal and state sources for intergovernmental revenues and grant reimbursements in the General Fund and Neighborhood Services Fund.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

8. Restricted Assets

Restricted assets in the Enterprise Funds result from revenue bond requirements to fund the current portions of principal and interest and a renewal and replacement reserve. The required cash balances and reserve requirements at September 30, 2016, 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, 2016.

Restricted assets, liabilities payable from restricted assets and restricted net position of the Enterprise Funds are summarized as follows at September 30, 2016:

Restricted Assets	Restricted for		
	Debt Service	Renewal and Replacement	Total
Water and Sewer Fund			
Cash and cash equivalents	\$ 470,526	\$ 1,679,925	\$ 2,150,451
Investments	1,474,347	-	1,474,347
Stormwater Fund			
Cash and cash equivalents	46,162	-	46,162
Non-Major Enterprise Funds			
Cash and cash equivalents	48,698	-	48,698
Total Restricted Assets	2,039,733	1,679,925	3,719,658
Liabilities Payable from Restricted Assets			
Water and Sewer Fund	142,813	-	142,813
Stormwater Fund	2,422	-	2,422
Non-Major Enterprise Funds	1,778	-	1,778
Total Liabilities Payable from Restricted Assets	147,013	-	147,013
Restricted Net Position	\$ 1,892,720	\$ 1,679,925	\$ 3,572,645

9. Capital Assets

The major components of capital assets for the City are summarized as follows at September 30, 2016:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 39,729,979	\$ 572,026	\$ -	\$ 40,302,005
Construction in Progress	14,982,001	4,487,242	(14,110,414)	5,358,829
Total Non-depreciable Assets	54,711,980	5,059,268	(14,110,414)	45,660,834
<u>Depreciable Assets</u>				
Buildings	39,455,724	360,452	-	39,816,176
Improvements Other Than Buildings	122,715,705	15,006,205	(2,320,386)	135,401,524
Equipment	44,063,095	5,689,395	(1,322,094)	48,430,396
Total Depreciable Assets	206,234,524	21,056,052	(3,642,480)	223,648,096

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

9. Capital Assets (Continued)

Governmental Activities (Continued)	Beginning Balance	Increases	Decreases	Ending Balance
<u>Less Accumulated Depreciation</u>				
Buildings	\$ (19,935,335)	\$ (1,172,595)	\$ -	\$ (21,107,930)
Improvements Other Than Buildings	(69,474,305)	(3,848,713)	2,320,386	(71,002,632)
Equipment	(33,666,784)	(2,734,678)	1,286,107	(35,115,355)
Total Accumulated Depreciation	(123,076,424)	(7,755,986)	3,606,493	(127,225,917)
Total Depreciable Assets, net	83,158,100	13,300,066	(35,987)	96,422,179
Governmental Activities Capital Assets, net	\$ 137,870,080	\$ 18,359,334	\$ (14,146,401)	\$ 142,083,013
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land	\$ 5,668,824	\$ -	\$ -	\$ 5,668,824
Construction in Progress	6,595,261	7,264,099	(2,931,295)	10,928,065
Total Non-depreciable Assets	12,264,085	7,264,099	(2,931,295)	16,596,889
<u>Depreciable Assets</u>				
Buildings	13,774,348	-	-	13,774,348
Improvements Other Than Buildings	170,869,092	4,967,292	-	175,836,384
Equipment	14,757,376	760,514	(924,885)	14,593,005
Total Depreciable Assets	199,400,816	5,727,806	(924,885)	204,203,737
<u>Less Accumulated Depreciation</u>				
Buildings	(9,277,112)	(261,167)	-	(9,538,279)
Improvements Other Than Buildings	(87,060,632)	(3,157,299)	-	(90,217,861)
Equipment	(12,831,026)	(489,683)	903,857	(12,416,852)
Total Accumulated Depreciation	(109,168,770)	(3,908,079)	903,857	(112,172,992)
Total Depreciable Assets, net	90,232,046	1,819,727	(21,028)	92,030,745
Business-Type Activities Capital Assets, net	\$ 102,496,131	\$ 9,083,826	\$ (2,952,323)	\$ 108,627,634

Depreciation expense for the fiscal year ended September 30, 2016, was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 592,302
Public Safety	1,064,842
Physical Environment	2,448,419
Parks and Recreation	1,870,747
Internal Service Funds	1,779,676
Total depreciation expense - Governmental Activities	<u>\$ 7,755,986</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

9. Capital Assets (Continued)

Business-Type Activities

Water and Sewer	\$ 3,260,502
Municipal Golf Course	168,425
Lakeview Golf Course	66,483
City Marina	9,179
Sanitation	238
Stormwater	403,252
Total depreciation expense - Business-Type Activities	<u>\$ 3,908,079</u>

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

Changes in capital assets of the Delray Beach Community Redevelopment Agency are summarized as follows for the fiscal year ended September 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Non-depreciable Assets</u>				
Land and Land Improvements	\$ 30,456,081	\$ 1,556,072	\$ (129,056)	\$ 31,883,097
Total Non-depreciable Assets	<u>30,456,081</u>	<u>1,556,072</u>	<u>(129,056)</u>	<u>31,883,097</u>
<u>Depreciable Assets</u>				
Buildings and Improvements	3,808,566	-	-	3,808,566
Equipment, Furniture, and Fixtures	140,221	7,348	-	147,569
Total Depreciable Assets	<u>3,948,787</u>	<u>7,348</u>	<u>-</u>	<u>3,956,135</u>
<u>Less Accumulated Depreciation</u>				
Buildings and Improvements	(1,066,760)	(130,499)	-	(1,197,259)
Equipment, Furniture, and Fixtures	(122,892)	(5,551)	-	(128,443)
Total Accumulated Depreciation	<u>(1,189,652)</u>	<u>(136,050)</u>	<u>-</u>	<u>(1,325,702)</u>
Total Depreciable Assets, net	<u>2,759,135</u>	<u>(128,702)</u>	<u>-</u>	<u>2,630,433</u>
Capital Assets, net	<u>\$ 33,215,216</u>	<u>\$ 1,427,370</u>	<u>\$ (129,056)</u>	<u>\$ 34,513,530</u>

10. Investment in Regional Plant Joint Venture

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

Ownership of the regional wastewater treatment and disposal plant is vested proportionately with the cities in accordance with the capital investments of each city, which to date is approximately 50% each. The Board charges each city for its share of the Board's operating expenses based on the percentage of flow of wastewater from each city. At September 30, 2016, accounts receivable of the Water and Sewer Fund and business-type activities included \$344,324 due from the Board and accounts payable of the Water and Sewer Fund and business-type activities

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

10. Investment in Regional Plant Joint Venture (Continued)

included \$441,518 due to the Board. For the year ended September 30, 2016, the City paid \$3,414,300 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, 2016, the City's 50% equity interest in the net position of the Board totaled \$20,354,468 and has been reported as "Investment in regional plant joint venture" in the City's financial statements.

The Board issues separate financial statements audited by other accountants. Those financial statements may be obtained from the Board at 1801 N. Congress Avenue, Delray Beach, FL 33445. Summarized financial information of the Board as of and for the year ended September 30, 2016, is as follows:

Net Position		
Current and other assets		\$ 7,056,462
Capital assets, net		35,381,271
	Total assets	42,437,733
Current liabilities		1,662,193
Noncurrent liabilities		66,603
	Total liabilities	1,728,796
	Net position	<u>\$ 40,708,937</u>
Change in Net Position		
Charges for services		\$ 7,910,632
Capital grants and contributions		1,000,000
	Total Program revenues	8,910,632
Program expenses		10,854,232
	Net program expenses	(1,943,600)
Investment income		5,757
Miscellaneous		87,339
Gain on sale of capital assets		8,145
Transfers to joint venture participants		(656,923)
	Change in net position	<u>\$ (2,499,282)</u>

11. Interfund Transactions and Balances

Total interfund receivables/payables and transfers were as follows as of and for the year ended September 30, 2016:

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Major Governmental Funds				
General Fund	\$ -	\$ 377,023	\$ 3,881,390	\$ 10,541,391
Neighborhood Services	-	-	153,242	300
Capital Improvement	-	-	3,748,611	79,560
Non-Major Governmental Funds				
Special Revenue Funds				
Developers Land Contribution	-	-	-	5,620
Beautification	-	-	944,526	-
Special Projects	-	-	85,180	15,812

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

11. Interfund Transactions and Balances (Continued)

	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Non-Major Governmental Funds (Continued)				
Debt Service Fund				
Utilities Tax	\$ -	\$ -	\$ 2,125,790	\$ 1,800
Capital Projects Fund				
Beach Restoration	-	-	15,000	-
Total Governmental Funds	-	377,023	10,953,739	10,644,483
Major Proprietary Funds				
Water and Sewer	2,631,488	-	112,000	3,243,055
Stormwater	-	2,254,465	-	416,580
Non-Major Proprietary Funds				
Municipal Golf Course	-	-	1,789,321	18,000
Lakeview Golf Course	-	-	1,193,403	5,000
City Marina	-	-	-	52,970
Sanitation	-	-	-	237,270
Internal Service Funds:				
Insurance	-	-	-	11,105
Central Garage	-	-	580,000	-
Total Proprietary Funds	2,631,488	2,254,465	3,674,724	3,983,980
Total Primary Government	\$ 2,631,488	\$ 2,631,488	\$ 14,628,463	\$ 14,628,463

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

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

12. Noncurrent Liabilities

The changes in noncurrent liabilities of the City for the fiscal year ended September 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 46,615,000	\$ -	\$ (4,333,036)	\$ 42,281,964	\$ 1,717,280
Bond anticipation note	5,155,409	-	(5,155,409)	-	-
General obligation bonds	16,435,000	-	(1,590,000)	14,845,000	1,640,000
Unamortized bond premium	3,169,413	-	(192,086)	2,977,327	-
Total bonds payable, net	71,374,822	-	(11,270,531)	60,104,291	3,357,280

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities: (Continued)					
Installment agreements	\$ 386,854	\$ -	\$ (119,425)	\$ 267,429	\$ 121,658
Compensated absences	6,874,265	1,050,109	(942,114)	6,982,260	825,383
Insurance claims payable	5,654,742	7,864,709	(7,552,582)	5,966,869	1,643,869
Total Governmental Activities	\$ 84,290,683	\$ 8,914,818	\$ (19,884,652)	\$ 73,320,849	\$ 5,948,190
Business-Type Activities:					
Revenue bonds	\$ 13,754,000	\$ -	\$ (2,305,964)	\$ 11,448,036	\$ 1,892,720
Unamortized bond premium	7,371	-	(7,371)	-	-
Total bonds payable, net	13,761,371	-	(2,313,335)	11,448,036	1,892,720
Installment agreements	-	140,100	(30,661)	109,439	27,233
Compensated absences	1,201,703	118,348	(241,595)	1,078,456	83,784
Total Business-Type Activities	\$ 14,963,074	\$ 258,448	\$ (2,585,591)	\$ 12,635,931	\$ 2,003,737

Debt service on revenue bonds, notes and installment agreements is payable from available non-ad valorem revenues. Debt service on utility tax obligations is payable from utilities tax revenues. General obligation bonds are payable from ad valorem taxes. Compensated absences are generally liquidated by the General Fund for governmental activities and by net revenues of the applicable proprietary fund for business-type activities. Noncurrent liabilities, including current maturities, consisted of the following at September 30, 2016:

Revenue Bonds and Note:	Governmental Activities	Business-Type Activities
\$10,000,000 Revenue Bonds issued February 25, 2000 (Series 2000), due in principal amounts of \$580,000 to \$600,000 through June 1, 2019, with semi-annual interest payments at 5.245%, due June 1 and December 1, through June 1, 2019. The bonds were issued to finance the costs of certain roadway improvements including water, sewer and drainage work, and a portion of the costs of a tri-party radio system.	\$ 1,248,700	\$ 461,300
\$9,685,000 Revenue Refunding and Improvement Bonds issued December 2, 2003 (Series 2003), due in principal amounts of \$695,000 to \$920,000 through June 1, 2019, with semi-annual interest payments at 3.66%, due June 1 and December 1, through June 1, 2019. The bonds were issued to currently refund Series 1999 and Series 2002 Tax Exempt Bonds, in whole, and Series 2002 Taxable Bonds in part.	2,503,264	146,736
\$2,350,000 Water and Sewer Revenue Bonds issued November 17, 2006 (Series 2006B), with principal amounts of \$165,000 to \$205,000 due through October 1, 2021, with semi-annual interest payments at 3.98%, due October 1 and April 1, through October 1, 2021. The bonds were issued to finance the City's share of the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Facility.	-	1,135,000

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenue Bonds and Note (Continued):		
\$5,430,000 Water and Sewer Refunding Revenue Bonds issued September 29, 2011 (Series 2011A), with principal amounts of \$515,000 to \$600,000 due through October 1, 2021, with semi-annual interest payments at 2.21%, due October 1 and April 1, through October 1, 2021. The bonds were issued to currently refund the Series 2006A Water and Sewer Revenue Bonds.	\$ -	\$ 3,375,000
\$8,160,000 Water and Sewer Refunding Revenue Bonds issued October 18, 2011 (Series 2011B), with principal amounts of \$980,000 to \$1,120,000 due through October 1, 2021, with semi-annual interest payments at 2.21%, due October 1 and April 1, through October 1, 2021. The bonds were issued to currently refund the Series 2007 Water and Sewer Revenue Bonds.	-	6,330,000
\$39,020,000 Utilities Tax Revenue Refunding and Improvement Bonds, issued April 1, 2015 (Series 2015), due in principal amounts of \$400,000 to \$3,225,000 through June 1, 2035, with semi-annual interest payments at 3% to 5%, due June 1 and December 1, through June 1, 2035. The Bonds were issued to refund a portion of the Utility Tax Revenue Bonds, Series 2007; to pay a portion of the Bond Anticipation Revenue Improvement Note, Series 2013; and, to finance the costs of rebuilding Fire Station No. 3 and certain beach amenity projects.	38,530,000	-
Total Revenue Bonds and Note	42,281,964	11,448,036
Unamortized bond premium	2,977,327	-
Total Revenue Bonds and Note, Net	45,259,291	11,448,036
General Obligation Bonds:		
\$10,000,000 General Obligation Bonds issued August 26, 2005 (Series 2005), due in annual principal installments of \$720,000 to \$1,135,000 starting February 1, 2014 through February 1, 2024, with semi-annual interest payments at 4.15%, due February 1 and August 1, through February 1, 2024. The bonds were issued for the acquisition of land, equipping of new parks, recreation centers, parking garage and library.	7,745,000	-
\$8,810,000 General Obligation Bonds issued November 21, 2013 (Series 2013), due in annual principal installments of \$785,000 to \$960,000 starting February 1, 2014 through February 1, 2024, with semi-annual interest payments at 2.17%, due February 1 and August 1, through February 1, 2024. The bonds were issued for the purpose of defeasing the Series 2004 GO Bonds which were used for the acquisition of land, equipping of new parks and recreation centers.	7,100,000	-
Total General Obligation Bonds	14,845,000	-

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Other Noncurrent Liabilities:		
Installment agreements for equipment, 2.74% to 2.85% interest, maturing in 2019	\$ 267,429	\$ 109,439
Compensated absences payable	6,982,260	1,078,456
Insurance claims payable (see Note 15)	5,966,869	-
Total Noncurrent Liabilities, including current portion	<u>\$ 73,320,849</u>	<u>\$ 12,635,931</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.

The installment agreements financed the purchase of equipment. At September 30, 2016, the amount of the equipment held under these agreements was \$965,100 and the accumulated amortization was approximately \$562,600. Amortization expense related to equipment purchased under the installment agreement is included in depreciation in the accompanying financial statements. The agreement calls for termination of the agreement and forfeiture of the equipment in the event the payments are not budgeted or made. Future payments through maturity for the governmental activities installment agreement as of September 30, 2016, are as follows:

Fiscal year ending September 30:	
2017	\$ 156,191
2018	156,191
2019	52,361
2020	<u>25,356</u>
Total minimum payments	390,099
Less amount representing interest	<u>(13,231)</u>
Outstanding balance at September 30, 2016	<u><u>\$ 376,868</u></u>

Pledged Governmental Revenues: The City has pledged the future utilities service tax revenues of the City to repay the outstanding Utility Tax Revenue Bonds, Series 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 at September 30, 2016, is \$53,866,700. Principal and interest paid during the current year was \$490,000 and \$1,565,900, respectively.

The City has also pledged the future non ad-valorem revenues of the City to repay the outstanding Series 2000 Revenue Bonds and the Series 2003 Revenue Refunding and Improvement Bonds issued to finance various capital improvements. The revenue bonds and note are payable solely from the non ad-valorem revenues received by the City and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 5 percent of non ad-valorem revenues. Total principal and interest remaining to be paid on the Series 2000 and 2003 bonds, which is allocated to both the governmental activities/funds and business-type activities/funds at

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

Governmental Activities (Continued)

September 30, 2016, is \$4,739,014. Non-ad valorem revenues received for the current year were approximately \$60.0 million. Principal and interest paid for the current year was \$1,860,000 and \$207,307, respectively.

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

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 of \$24,330,000 at September 30, 2015 was removed from the City's financial statements. The refunding reduced the City's debt service payments by \$3,190,280 and resulted in an economic gain of \$2,502,129. The difference between the reacquisition price and net carrying amount of the Series 2007 Bonds of \$2,101,067 was reported as deferred outflow of resources on the statement of net position and amortized to operations over 17 years.

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, 2016 were \$2,229,468 and \$2,350,249, 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, 2016:

Fiscal Year Ending September 30	Revenue Bonds and Note		General Obligation Bonds		
	Principal	Interest	Principal	Interest	Total
2017	\$ 1,717,280	\$ 1,698,020	\$ 1,640,000	\$ 449,576	\$ 5,504,876
2018	1,790,000	1,622,108	1,700,000	396,705	5,508,813
2019	1,879,684	1,542,766	1,750,000	341,898	5,514,348
2020	1,975,000	1,459,650	1,820,000	284,997	5,539,647
2021	2,065,000	1,360,900	1,880,000	225,795	5,531,695
2022-2026	12,015,000	5,154,250	6,055,000	298,801	23,514,051
2027-2031	14,735,000	2,422,563	-	-	17,157,563
2032-2035	6,105,000	403,388	-	-	6,508,388
Total	\$ 42,281,964	\$ 15,654,645	\$ 14,845,000	\$ 1,997,772	\$ 74,779,381

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

Business-Type Activities

The provisions of the bond resolutions for the debt of the Water and Sewer Fund, Stormwater Fund, Municipal Golf Course Fund and Lakeview 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 \$12,307,808. Principal and interest paid and utility net revenues for the current year were \$2,057,854 and \$13,709,028, 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, 2016, are as follows:

Fiscal Year Ending September 30	Revenue Bonds		
	Principal	Interest	Total
2017	\$ 1,892,720	\$ 269,399	\$ 2,162,119
2018	1,945,000	218,775	2,163,775
2019	1,985,316	166,699	2,152,015
2020	1,820,000	113,097	1,933,097
2021	1,880,000	68,716	1,948,716
2022	1,925,000	23,086	1,948,086
Total	\$ 11,448,036	\$ 859,772	\$ 12,307,808

Interest Expense: Total interest costs incurred and paid on business-type activities debt for the year ended September 30, 2016, were \$338,283 and \$342,172, respectively, all of which was expensed.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

Business-Type Activities (Continued)

Segment Information: A portion of the City's Series 2002 and Series 2007 Utility Tax Revenue Bonds, Series 2000 Revenue Bonds and Series 2003 Revenue Refunding and Improvement Bonds, were used to finance improvements to the City's stormwater utility and two golf courses. The Series 2002 and 2007 Utility Tax Revenue Bonds were paid in full in fiscal year 2016. The City's stormwater utility and golf courses are accounted for in three separate enterprise funds; however, the revenue streams of those funds are not specifically pledged for the repayment of those bonds, which are secured by the City's utility tax revenues and non-ad valorem revenues. Accordingly, segment information is not required or presented for the operations of the stormwater utility and golf courses.

Discretely Presented Component Unit - Delray Beach Community Redevelopment Agency

Changes in the noncurrent liabilities of the Delray Beach Community Redevelopment Agency (CRA) for the year ended September 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 7,289,225	\$ 100,000	\$ (1,250,000)	\$ 6,139,225	\$ 1,090,000
Loans Payable to the City	4,121,520	-	(601,572)	3,519,948	608,776
Total Noncurrent Liabilities	<u>\$ 11,410,745</u>	<u>\$ 100,000</u>	<u>\$ (1,851,572)</u>	<u>\$ 9,659,173</u>	<u>\$ 1,698,776</u>

The CRA's outstanding revenue bonds at September 30, 2016, consist of the following:

4.80% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 1999A), maturity date September 1, 2019.	\$ 885,000
4.2982% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond (Series 2004A Tax Exempt), maturity date September 1, 2019.	2,535,000
2.10% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bond (Series 2012), issued as a draw-down bond to a financial institution with a maximum aggregate principal amount of \$4,000,000 available through October 1, 2018. Principal will be payable in equal installments on April 1 st and October 1 st , commencing the first April 1 st or October 1 st after the final draw date.	2,669,225
2.78% Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Bond (Series 2015), issued as a draw-down bond to a financial institution with a maximum aggregate principal amount of \$2,000,000 available through January 29, 2019. Principal will be payable in equal installments on April 1 st and October 1 st , commencing the first April 1 st or October 1 st after the final draw date.	50,000
Total Revenue Bonds	<u>\$ 6,139,225</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

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

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City by the CRA at September 30, 2016, consisted of the following (see Note 5 – Component Unit Notes Receivable):

US Highway 1 Improvements: The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for US Highway 1 Improvements by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The City initially financed the project with a line of credit and plans to obtain permanent financing after the project is completed. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. Thereafter, the CRA paid the City an amount equal to the principal and interest on the CRA's share of the funding for a period of twelve years. Principal 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 which was \$2,891,352 at September 30, 2016.

Library Property Acquisition: In connection with the planned redevelopment by the CRA of the former site of the Delray Beach Public Library, the CRA entered into a triparty interlocal agreement in March 2013, with the City and the Chamber to relocate the Chamber's offices and purchase the City's reversionary rights in the property. The CRA agreed to purchase the City's property rights for a total of \$2,270,870, payable to the City in equal annual installments of \$266,215, including interest at 3.0%, commencing March 8, 2014. During 2015, the CRA made an additional principal payment on this loan in the amount of \$1 million. The outstanding balance on the loan was \$628,596 at September 30, 2016. In the event the CRA sells or conveys any portion of the property during the term of the loan, the CRA agreed to pay the City a lump sum principal payment on the loan equal to 50% of the sales proceeds received by the CRA, in addition to the annual installment payments due on the loan, but not in excess of the total loan amount. In addition, the CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 608,776	\$ 77,588	\$ 668,364
2018	616,197	70,167	686,364
2019	487,880	62,524	550,404
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022-2025	1,084,257	176,190	1,260,447
	<u>\$ 3,519,948</u>	<u>\$ 503,929</u>	<u>\$ 4,023,877</u>

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2016, for the CRA's outstanding noncurrent liabilities with scheduled maturities (excluding the Series 2012 and 2015 Bonds on which the principal repayment schedule will not be determined until after the final draw date), are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

12. Noncurrent Liabilities (Continued)

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 1,698,776	\$ 229,028	\$ 1,927,804
2018	1,756,197	173,351	1,929,548
2019	1,677,880	115,228	1,793,108
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022-2025	1,084,257	176,190	1,260,447
	<u>\$ 6,939,948</u>	<u>\$ 811,257</u>	<u>\$ 7,751,205</u>

Interest Expense: Total interest costs incurred and paid on all CRA debt for the year ended September 30, 2016, were \$343,483 and \$350,943, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 1999, 2004, 2012 and 2015 to finance various redevelopment projects. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district. Tax increment revenues were projected to produce more than 650 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2016, was \$6,504,337, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$1,459,744 and \$14,735,740, respectively.

13. Employee Retirement Plans

Description of the Plans

The City contributes to two single-employer defined benefit pension plans covering substantially all full-time City employees. The General Employees' Pension Plan is for employees who have completed one year of credited service, excluding the City Commission, City Manager (and assistants), City Attorney (and assistants) and department heads if they elect not to participate, and firefighters and police officers covered under the Police and Firefighters' Retirement System Fund. The Police and Firefighters' Retirement System covers all non-civilian police and fire employees. Each plan is administered by an independent Board of Trustees and is accounted for by the City as a separate fund. The costs of administering the plans are financed by the plans' respective investment earnings. An actuarial report is prepared annually for each plan.

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

The City's Code of Ordinances provides, in general, that funds are to be accumulated from employee contributions, City contributions and income from investment of accumulated funds. The operations of the fund are administered and managed by the General Employees' Pension Fund Board of Trustees, which consists of a chairperson and four additional members; all of whom are appointed by the City Commission.

Vesting - Benefits vest 50% after five years of service plus 10% each additional year.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

Eligibility for Retirement - Ordinance No. 33-10 effective October 5, 2010, changed the normal retirement eligibility from the earlier of age 60 with ten years of service or 30 years of service regardless of age to the earlier of age 62 with ten years of service or 30 years of service regardless of age. This change does not apply to members who were within ten years of normal retirement eligibility as of October 5, 2010. Normal retirement eligibility for members hired after October 5, 2010, is age 65 with ten years of service.

Annual Retirement Benefit - 2.5% of the average monthly compensation times years of service with a maximum benefit of 75% of average monthly compensation. Effective October 5, 2010, the normal form of benefit changed from a 60% joint and survivor annuity to a life annuity. This change did not apply to members who were within ten years of normal retirement eligibility as of October 5, 2010. Effective July 2005, participants had the option of a 3% multiplier with a maximum benefit of 90%. Employees selecting this option will contribute an additional 3.45% of earnings. There was also the option to purchase all or a portion of prior service at the increased multiplier.

Deferred Retirement Option Plan (DROP) - Employees with 10 years of credited service and eligible for normal retirement have the option of entering DROP. When entering DROP, the employee continues employment with the City, but will cease accruing a pension benefit, and the monthly benefit under the plan as of the election date will be directed to the employee's self-administered 401(a) Plan. After a maximum of 60 months, the employee must terminate employment with the City. The balance of amounts held pursuant to DROP was \$5,666,180 at September 30, 2016.

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.

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

The City's Code of Ordinances provides, in general, that funds are to be accumulated from employee contributions, City contributions, state appropriations and income from investment of accumulated funds. Florida Statutes provide that, should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the fund by an appropriation from current funds, or from any revenues which may lawfully be used for said purposes in an amount sufficient to make up the deficiency. The operations of the System are administered and managed by the Police and Firefighters' Retirement System Board of Trustees, consisting of two outside members appointed by the City Commission, the police/fire chief(s) or their designees, two members of each department elected by the membership and the Mayor of the City or the Mayor's designee.

Vesting - Benefits fully vest after 10 years of service.

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

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Description of the Plans (Continued)

Annual Retirement Benefit - Normal retirement benefits are based upon 2.5% of average monthly earnings times years of service up to 20 years and 3% of average monthly earnings times years of service in excess of 20 years, with a maximum benefit of 75% of average monthly compensation. Employees who were actively employed as of March 15, 2004 may elect a normal retirement benefit using a 3.5% multiplier for each year of service once 20 years of service is attained with a maximum benefit of 87.5% of average monthly compensation. Employees selecting this option will contribute an additional 3% of earnings. The normal retirement benefit is payable over the remaining life of the member, and upon death 100% of the benefit is payable to the spouse for one year and 60% thereafter until death or remarriage. After adoption of Ordinance No. 17-16, effective for the September 30, 2016 measurement date, Firefighters without the enhanced multiplier have a 3% multiplier and a maximum benefit of \$100,000, increased 2% per year.

Deferred Retirement Option Plan ("DROP") - Employees with 20 years of credited service have the option of entering the DROP plan. When entering the DROP plan, the employee will not terminate employment with the City, but will cease accruing a pension benefit under the plan, and the monthly benefit as of the election date will be directed to the employee's self-administered 401(a) plan. After a maximum of 60 months, the employee must terminate employment with the City. The balance of amounts held pursuant to DROP was \$19,357,678 at September 30, 2016.

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

Employee Contributions - Ordinance 42-11 effective October 4, 2011, increased the contribution amount for police officers to 6% of annual compensation. Ordinance No. 15-11 effective May 3, 2011, changed the contribution amount for firefighters to 6% of annual compensation. Members who select a 3.5% multiplier will contribute 9%. After adoption of Ordinance No. 17-16, Firefighters will contribute 9% of earnings. If an employee leaves covered employment prior to vesting, contributions are refunded to the employee with interest.

State of Florida Contributions - Pursuant to Chapters 175 and 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on properties within the City is collected by the State and remitted to the City annually for the Police and Firefighters' Retirement System Fund. After adoption of Ordinance No. 17-16, all 185 tax monies up to \$606,595 and all 175 monies in excess of \$1,206,994 will be used to offset the City's pension contribution for Police Officers and Firefighters, respectively. After adoption of Ordinance No. 17-16, the accumulated excess 185 monies totaling approximately \$2.4 million were used to pay down the unfunded actuarial accrued liability for Police officers.

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

Membership

Membership data of the City's pension plans as of October 1, 2015, the date of the most recent actuarial valuations, is summarized as follows:

	General Employees' Pension Plan	Police and Firefighters' Retirement System
Retirees and beneficiaries receiving benefits	309	246
Terminated employees entitled to benefits but not receiving them	64	21
Active members	329	248

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Summary of Significant Accounting Policies

The financial statements of each Plan are prepared using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. Investment income is recognized as revenue when earned. Investments are reported at fair value and are managed by third party money managers. The City's independent custodians and money managers determine the fair value of securities, which is generally based upon quoted prices on a national or international stock exchange or for securities not listed, the mean of the most recent bid and ask prices of each instrument using various third party pricing sources. The net appreciation/ (depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. Investment earnings are reduced for investment related expenses, such as management fees, portfolio evaluation and custodial services.

Investments

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

The asset allocation policy adopted by each pension plans' Board at September 30, 2016 was as follows:

Asset Class	General Employees' Pension Plan	Police and Firefighters' Retirement System
Fixed income	32.5%	27.5%
Domestic equity	55.0	42.5
International equity	5.0	15.0
Real estate	-	10.0
Alternatives	7.5	5.0
Total	100.0%	100.0%

Rate of Return: The annual money-weighted rate of return on pension investments, net of pension investment expense, for the General Employees' Pension Plan and the Police and Firefighters' Retirement System, was 10.30% and 8.86%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net Pension Liability

The components of the net pension liability for the City's pension plans as of September 30, 2016, the measurement date for both plans, were as follows:

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2016

13. Employee Retirement Plans (Continued)

Net Pension Liability (Continued)

	General Employees' Pension Plan	Police and Firefighters' Retirement System
Total pension liability	\$ 116,887,238	\$ 251,876,403
Plan fiduciary net position	114,839,850	167,594,006
Net pension liability	<u>\$ 2,047,388</u>	<u>\$ 84,282,397</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.2%</u>	<u>66.5%</u>

Actuarial Assumptions: The total pension liability for the City's pension plans was determined by actuarial valuations as of October 1, 2015, based on the following actuarial assumptions:

	General Employees' Pension Plan	Police and Firefighters' Retirement System
Measurement date	September 30, 2016	September 30, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post-retirement benefit increases	None	Annual increase of 1% plus available State revenue
Amortization method	Level Dollar – Closed	Level Percent of Payroll – Closed
Remaining amortization period	25 years	29 years
Asset valuation method	5 year Smoothed Market	4 year Smoothed Market
Actuarial assumptions:		
Investment rate of return*	7.25%	8.00%
Projected salary increases*	4.4% - 7.2% based on service	5.00% - 6.25%
Cost of living increases	None	1.00% / Year
Mortality	RP-2000 Combined Healthy Participant using Scale AA	RP-2000 Generational, Female - 100% White Collar, Male - 10% White Collar / 90% Blue Collar, Scale BB
* Includes inflation rate	3.00%	2.50%

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, 2016 (see the discussion of each pension plan's investment policy) are summarized in the following table:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Net Pension Liability (Continued)

Asset Class	Long-Term Expected Rate of Return	
	General Employees' Pension Plan	Police and Firefighters' Retirement System
Fixed income	2.5%	5.0%
Domestic equity	7.5	7.5
International equity	8.5	8.5
Real estate	-	4.5
Alternatives	7.5	2.5

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

Changes in the Net Pension Liability

The changes in the net pension liability of the General Employees' Pension Plan and the Police and Firefighters' Retirement System were as follows for the year ended September 30, 2016:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
General Employees' Pension Plan			
Balances at October 1, 2015	\$ 113,643,393	\$ 107,786,586	\$ 5,856,807
Changes for the Current Year			
Service cost	2,192,881	-	2,192,881
Interest	8,161,229	-	8,161,229
Changes in benefit terms	522,720	-	522,720
Difference between actual and expected experience	(1,097,920)	-	(1,097,920)
Contributions – City	-	2,046,827	(2,046,827)
Contributions – Employee	-	618,705	(618,705)
Net investment income	-	11,005,133	(11,005,133)
Benefit payments, including refunds of employee contributions	(6,535,065)	(6,535,065)	-
Administrative expenses	-	(82,336)	82,336
Net Changes	3,243,845	7,053,264	(3,809,419)
Balances at September 30, 2016	\$ 116,887,238	\$ 114,839,850	\$ 2,047,388

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Changes in the Net Pension Liability (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Police and Firefighters' Retirement System			
Balances at October 1, 2015	\$ 238,707,736	\$ 153,260,618	\$ 85,447,118
Changes for the Current Year			
Service cost	4,161,533	-	4,161,533
Interest	16,394,667	-	16,394,667
Changes in excess State contributions	(1,741,230)	-	(1,741,230)
Difference between actual and expected experience	1,568,118	-	1,568,118
Change in assumptions	7,407,717	-	7,407,717
Changes of benefit terms	(1,121,765)	-	(1,121,765)
Contributions – City	-	10,789,457	(10,789,457)
Contributions – State of Florida	-	1,909,358	(1,909,358)
Contributions – Employee	32,218	1,806,021	(1,773,803)
Net investment income	-	13,606,364	(13,606,364)
Benefit payments, including refunds of employee contributions	(13,532,591)	(13,532,591)	-
Administrative expenses	-	(245,221)	245,221
Net Changes	13,168,667	14,333,338	(1,164,721)
Balances at September 30, 2016	\$ 251,876,403	\$ 167,594,006	\$ 84,282,397

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

	General Employees' Pension Plan	Police and Firefighters' Retirement System
One percentage point lower than current discount rate	\$ 15,232,926	\$ 114,304,688
Current discount rate	2,047,388	84,282,397
One percentage point higher than current discount rate	(9,121,733)	59,518,759

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

For the year ended September 30, 2016, the City recognized pension expense of \$3,544,293 and \$9,405,832 for the General Employees' Pension Plan and the Police and Firefighters' Retirement System, respectively. At September 30, 2016, the City reported deferred inflows/outflows of resources related to the General Employees' Pension Plan and the Police and Firefighters' Retirement System from the following sources:

City of Delray Beach, Florida
Notes to Financial Statements
September 30, 2016

13. Employee Retirement Plans (Continued)

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

General Employees' Pension Plan	Deferred Inflows	Deferred Outflows
Differences between expected and actual experience	\$ 823,440	\$ 720,648
Net difference between projected and actual investment earnings on pension plan investments	-	1,799,265
Total	\$ 823,440	\$ 2,519,913

Police and Firefighters' Retirement System	Deferred Inflows	Deferred Outflows
Differences between expected and actual experience	\$ 926,892	\$ 1,254,495
Change in assumptions	-	5,926,173
Net difference between projected and actual investment earnings on pension plan investments	-	7,589,597
Total	\$ 926,892	\$ 14,770,265

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 and Firefighters' Retirement System
2017	\$ 875,100	\$ 4,103,831
2018	875,100	4,103,831
2019	613,046	4,103,831
2020	(666,773)	1,531,880

Pension Plans Fiduciary Net Position

The financial statements for the General Employees' Pension Fund and Police and Firefighters' Retirement System Fund as of and for the year ended September 30, 2016, are as follows:

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Pension Plans Fiduciary Net Position (Continued)

Statements of Fiduciary Net Position		
	General Employees' Pension Plan	Police and Firefighters' Retirement System
ASSETS		
Cash and cash equivalents	\$ 1,455,025	\$ 4,054,294
Investments		
U.S. Government securities	6,067,918	3,592,276
U.S. Government Agency securities	-	8,582,194
Mortgage and asset-backed securities	4,096,213	-
Municipal obligations	1,302,464	255,715
International fixed income investment fund	-	7,523,100
Domestic and international corporate bonds	11,506,204	18,281,067
Domestic equity securities	24,079,271	60,757,309
Domestic and international equity investment funds	-	39,057,659
Timber investment funds	-	6,014,227
Alternative investments	66,134,229	18,729,060
Interest and dividends receivable	259,890	547,170
Due from broker for securities sold	208,734	104,999
Employee contributions receivable	-	65,687
Prepaid expenses	109,624	233,825
Total assets	115,219,572	167,798,582
LIABILITIES		
Accounts payable	42,703	135,959
Due to broker for securities purchased	337,019	68,617
Total liabilities	379,722	204,576
FIDUCIARY NET POSITION restricted for pension benefits	\$ 114,839,850	\$ 167,594,006

Statements of Changes in Fiduciary Net Position		
	General Employees' Pension Plan	Police and Firefighters' Retirement System
ADDITIONS		
Contributions:		
Employer	\$ 2,046,827	\$ 10,789,457
State	-	1,909,358
Plan members	618,705	1,806,021
Total contributions	2,665,532	14,504,836
Investment earnings		
Net appreciation in fair value of investments	9,095,495	10,872,656
Interest and dividends	2,148,536	3,249,452
	11,244,031	14,122,108
Less investment expenses - custodian fees	257,756	666,391
Net investment earnings	10,986,275	13,455,717
Other income	18,858	150,647
Total additions	13,670,665	28,111,200

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Pension Plans Fiduciary Net Position (Continued)

Statements of Change in Fiduciary Net Position (Continued)		
	General Employees' Pension Plan	Police and Firefighters' Retirement System
DEDUCTIONS		
Benefits	\$ 6,468,203	\$ 13,413,830
Refunds of contributions	66,862	118,761
Administrative expenses	<u>82,336</u>	<u>245,221</u>
Total deductions	<u>6,617,401</u>	<u>13,777,812</u>
Change in fiduciary net position	7,053,264	14,333,388
Fiduciary net position restricted for pension benefits at October 1, 2015	<u>107,786,586</u>	<u>153,260,618</u>
Fiduciary net position restricted for pension benefits at September 30, 2016	<u>\$ 114,839,850</u>	<u>\$ 167,594,006</u>

The Police and Firefighters' Retirement System Fund issues a publicly available financial report that includes financial statements and required supplementary information. That report is not posted on the internet, but may be obtained by writing to the City of Delray Beach, 100 NW 1st Avenue, Delray Beach, FL 33444 or by calling (561) 243-7012. The General Employees' Pension Fund does not issue a publicly available financial report.

Payables to the Pension Plans

There were no amounts payable to the General Employees' Pension Plan or the Police and Firefighters' Retirement System by the City at September 30, 2016.

For employees not covered by one of the City's pension plans, the City contributed 9.5% of base salary to an ICMA 457 Deferred Compensation Plan up to allowable limits. In 1996 the City instituted a 401(a) plan for department heads with a 3% match (Resolution 17-97). In 2000, this program was opened to certain eligible management and key employees to contribute up to 3% of their base salary to the ICMA Deferred Compensation Plan or 3% of their base salary to the ICMA 401(a) Plan with the City matching the contribution (Administrative Policy EB-15). Employees who were eligible to participate in the 401(a) Plan could exceed the 3% contribution with after tax dollars. All contributions are in accordance with Internal Revenue Service regulations.

The 401(a) pension plan is a separate defined contribution pension plan with participant directed investment accounts, over which the City has no fiduciary control and the plan is not considered part of the City's financial reporting entity. Activity in the 401(a) Plan for the year ended September 30, 2016, is summarized as follows:

Balance at October 1, 2015	\$ 845,414
Employer contributions	37,443
Employee contributions	37,443
Investment gain (loss)	76,284
Distributions	<u>(65,514)</u>
Balance at September 30, 2016	<u>\$ 931,070</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

13. Employee Retirement Plans (Continued)

Other Employee Benefit Plans

The City has also implemented a VantageCare Retirement Health Savings Plan (the “VantageCare Plan”) effective August 2002, which allows employees in the calendar year prior to retirement, to make an election to deposit tax free part or all of their accumulated sick and vacation pay into the Plan. The Plan provides for tax free withdrawals if the funds are used for qualified medical expenses. In March 2007, the City was notified by ICMA, the administrator of the VantageCare Plan, that voluntary contributions were no longer allowed, except that employees in the plan prior to December 31, 2006 were allowed to contribute until December 31, 2007. The VantageCare Plan is a separate plan with participant directed investment accounts, over which the City has no fiduciary control and the plan is not considered part of the City’s financial reporting entity. Activity in the VantageCare Plan for the year ended September 30, 2016, is summarized as follows:

Balance at October 1, 2015	\$ 457,850
Net investment earnings	41,958
Service fees	(1,928)
Distributions	(10,613)
Balance at September 30, 2016	<u>\$ 487,267</u>

14. Other Postemployment Benefits (OPEB)

Description of the Plans

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

OPEB Plan - The City administers a single-employer defined benefit plan (the “OPEB Plan”) that provides medical and life insurance benefits to eligible retired employees and their beneficiaries. The City Commission has the authority to establish and amend premiums for and the benefit provisions of the OPEB Plan. The OPEB Plan is financed on a “pay-as-you-go” basis and is not administered as a formal qualifying trust. The OPEB Plan does not issue a publicly available financial report.

Florida Statute 112.0801 requires the City to allow retirees to buy healthcare coverage at the same *group insurance rates* that current employees are charged resulting in an *implicit* healthcare benefit. The State of Florida prohibits the OPEB Plan from separately rating retirees and active employees. Therefore, both groups (active and retired) are charged an equal, blended rate premium. Although both groups are charged the same blended rate premium, GAAP requires actuarial calculations of OPEB liabilities using age adjusted premiums approximating claim costs for retirees separate from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. OPEB Plan members receiving benefits contribute 100% of the monthly premiums ranging from a minimum of \$543 to a maximum of \$1,142 for medical/prescription coverage and at a rate of \$.18 per \$1,000 of the face value for life insurance coverage.

Delray Beach Police, Firefighters & Paramedics Retiree Benefit Fund - The Delray Beach Police, Firefighters & Paramedics Retiree Benefit Fund (the “Retiree Benefit Fund”) is a single-employer defined benefit plan established for the purpose of providing full or partial reimbursement for health insurance premiums or other qualified benefits permitted under Section 501(c)(9) of the Internal Revenue Code. The Retiree Benefit Fund was established pursuant to collective bargaining agreements between the City and the Professional Firefighters & Paramedics of Delray Beach, Local 1842, IAFF and the Police Benevolent Association (PBA). A Trust was created on May 14, 2002 and is administered by a separate Board of Trustees consisting of seven individuals, including the President of the Local 1842, IAFF, five union representatives (three PBA, two Local 1842, IAFF) and a non-bargaining unit active firefighter elected by non-bargaining unit participants. The City is neither the trustee nor the administrator of the

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

14. 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.

Actuarial Methods and Significant Assumptions

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

	OPEB Plan	Retiree Benefit Fund
Valuation date	October 1, 2014	October 1, 2014
Actuarial cost method	Entry Age Normal	Entry Age Normal
Post-retirement benefit increases	None	None
Health care cost trend rates	9% per year initially, reduced annually by .5% to an ultimate rate of 5% in 2019	N/A – Benefits are for fixed amounts and do not adjust for changes in health care costs
Amortization method	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Remaining amortization period	28 years	25 years
Asset valuation method	N/A ⁽¹⁾	Market Value of Assets
Actuarial assumptions:		
Investment rate of return	4.5% ⁽²⁾	8.0% net of investment related expenses
Projected salary increases*	2.0 – 7.2%	6.25%
* Includes inflation rate	3.0%	4.00%

(1) The plan is funded on a pay-as-you-go basis and is not administered as a formal qualifying trust. There were no plan assets as of October 1, 2014, the date of the most recent valuation.

(2) Since there are currently no invested plan assets held in trust to finance the OPEB obligations, the investment rate of return is the long-term expectation of investment return on assets held in City funds pursuant to its investment policy.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

14. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Significant Assumptions (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. In addition, projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and accordingly, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Contribution Requirements and Contributions Made

The annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB costs and contribution information for the last three fiscal years are as follows:

Year Ended September 30	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
OPEB Plan			
2016	\$ 1,458,127	40%	\$ 6,301,745
2015	1,405,725	35	5,420,666
2014	1,447,355	32	4,508,479
Retiree Benefit Fund			
2016	\$ 860,654	66%	\$ 855,105
2015	860,655	75	562,899
2014	684,128	49	350,953

The changes in the City's net OPEB obligation related to the OPEB Plan and Retiree Benefit Fund for the year ended September 30, 2016 were as follows:

	OPEB Plan	Retiree Benefit Fund	Total
Annual required contribution	\$ 1,467,161	\$ 860,279	\$ 2,327,440
Interest on net OPEB obligation	216,827	28,076	244,903
Adjustment to annual required contribution	(225,861)	(27,701)	(253,562)
Annual OPEB cost	1,458,127	860,654	2,318,781
Contributions made	(577,048)	(568,448)	(1,145,496)
Change in net OPEB obligation	881,079	292,206	1,173,285
Net OPEB obligation at October 1, 2015	5,420,666	562,899	5,983,565
Net OPEB obligation at September 30, 2016	\$ 6,301,745	\$ 855,105	\$ 7,156,850

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

14. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

The funded status of the OPEB Plan and Retiree Benefit Fund as of the most recent actuarial valuation date is as follows:

Plan	Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
OPEB Plan	10/1/2014	\$ -	\$ 15,924,852	\$ 15,924,852	0.0%	\$ 41,830,950	38.1%
Retiree Benefit Fund	10/1/2014	4,540,237	11,332,702	6,792,465	40.1%	19,636,805	34.6%

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

15. Risk Management

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

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

The City's internal service Insurance Fund is funded by charges to the City's other funds based on the contributing funds' claims experience and as needed to meet the estimated payments resulting from purchased and self-insurance programs, and operating expenses. For the year ended September 30, 2016, charges of \$13,294,458 were made by the Insurance Fund to other funds and are reflected as interfund charges for services in the accompanying financial statements. The City has recorded a claims liability of \$5,966,869 (\$1,643,869 current and \$4,323,000 noncurrent) at September 30, 2016, which is an increase of approximately \$312,000 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).

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

15. Risk Management (Continued)

The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated annually to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, such as those from salvage or subrogation, are also considered in the claims liability estimate. The following summarizes the claims liability activity for the current and prior year:

Balance at September 30, 2014	\$ 5,350,412
Claims incurred	7,985,968
Claims paid	(7,681,638)
Balance at September 30, 2015	5,654,742
Claims incurred	7,878,237
Claims paid	(7,566,110)
Balance at September 30, 2016	<u>\$ 5,966,869</u>

The claims liability at September 30, 2016 and 2015, is summarized as follows:

	2016	2015
Current	\$ 1,643,869	\$ 1,634,742
Noncurrent	4,323,000	4,020,000
	<u>\$ 5,966,869</u>	<u>\$ 5,654,742</u>

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

16. Related Party Transactions

The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2016, the CRA's tax increment revenues include \$8,791,322 received from the City. CRA expenditures for the year ended September 30, 2016, include charges of \$2,750,993 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$4,260,445 for construction services related to redevelopment projects, \$400,000 for the downtown shuttle, and \$550,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$122,000 in reimbursements from the City for various projects.

At September 30, 2016, the City had a payable to the CRA of \$29,134, a receivable from the CRA of \$1,319,273 for reimbursement of certain administrative and redevelopment expenditures, notes receivable from the CRA of \$3,519,948 and a note payable to the CRA of \$50,000 (see Note 5 - Notes Receivable). The CRA contracts with the City for various administrative services each fiscal year and budgeted approximately \$315,000 for those services for the year ending September 30, 2016.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

17. Commitments and Contingencies

Contract Commitments

The City has various long-term contractual obligations for construction projects on which work has not been completed. The remaining commitments on these obligations at September 30, 2016, were as follows:

Special Revenue Funds	\$ 458,146
Capital Projects Funds	7,968,525
Water and Sewer Fund	3,522,681
Stormwater Utility Fund	594,268
Total Contract Commitments	<u>\$ 12,543,620</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.

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

CRA Contract Commitments: At September 30, 2016, the CRA had outstanding construction commitments consisting of the following:

	Total Project Authorization	Expended Through September 30, 2016	Retainage Payable at September 30, 2016	Remaining Commitment at September 30, 2016
Arts Warehouse Project	\$ 2,432,487	\$ 260,102	\$ 7,500	\$ 2,164,885
NW/SW Neighborhood Alleys	125,839	40,873	-	84,965
Downtown Core Parking Study	21,730	19,438	-	2,293
Housing Study	15,000	9,875	-	5,125
Total contract commitment	<u>\$ 2,595,056</u>	<u>\$ 330,288</u>	<u>\$ 7,500</u>	<u>\$ 2,257,268</u>

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

17. Commitments and Contingencies (Continued)

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

The CRA also entered into an interlocal agreement with the City to provide funding for certain construction projects and related professional services totaling approximately \$9,303,570 for the year ending September 30, 2016.

CRA Lease Commitments: The CRA had the following lease commitments as lessor at September 30, 2016:

Factual Multi Services, LLC - The CRA entered into an agreement to lease the property located at 135 NW 5th Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment per month for a three year period commencing January 10, 2014, with an option to extend the lease for additional one year terms. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$100,000 at September 30, 2016.

Delray Beach Housing Group, Inc. - On September 11, 2011, the CRA entered into a 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 lease and property management agreement with the CLT for the Palm Manor apartments and the SW 12th Avenue Duplexes. The agreements provide for an annual rental payment to the CRA of \$1 and that the lessors will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the leased apartments. The term of each agreement is for five years with one renewal option for an additional five year period. All three leases were renewed through September 22, 2021. The apartments were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,580,000 at September 30, 2016.

Prime Delray Hotel, LLC - On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40 year term. The Company will develop, construct and operate a 4-story business class hotel on the property. The lease agreement provides for the Company to pay the CRA an annual base rent of \$1 for years 1 through 5 and thereafter a contingent rental of 2% of gross room sales for years 6 through 10 and increasing by 1% for each five year period thereafter until reaching 5% for years 21 to 40. For years 5 through 25, the Company has the right to purchase the property from the CRA at a price based on the average of two independent appraisals; one obtained by the CRA and the second by the Company. The carrying value of the leased property at September 30, 2016 was approximately \$2,420,000.

BRP Senior Housing, LLC - On December 4, 2014, the CRA entered into an agreement to lease the property located at 186 NW 5th Avenue to BRP Senior Housing, LLC for a two year period commencing on December 5, 2014. Parties may extend the term of the lease for three additional one year terms upon the execution of an amendment. Monthly payments shall be paid in the amount of \$1,833. The lease was extended through April 1, 2017. The carrying value of the leased property at September 30, 2016 was approximately \$250,000.

Monogram Closet Incorporated - On April 23, 2015, the CRA entered into an agreement to lease the property located at 182 NW 5th Ave to Monogram Closet Incorporated. The lease term is for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 and increases each year thereafter by \$1 per square foot, or \$2,054, \$2,175 and \$2,296 for years two through four, respectively. The parties may extend the terms of the lease for three additional one year terms upon execution of an amendment. The carrying value of the leased property at September 30, 2016 was approximately \$380,000.

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

17. Commitments and Contingencies (Continued)

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

The total carrying value of the CRA's leased property listed above was approximately \$8,730,000 at September 30, 2016. All the leased properties were held for sale at September 30, 2016, except for the property leased to the Delray Beach Housing Group. Depreciation expense is not recorded on the redevelopment properties that are currently held for sale. Rental income for 2016 totaled \$128,244. The approximate future annual minimum rental income is as follows: 2017 - \$54,000; 2018 - \$31,000; and 2019 - \$21,000.

CRA Funding Commitments: The CRA entered into grant agreements to provide future funding for various economic redevelopment purposes. The grant funding commitments of the CRA, totaling approximately \$4,000,000 at September 30, 2016, are summarized as follows:

Prime Delray Hotel, LLC - Development Infrastructure Grant for the development and construction of a 4-story business class hotel on Atlantic Avenue. The grant is for an amount not to exceed \$332,349 and will be paid in five equal annual payments, not to exceed 50% of the actual tax increment revenues attributed to the project for any such year.

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 under the grant for years ended September 30, 2016.

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

City of Delray Beach – International Tennis Championships	\$	993,780
City of Delray Beach – Irrigation and Landscape Maintenance		75,000
City of Delray Beach – Downtown Roundabout Trolleys		450,000
City of Delray Beach – Code Enforcement Officers		42,000
Delray Beach Community Land Trust, Inc.		188,075
Delray Beach Public Library Association, Inc.		442,250
Delray Beach Historical Society		125,000
Delray Beach Center for the Arts, Inc.		662,500
Creative City Collaborative, Inc.		275,000
EPOCH, Inc.		111,000

Total Grant Commitments	\$	<u>3,364,605</u>
-------------------------	----	------------------

Loan Commitment to Village Square Elderly, Ltd: On November 8, 2011 the CRA issued a Loan Commitment to Village Square Elderly, Ltd. (Village Square) for a \$2.7 million, 20 year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse (the "Property"). A promissory note was executed on July 17, 2014 and is non-interest bearing for the first ten years and for years eleven through twenty, the loan will accrue interest at 3.0%. Payments of principal only shall commence on the first anniversary date of the loan and are due annually thereafter until the tenth anniversary date of the loan. Commencing on the tenth anniversary date of the loan and annually thereafter, principal and interest will be payable to the CRA in an amount equal to the remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan

City of Delray Beach, Florida

Notes to Financial Statements

September 30, 2016

17. Commitments and Contingencies (Continued)

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

will mature twenty years from the loan closing date, at which time all outstanding principal and accrued interest will be due to the CRA. The loan will be collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The CRA will not disburse any funds under the promissory note until Village Square has received all moneys from the Tax-Exempt Bonds and Equity Account of the Project Fund for the acquisition and construction of the project. There were no draws on the promissory note through September 30, 2016. The project is currently under construction.

Property Acquisition: The CRA contracted to purchase redevelopment property for \$250,000 at September 30, 2016.

18. Subsequent Events

Capital Lease

In December 2016, The City entered a Master Equipment Lease-Purchase Agreement with PNC Equipment Finance LLC. Under this agreement, the City entered into three equipment leases for 80 golf carts, one ladder fire truck and two fire pumper trucks. The golf cart lease requires 60 monthly payments of \$3,273 commencing January 2017 through December 2021. The ladder fire truck and fire pump trucks require seven annual payments of \$387,566 commencing on December 2017 through December 2023. The lease for the two fire pumper trucks is subject to a third party agreement and the anticipated delivery date for the fire pumper trucks is September 7, 2017. The agreement calls for termination of the agreement and forfeiture of the equipment in the event the payments are not budgeted or made. Future payments through maturity for these governmental activities installment agreements are as follows at September 30, 2016:

<u>Fiscal year ending September 30</u>	
2017	\$ 29,454
2018	426,835
2019	426,835
2020	426,835
2021	426,835
Thereafter	1,172,514
Total minimum payments	2,909,308
Less amount representing interest	(259,332)
Principal balance	<u>\$ 2,649,976</u>

Police and Firefighters' Retirement System

During 2016, the City adopted Ordinance No. 17-16 which amended the provisions of the Police and Firefighters' Retirement System. The amended plan provisions provide for the establishment of separate retirement systems for police officers and firefighters, a new board of trustees for each system, changes in the allocation and use of Chapter 175 and 185 premium tax revenues, and changes in retirement benefits for firefighters and police officers. The changes related to the allocation and use of Chapter 175 and 185 premium tax revenues and retirement benefits were effective and were included in the actuarial valuation of the Police and Firefighters' Retirement System for the September 30, 2016 measurement date. Effective October 1, 2016, the assets and liabilities of the Police Officers' and Firefighters' Retirement System were allocated and divided between the new Police Officers' Retirement System and the new Firefighters' Retirement System for the benefit of former and current police officers and firefighters and their beneficiaries, respectively.

Required Supplementary Information

CITY OF DELRAY BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes	\$ 67,166,810	\$ 67,966,810	\$ 68,526,170	\$ 559,360
Fees and permits	10,347,200	10,799,800	11,364,551	564,751
Intergovernmental	8,231,250	7,942,197	7,975,405	33,208
Charges for services	11,751,000	11,614,200	11,969,568	355,368
Fines and forfeitures	971,850	1,140,747	1,506,611	365,864
Miscellaneous	7,923,190	9,404,655	11,313,435	1,908,780
Transfers in	3,963,400	3,881,020	3,881,390	370
Debt proceeds	-	2,629,000	-	(2,629,000)
Prior year surplus	3,638,820	8,300,737	-	(8,300,737)
Total Revenues	113,993,520	123,679,166	116,537,130	(7,142,036)
EXPENDITURES				
General government				
City commission	197,770	227,770	213,340	14,430
City manager	767,440	914,980	923,852	(8,872)
Economic development	240,740	176,800	113,137	63,663
Human resources	617,970	840,462	827,992	12,470
Public information office	64,560	96,560	92,748	3,812
City clerk	675,580	682,643	624,406	58,237
Finance	1,836,410	1,792,203	1,695,214	96,989
Information technology	4,229,210	4,318,912	2,774,622	1,544,290
City attorney	1,223,000	1,576,861	1,444,440	132,421
Purchasing	603,420	603,420	594,352	9,068
Cemetery	337,800	347,165	280,893	66,272
Nondepartmental	4,645,210	2,016,784	3,105,282	(1,088,498)
Transfers to component units	8,814,100	8,814,100	8,791,322	22,778
Public safety				
Law enforcement	31,391,540	31,572,200	31,034,568	537,632
Fire control	26,790,750	28,123,026	27,558,499	564,527
Community improvement administration	1,004,470	1,108,855	1,055,872	52,983
Planning and zoning	1,802,400	2,043,786	1,603,232	440,554
Building inspection	1,794,640	1,713,902	1,485,856	228,046
Code compliance	1,523,950	1,548,996	1,426,701	122,295
Physical environment				
Engineering	731,260	972,810	610,106	362,704
Parking facilities	1,356,430	1,332,283	1,122,833	209,450
Public works	3,832,030	3,990,006	2,999,820	990,186
Parks and recreation	11,863,830	12,117,297	11,375,270	742,027
Debt service	3,689,790	6,218,790	6,222,686	(3,896)
Transfers out	3,959,220	10,528,555	10,541,391	(12,836)
Total Expenditures	113,993,520	123,679,166	118,518,434	5,160,732
Expenditures in Excess of Revenues	\$ -	\$ -	(1,981,304)	\$ (1,981,304)
Fund balance - October 1, 2015			41,065,385	
Fund balance - September 30, 2016			<u>\$ 39,084,081</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 789,680	\$ 2,199,620	\$ 642,531	\$ (1,557,089)
Miscellaneous	1,661,210	1,921,978	228,819	(1,693,159)
Transfers in	149,430	149,430	153,242	3,812
Prior year surplus	-	184,326	-	(184,326)
Total Revenues	2,600,320	4,455,354	1,024,592	(3,430,762)
EXPENDITURES				
General government				
Personal services	301,300	369,074	351,528	17,546
Operating	2,073,140	3,643,312	474,900	3,168,412
Capital outlay	146,580	309,368	-	309,368
Grants and aid	-	115,000	93,000	22,000
Contingency	79,000	18,300	-	18,300
Transfers out	300	300	300	-
Total Expenditures	2,600,320	4,455,354	919,728	3,535,626
Excess of Revenues Over Expenditures	\$ -	\$ -	104,864	\$ 104,864
Fund balance - October 1, 2015			1,890,147	
Fund balance - September 30, 2016			<u>\$ 1,995,011</u>	

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

City of Delray Beach, Florida
Notes to Budgetary Comparison Schedule
September 30, 2016

1. Budgetary Accounting

Florida Statutes require that all municipal governments establish budgetary systems and approve an annual operating budget. The City Commission annually adopts an operating budget and appropriates funds for the General Fund and Neighborhood Services Fund, a major special revenue fund. The budget procedures are as follows:

- ❖ Prior to September 1, the City Manager submits to the City Commission a proposed operating budget prepared for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- ❖ Public hearings are conducted to obtain taxpayer comments.
- ❖ The City advises the County Property Appraiser of the proposed millage rate and the date, time and place of the public hearing for budget acceptance.
- ❖ The budget and related millage rate are legally enacted by resolution.
- ❖ Changes or amendments to the budget of the City or a department must be approved by the City Commission; however, changes within a department which do not affect the total departmental expenditures may be approved at the administrative level by the City Manager. Accordingly, the legal level of control is at the department level.

The legally adopted appropriated budgets are on the same modified-accrual basis used to reflect revenues and expenditures, except that for budgetary purposes, current year encumbrances and transfers out are treated as expenditures, transfers in are treated as revenues, on-behalf payments from the state for police and firefighters' pension benefits are not budgeted and capital outlays are reflected as current expenditures within each governmental function. The City Commission approved General Fund and Neighborhood Services Fund budget amendments totaling \$9,685,646 and \$1,855,034, respectively, during the year ended September 30, 2016.

2. Budget and Actual Comparisons

The budgetary comparison schedules are prepared on the basis of accounting used in preparing the appropriated budget. As indicated in Note 1, current year encumbrances and transfers are treated as expenditures for budgetary purposes and on-behalf payments are not budgeted. In addition, transfers and the proceeds from debt and the sale of capital assets are included in budgeted revenues, but are considered "other financing sources" for GAAP. As a result, the General Fund revenues and expenditures reported in the budgetary comparison schedule differ from the revenues and expenditures reported on the basis of GAAP. These differences can be reconciled as follows:

	Revenues	Expenditures
General Fund		
Transfers	\$ 3,881,390	\$ 10,541,391
On-behalf payments for pension benefits	(1,909,358)	(1,909,358)
Proceeds from the sale of capital assets	790	-
Net differences - GAAP and budgetary basis	1,972,822	8,632,033
GAAP basis	114,564,308	109,886,401
Budgetary basis	<u>\$ 116,537,130</u>	<u>\$ 118,518,434</u>
Neighborhood Services Fund		
Transfers	\$ 153,242	\$ 300
GAAP basis	871,350	919,428
Budgetary basis	<u>\$ 1,024,592</u>	<u>\$ 919,728</u>

City of Delray Beach, Florida

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

September 30, 2016

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

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

City of Delray Beach, Florida

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

September 30, 2016

	Fiscal Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 4,161,533	\$ 4,116,670	\$ 4,215,639
Interest	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	1,568,118	(2,020,566)	-
Contributions - buyback	32,218	34,696	128,140
Changes of assumptions	7,407,717	-	-
Benefit payments, including refunds	(13,532,591)	(13,282,705)	(12,180,870)
Net change in total pension liability	13,168,667	8,492,269	10,424,181
Total pension liability, beginning of fiscal year	238,707,736	230,215,467	219,791,286
Total pension liability, end of fiscal year (a)	\$ 251,876,403	\$ 238,707,736	\$ 230,215,467
Plan Fiduciary Net Position			
Contributions			
Employer	\$ 10,789,457	\$ 10,837,369	\$ 9,057,075
State	1,909,358	1,896,237	1,951,084
Plan members	1,806,021	1,634,828	1,594,712
Net investment income (loss)	13,455,717	(1,922,565)	14,082,413
Other income	150,647	22,903	-
Benefit payments, including refunds	(13,532,591)	(13,282,705)	(12,180,870)
Administration expense	(245,221)	(231,434)	(232,362)
Net change in plan fiduciary net position	14,333,388	(1,045,367)	14,272,052
Plan fiduciary net position, beginning of fiscal year	153,260,618	154,305,985	140,033,933
Plan fiduciary net position, end of fiscal year (b)	\$ 167,594,006	\$ 153,260,618	\$ 154,305,985
Net Pension Liability, end of fiscal year [(a)-(b)]	\$ 84,282,397	\$ 85,447,118	\$ 75,909,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.5%	64.2%	67.0%
Covered Employee Payroll	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Net Pension Liability as a Percentage of Covered Employee Payroll	429.1%	471.9%	460.8%

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Changes of benefit terms

1. 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.
 - 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.

City of Delray Beach, Florida

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

September 30, 2016

Notes to Schedule (Continued):

Changes of benefit terms (Continued)

2. The benefit accrued prior to the effective date shall be based on whether or not the member elected the enhanced multiplier and the number of years of continuous service at retirement.
 - a. For those electing the enhanced multiplier and retiring with 20 or more years of continuous service, the benefit multiplier for service accrued prior to the effective date will be 3.5%.
 - b. For those electing the enhanced multiplier and retiring with less than 20 years of continuous service, the benefit multiplier for service accrued prior to the effective date will be 2.5%
 - c. For those not electing the enhanced multiplier (or hired on or after April 9, 2013) and retiring with 20 years or more of continuous service, the benefit multiplier shall be 3.0% for service prior to the effective date.
 - d. For those not electing the enhanced multiplier (or hired on or after April 9, 2013) and retiring with less than 20 years of continuous service, the benefit multiplier shall be 2.5% for service prior to the effective date.
3. The maximum annual starting benefit shall be \$108,000.
- C. For police officers who are employed on the effective date and have less than 10 years of service as of the effective date, earnings shall mean base wages paid to the member including state education compensation, police basic education, police career education compensation and up to 25 hours of overtime per fiscal year earned through the effective date, but excluding overtime earned after the effective date, bonuses and other payments.
- D. For police officers hired on and after the effective date:
 1. Average monthly earnings shall mean one sixtieth of the arithmetical average for the highest 5 years of the last 10 years preceding the actual retirement or termination date.
 2. Earnings shall mean basic wages paid to the member including state education compensation, police basic education, police career education compensation, but excluding overtime compensation, bonuses and other payments.
 3. The normal retirement date shall be the earlier of:
 - a. 25 years of continuous service regardless of age.
 - b. Age 55 and the completion of 10 years of continuous service.
 4. The normal retirement benefit shall be 2.75% of average monthly earnings for each year of continuous service, subject to a maximum annual starting benefit of \$108,000 and further subject to a maximum benefit of 68.76% of average monthly earnings.
 5. No early retirement eligibility.
- E. As of the effective date, no further benefit enhancement or benefit adjustment shall be paid to police officers, other than the 2.0% per year benefit increase.
2. Upon adoption of Ordinance No. 17-16, effective for the September 30, 2016 measurement date, the following changes were effective for Police and Firefighters' Pension Plan:
 - 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 185 tax monies up to \$606,595 and all Chapter 175 monies in excess of \$1,206,994 will be used to offset the City's pension contribution for Police Officers and Firefighters, respectively.
 - D. Accumulated excess 185 monies totaling approximately \$2.4 million were used to pay down the unfunded actuarial accrued liability for Police officers.

City of Delray Beach, Florida
Required Supplementary Information - Pension Funds
Schedules of Net Pension Liability
September 30, 2016

General Employees' Pension Plan										
Fiscal Year		Plan		Net	Plan Net Position		Net Pension			
Ended September	Total	Net	Net	Pension	as a Percentage of			Liability (Asset) as		
30,	Pension	Liability	Position	Liability	Total Pension	Covered		a Percentage of		
				(Asset)	Liability	Payroll		Covered Payroll		
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 and Firefighters' Retirement System										
Fiscal Year Ended September 30,	Total Pension	Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll			
2016	\$	251,876,403	\$	167,594,006	\$	84,282,397	66.5%	\$	19,643,308	429.1%
2015		238,707,736		153,260,618		85,447,118	64.2%		18,107,436	471.9%
2014		230,215,467		154,305,985		75,909,482	67.0%		16,474,658	460.8%

Notes to Schedule:

Information prior to fiscal year 2014 is not available for the General Employees' or the Police and Firefighters' Pension Plans.

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

September 30, 2016

	Fiscal Year		
	2016	2015	2014
General Employees' Pension Plan			
Actuarially determined contribution	\$ 2,046,827	\$ 2,178,705	\$ 2,084,010
Contributions in relation to actuarially determined contribution	2,046,827	2,178,705	2,084,010
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 15,371,826	\$ 15,895,095	\$ 16,527,919
Contributions as a percentage of covered employee payroll	13.3%	13.7%	12.6%
Police and Firefighters' Retirement System			
Actuarially determined contribution	\$ 11,294,379	\$ 11,293,235	\$ 9,209,334
Contributions in relation to actuarially determined contribution	11,294,379	11,342,291	9,561,997
Contribution deficiency (excess)	\$ -	\$ (49,056)	\$ (352,663)
Covered employee payroll	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Contributions as a percentage of covered employee payroll	57.5%	62.6%	58.0%

Notes to Schedule	General Employees	Police and Firefighters
Actuarial valuation date	10/1/2015	10/1/2015
Measurement date	9/30/2016	9/30/2016
Actuarially determined contribution rates are calculated at October 1, one year prior to the end of the fiscal year in which the contributions are reported.		
Methods and assumptions used to determine contribution rates:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Closed	Level Percent, Closed
Remaining amortization period	25 years	29 years
Asset valuation method	5 Year Smoothed	4 Year Smoothed
Inflation	3.0% / year	2.5% / year
Salary increases (with inflation)	4.4% - 7.2% / year	6.25% / year for first 10 years, 5.0% thereafter
Investment rate of return (net of expenses, with inflation)	7.25% / year	8.0% / year
Cost of living adjustments	None	1.0% / year
Retirement age	Experienced-based table of rates	25% retire on normal retirement date, 10% each next two years
Mortality	RP-2000 Combined Healthy Participant Mortality Table using Scale AA	RP-2000 Generational, Female - 100% White Collar, Male - 10% White Collar/90% Blue Collar, Scale BB

Information prior to fiscal year 2014 is not available.

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

September 30, 2016

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

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

City of Delray Beach, Florida
Required Supplementary Information -
Schedules of Other Postemployment Benefits (OPEB) Funding Progress
September 30, 2016

OPEB Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2014	\$ -	\$ 15,924,852	\$ 15,924,852	0.0 %	\$ 41,830,950	38.1 %
10/1/2012	-	15,636,209	15,636,209	0.0	39,412,194	39.7
10/1/2010	-	15,472,507	15,472,507	0.0	43,370,206	35.7

Retiree Benefit Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) — Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2014	\$ 4,540,237	\$ 11,332,702	\$ 6,792,465	40.1 %	\$ 19,636,805	34.6 %
10/1/2011	3,155,585	9,581,135	6,425,550	32.9	20,647,352	31.1
10/1/2008	2,056,798	7,969,855	5,913,057	25.8	20,256,898	29.2

Combining and Individual Fund Statements and Schedules

Non-Major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Law Enforcement Trust Fund – This fund accounts for revenue received from confiscated and forfeited properties from cases involving the City's Police department. Expenditures from this fund are generally for police education and training programs and equipment.

Developers Land Contribution Fund – This fund accounts for revenue received from developers operating within the City for projects other than those financed by proprietary funds. The City uses the developer contributions to purchase land or capital improvements for recreation facilities.

SHIP Fund – This fund accounts for revenue received from the Florida Housing Finance Agency for the State Housing Initiatives Partnership (SHIP) Program to provide for renovation of buildings to be used for affordable multi-family housing within the City.

Beautification Fund – This fund accounts for revenue received from public service taxes, which is used for capital improvements to beautify the City.

Special Projects Fund – This fund is used to account for assets held in trust by the City for a variety of earmarked purposes.

Cemetery Perpetual Care Fund – This fund is used to account for assets held by the City to provide maintenance for the cemetery grounds.

Debt Service Fund

Utilities Tax Fund – This fund is used to account for assets held for the repayment of principal and interest on debt reported in the government-wide financial statements.

Capital Projects 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:

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, 2016

	Special Revenue						Debt Service	Capital Projects		Total Non-Major Governmental Funds
	Law Enforcement Trust	Developers Land Contribution	SHIP	Beautification	Special Projects	Cemetery Perpetual Care	Utilities Tax	2004 GO Bond	Beach Restoration	
ASSETS										
Cash and cash equivalents	\$ 546,736	\$ 1,464,543	\$ -	\$ 1,067,315	\$ 666,765	\$ 735,916	\$ 1,512,898	\$ 275,595	\$ 717,684	\$ 6,987,452
Investments	-	-	-	-	2,589,470	621,274	-	-	-	3,210,744
Accounts receivable, net	-	-	-	-	161,829	16,948	-	-	-	178,777
Notes receivable	-	-	718,663	-	-	-	-	-	-	718,663
Interest receivable	-	-	-	-	5,771	1,385	-	-	-	7,156
Due from component unit	-	-	-	2,354	-	-	-	-	-	2,354
Prepaid items	-	-	-	-	750	-	-	-	-	750
Total Assets	<u>\$ 546,736</u>	<u>\$ 1,464,543</u>	<u>\$ 718,663</u>	<u>\$ 1,069,669</u>	<u>\$ 3,424,585</u>	<u>\$ 1,375,523</u>	<u>\$ 1,512,898</u>	<u>\$ 275,595</u>	<u>\$ 717,684</u>	<u>\$ 11,105,896</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
LIABILITIES										
Accounts payable and accrued items	\$ -	\$ 49,321	\$ -	\$ 10,380	\$ 4,885	\$ -	\$ -	\$ -	\$ 500	\$ 65,086
Deposits payable	-	-	-	-	3,650	-	-	-	-	3,650
Due to component unit	-	-	-	-	50,000	-	-	-	-	50,000
Total Liabilities	<u>-</u>	<u>49,321</u>	<u>-</u>	<u>10,380</u>	<u>58,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>118,736</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	<u>-</u>	<u>-</u>	<u>718,663</u>	<u>-</u>	<u>11,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>729,768</u>
FUND BALANCES										
Nonspendable:										
Prepaid items	-	-	-	-	750	-	-	-	-	750
Restricted for:										
Debt service	-	-	-	-	-	-	1,512,898	-	-	1,512,898
Law enforcement	546,736	-	-	-	760,975	-	-	-	-	1,307,711
Capital improvements	-	-	-	-	-	-	-	275,595	-	275,595
Assigned to:										
Public safety	-	-	-	-	137,876	-	-	-	-	137,876
Parks and recreation	-	-	-	-	397,908	1,375,523	-	-	-	1,773,431
Capital improvements	-	1,415,222	-	1,059,289	2,057,436	-	-	-	717,184	5,249,131
Total Fund Balances	<u>546,736</u>	<u>1,415,222</u>	<u>-</u>	<u>1,059,289</u>	<u>3,354,945</u>	<u>1,375,523</u>	<u>1,512,898</u>	<u>275,595</u>	<u>717,184</u>	<u>10,257,392</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 546,736</u>	<u>\$ 1,464,543</u>	<u>\$ 718,663</u>	<u>\$ 1,069,669</u>	<u>\$ 3,424,585</u>	<u>\$ 1,375,523</u>	<u>\$ 1,512,898</u>	<u>\$ 275,595</u>	<u>\$ 717,684</u>	<u>\$ 11,105,896</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2016

	Special Revenue						Debt Service	Capital Projects		Total Non-Major Governmental Funds
	Law Enforcement Trust	Developers Land Contribution	SHIP	Beautification	Special Projects	Cemetery Perpetual Care	Utilities Tax	2004 GO Bond	Beach Restoration	
REVENUES										
Intergovernmental	\$ -	\$ -	\$ 305,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,112	\$ 410,544
Charges for services	-	-	-	-	490,512	8,904	-	-	-	499,416
Fines and forfeitures	49,991	-	-	-	41,017	-	-	-	-	91,008
Miscellaneous	-	619,711	802	32,190	208,505	119,287	-	-	-	980,495
Total Revenues	49,991	619,711	306,234	32,190	740,034	128,191	-	-	105,112	1,981,463
EXPENDITURES										
Current:										
General government	-	-	306,234	-	81,761	2,348	-	-	-	390,343
Public safety	87,920	-	-	-	10,555	-	-	-	-	98,475
Physical environment	-	-	-	780,960	-	-	-	-	-	780,960
Parks and recreation	-	-	-	-	385,756	-	-	-	163,947	549,703
Capital outlay	8,985	55,712	-	23,244	7,731	-	-	-	-	95,672
Debt service:										
Principal retirement	-	-	-	-	-	-	557,000	-	2,442,350	2,999,350
Interest and fiscal charges	-	-	-	-	-	-	1,568,588	-	19,455	1,588,043
Total Expenditures	96,905	55,712	306,234	804,204	485,803	2,348	2,125,588	-	2,625,752	6,502,546
Excess of revenues over (under) expenditures	(46,914)	563,999	-	(772,014)	254,231	125,843	(2,125,588)	-	(2,520,640)	(4,521,083)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	944,526	85,180	-	2,125,790	-	15,000	3,170,496
Transfers out	-	(5,620)	-	-	(15,812)	-	(1,800)	-	-	(23,232)
Total Other Financing Sources (Uses)	-	(5,620)	-	944,526	69,368	-	2,123,990	-	15,000	3,147,264
Net change in fund balance	(46,914)	558,379	-	172,512	323,599	125,843	(1,598)	-	(2,505,640)	(1,373,819)
Fund balances - October 1, 2015	593,650	856,843	-	886,777	3,031,346	1,249,680	1,514,496	275,595	3,222,824	11,631,211
Fund balances - September 30, 2016	\$ 546,736	\$ 1,415,222	\$ -	\$ 1,059,289	\$ 3,354,945	\$ 1,375,523	\$ 1,512,898	\$ 275,595	\$ 717,184	\$ 10,257,392

Non-Major Enterprise Funds

Enterprise funds are used to account for operations that provide a service to citizens, financed primarily by a user charge, and where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Delray Beach Municipal Golf Course Fund – This fund is used to account for the services and activities of the City's municipal golf course.

Lakeview Golf Course Fund – This fund is used to account for the services and activities of the City's executive municipal golf course.

City Marina Fund – This fund is used to account for the services and activities of the City's municipal marina.

Sanitation Fund – This fund is used to account for solid waste removal services for the City's residents and commercial customers.

CITY OF DELRAY BEACH, FLORIDA
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
September 30, 2016

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Total Non-Major Enterprise Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 74,228	\$ 168,756	\$ 501,391	\$ 758,879	\$ 1,503,254
Investments	-	-	934,396	2,072,570	3,006,966
Accounts receivable, net	226	-	-	536,903	537,129
Interest receivable	-	-	2,082	4,619	6,701
Inventories	67,731	8,617	-	-	76,348
Restricted assets					
Cash and cash equivalents	48,698	-	-	-	48,698
Total Current Assets	190,883	177,373	1,437,869	3,372,971	5,179,096
Noncurrent Assets:					
Property, land and equipment					
Land	1,415,482	1,963,894	42,840	-	3,422,216
Buildings	2,309,544	140,718	-	-	2,450,262
Improvements other than buildings	1,200,973	899,663	1,131,622	11,958	3,244,216
Equipment	1,293,220	269,885	86,026	21,054	1,670,185
Construction in progress	38,350	-	41,870	-	80,220
Accumulated depreciation	(3,057,670)	(715,567)	(1,151,158)	(32,080)	(4,956,475)
Total Noncurrent Assets	3,199,899	2,558,593	151,200	932	5,910,624
Total Assets	3,390,782	2,735,966	1,589,069	3,373,903	11,089,720
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount related to pensions	-	-	-	21,671	21,671
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued expenses	112,006	12,380	(2,631)	287,397	409,152
Unearned revenue	-	-	34,979	-	34,979
Current maturities of installment agreements	-	27,233	-	-	27,233
Refundable deposits payable	135,690	-	18,003	-	153,693
	247,696	39,613	50,351	287,397	625,057
Current Liabilities Payable from Restricted Assets:					
Contract payable and retainages	-	-	-	-	-
Accrued interest on long-term debt	1,778	-	-	-	1,778
Current maturities of revenue bonds	46,920	-	-	-	46,920
	48,698	-	-	-	48,698
Total Current Liabilities	296,394	39,613	50,351	287,397	673,755
Noncurrent Liabilities:					
Compensated absences payable	-	-	-	43,009	43,009
Revenue bonds payable, net	99,816	-	-	-	99,816
Net OPEB obligation	-	-	-	28,808	28,808
Net pension liability	-	-	-	17,608	17,608
Installment agreements	-	82,206	-	-	82,206
Total Noncurrent Liabilities	99,816	82,206	-	89,425	271,447
Total Liabilities	396,210	121,819	50,351	376,822	945,202
DEFERRED INFLOWS OF RESOURCES					
Deferred amount related to pensions	-	-	-	7,082	7,082
NET POSITION					
Net investment in capital assets	3,053,163	2,449,154	151,200	932	5,654,449
Restricted for debt service	46,920	-	-	-	46,920
Unrestricted (deficit)	(105,511)	164,993	1,387,518	3,010,738	4,457,738
Total Net Position	\$ 2,994,572	\$ 2,614,147	\$ 1,538,718	\$ 3,011,670	\$ 10,159,107

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, 2016

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Total Non-Major Enterprise Funds
OPERATING REVENUES					
Charges for services	\$ 3,129,388	\$ 610,903	\$ 223,401	\$ 4,132,645	\$ 8,096,337
Other operating revenue	50,845	8,544	11,567	56,829	127,785
Total Operating Revenues	3,180,233	619,447	234,968	4,189,474	8,224,122
OPERATING EXPENSES					
Personal services	-	-	-	259,031	259,031
Other operating expenses	2,898,770	489,183	79,330	3,488,893	6,956,176
Depreciation	168,425	66,483	9,179	238	244,325
Total Operating Expenses	3,067,195	555,666	88,509	3,748,162	7,459,532
Operating Income	113,038	63,781	146,459	441,312	764,590
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	-	-	10,808	23,974	34,782
Rent revenue	27,958	-	176	197,403	225,537
Interest expense	(30,954)	(11,232)	-	-	(42,186)
Gain on disposal of equipment	10,199	5,165	-	-	15,364
Total Nonoperating Revenues (Expenses)	7,203	(6,067)	10,984	221,377	233,497
Income Before Capital Contributions and Transfers	120,241	57,714	157,443	662,689	998,087
Transfers in	1,789,321	1,193,403	-	-	2,982,724
Transfers out	(18,000)	(5,000)	(52,970)	(237,270)	(313,240)
Change In Net Position	1,891,562	1,246,117	104,473	425,419	3,667,571
Net Position - October 1, 2015	1,103,010	1,368,030	1,434,245	2,586,251	6,491,536
Net Position - September 30, 2016	\$ 2,994,572	\$ 2,614,147	\$ 1,538,718	\$ 3,011,670	\$ 10,159,107

CITY OF DELRAY BEACH, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2016

	Municipal Golf Course	Lakeview Golf Course	City Marina	Sanitation	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,221,204	\$ 617,800	\$ 218,548	\$ 4,204,203	\$ 8,261,755
Receipts from others	27,958	-	176	197,403	225,537
Payments to suppliers	(4,520,193)	(1,603,469)	(82,576)	(3,876,816)	(10,083,054)
Payments to employees	-	-	-	(246,062)	(246,062)
Net cash provided by (used in) operating activities	(1,271,031)	(985,669)	136,148	278,728	(1,841,824)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,789,321	1,193,403	-	-	2,982,724
Transfers to other funds	(18,000)	(5,000)	(52,970)	(237,270)	(313,240)
Net cash provided by (used in) noncapital financing activities	1,771,321	1,188,403	(52,970)	(237,270)	2,669,484
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(365,494)	-	(41,869)	-	(407,363)
Proceeds from the sale of capital assets	11,279	5,165	-	-	16,444
Principal paid on capital debt	(418,264)	(117,661)	-	-	(535,925)
Interest paid on capital debt	(22,656)	(8,508)	-	-	(31,164)
Net cash used in capital and related financing activities	(795,135)	(121,004)	(41,869)	-	(958,008)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of investments	-	-	450,845	696,934	1,147,779
Interest on investments	-	-	9,237	20,487	29,724
Net cash provided by investing activities	-	-	460,082	717,421	1,177,503
Net change in cash and cash equivalents	(294,845)	81,730	501,391	758,879	1,047,155
Cash and cash equivalents - October 1, 2015	417,771	87,026	-	-	504,797
Cash and cash equivalents - September 30, 2016	\$ 122,926	\$ 168,756	\$ 501,391	\$ 758,879	\$ 1,551,952
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ 113,038	\$ 63,781	\$ 146,459	\$ 441,312	\$ 764,590
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	168,425	66,483	9,179	238	244,325
Rent revenue	27,958	-	176	197,403	225,537
Change in assets and liabilities:					
Accounts receivable	134	40	-	14,729	14,903
Inventories	2,214	(1,687)	-	-	527
Prepaid expenses	15,302	3,290	-	1,791	20,383
Deferred amount related to pensions	-	-	-	56,145	56,145
Accounts payable and accrued expenses	2,596	827	(3,246)	(389,714)	(389,537)
Unearned revenue	-	-	(17,071)	-	(17,071)
Compensated absences payable	-	-	-	(4,502)	(4,502)
Net OPEB obligation	-	-	-	2,872	2,872
Net pension liability	-	-	-	(41,546)	(41,546)
Due to other funds	(1,639,321)	(1,118,403)	-	-	(2,757,724)
Refundable deposits payable	38,623	-	651	-	39,274
Total adjustments	(1,384,069)	(1,049,450)	(10,311)	(162,584)	(2,606,414)
Net cash provided by (used in) operating activities	\$ (1,271,031)	\$ (985,669)	\$ 136,148	\$ 278,728	\$ (1,841,824)
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES					
Amortization of bond premiums	\$ (4,575)	\$ (2,796)	\$ -	\$ -	\$ (7,371)
Amortization of deferred charges on refundings	\$ 18,639	\$ 6,744	\$ -	\$ -	\$ 25,383
Installment agreement debt issued	\$ -	\$ 140,100	\$ -	\$ -	\$ 140,100
Realized and unrealized gains on investments	\$ -	\$ -	\$ 971	\$ 2,154	\$ 3,125

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, 2016

	Insurance	Central Garage	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,125,941	\$ 3,671,934	\$ 8,797,875
Investments	5,074,566	2,897,622	7,972,188
Accounts receivable, net	16,406	-	16,406
Interest receivable	11,437	6,458	17,895
Inventories	-	73,563	73,563
Prepaid expenses	449	-	449
Total Current Assets	<u>10,228,799</u>	<u>6,649,577</u>	<u>16,878,376</u>
Noncurrent Assets:			
Property and equipment			
Buildings	-	88,185	88,185
Equipment	132,964	23,491,576	23,624,540
Accumulated depreciation	(98,366)	(17,653,370)	(17,751,736)
Total Noncurrent Assets	<u>34,598</u>	<u>5,926,391</u>	<u>5,960,989</u>
Total Assets	<u>10,263,397</u>	<u>12,575,968</u>	<u>22,839,365</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount related to pensions	<u>25,451</u>	<u>59,722</u>	<u>85,173</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	249,812	410,083	659,895
Compensated absences payable	5,970	7,270	13,240
Insurance claims payable	1,643,869	-	1,643,869
Total Current Liabilities	<u>1,899,651</u>	<u>417,353</u>	<u>2,317,004</u>
Noncurrent Liabilities:			
Long-term portion of compensated absences payable	22,579	88,195	110,774
Long-term portion of insurance claims payable	4,323,000	-	4,323,000
Net OPEB obligation	36,010	100,828	136,838
Net pension liability	20,679	48,523	69,202
Total Noncurrent Liabilities	<u>4,402,268</u>	<u>237,546</u>	<u>4,639,814</u>
Total Liabilities	<u>6,301,919</u>	<u>654,899</u>	<u>6,956,818</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to pensions	<u>8,317</u>	<u>19,516</u>	<u>27,833</u>
NET POSITION			
Net investment in capital assets	34,598	5,926,391	5,960,989
Unrestricted	3,944,014	6,034,884	9,978,898
Total Net Position	<u>\$ 3,978,612</u>	<u>\$ 11,961,275</u>	<u>\$ 15,939,887</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, 2016

	Insurance	Central Garage	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 13,294,458	\$ 2,390,086	\$ 15,684,544
Other operating revenue	458,971	2,126,236	2,585,207
Total Operating Revenues	<u>13,753,429</u>	<u>4,516,322</u>	<u>18,269,751</u>
OPERATING EXPENSES			
Personal services	389,302	896,592	1,285,894
Other operating expenses	12,474,027	1,797,973	14,272,000
Depreciation	9,636	1,770,040	1,779,676
Total Operating Expenses	<u>12,872,965</u>	<u>4,464,605</u>	<u>17,337,570</u>
Operating income	880,464	51,717	932,181
NONOPERATING REVENUES			
Interest revenue	58,697	33,518	92,215
Gain on disposal of equipment	-	51,489	51,489
Total Nonoperating Revenues	<u>58,697</u>	<u>85,007</u>	<u>143,704</u>
Income Before Capital Contributions and Transfers	939,161	136,724	1,075,885
Capital contributions	-	125,046	125,046
Transfers in	-	580,000	580,000
Transfers out	<u>(11,105)</u>	<u>-</u>	<u>(11,105)</u>
Change In Net Position	928,056	841,770	1,769,826
Net Position - October 1, 2015	3,050,556	11,119,505	14,170,061
Net Position - September 30, 2016	<u>\$ 3,978,612</u>	<u>\$ 11,961,275</u>	<u>\$ 15,939,887</u>

CITY OF DELRAY BEACH, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended September 30, 2016

	Insurance	Central Garage	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 13,754,012	\$ 4,516,322	\$ 18,270,334
Payments to suppliers	(11,735,992)	(1,511,681)	(13,247,673)
Payments to employees	(356,961)	(812,626)	(1,169,587)
Net cash provided by operating activities	1,661,059	2,192,015	3,853,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	580,000	580,000
Transfers to other funds	(11,105)	-	(11,105)
Net cash provided by (used in) noncapital financing activities	(11,105)	580,000	568,895
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(1,223,864)	(1,223,864)
Proceeds from the sale of capital assets	-	75,762	75,762
Net cash used in capital and related financing activities	-	(1,148,102)	(1,148,102)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(50,161)	(28,643)	(78,804)
Interest on investments	50,161	28,643	78,804
Net cash used in investing activities	-	-	-
Net change in cash and cash equivalents	1,649,954	1,623,913	3,273,867
Cash and cash equivalents - October 1, 2015	3,475,987	2,048,021	5,524,008
Cash and cash equivalents - September 30, 2016	\$ 5,125,941	\$ 3,671,934	\$ 8,797,875
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 880,464	\$ 51,717	\$ 932,181
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	9,636	1,770,040	1,779,676
Change in assets and liabilities:			
Accounts receivable	583	-	583
Prepaid expenses	287,573	15,792	303,365
Deferred amount related to pensions	54,300	148,184	202,484
Accounts payable and accrued expenses	138,335	270,500	408,835
Compensated absences payable	7,027	8,820	15,847
Insurance claims payable	312,127	-	312,127
Net OPEB obligation	10,074	35,987	46,061
Net pension liability	(39,060)	(109,025)	(148,085)
Total adjustments	780,595	2,140,298	2,920,893
Net cash provided by operating activities	\$ 1,661,059	\$ 2,192,015	\$ 3,853,074
NON-CASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES			
Equipment contributed from governmental capital assets	\$ -	\$ 125,046	\$ 125,046
Realized and unrealized gains on investments	\$ 5,273	\$ 3,011	\$ 8,284

Fiduciary Funds

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

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

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

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF PLAN NET POSITION
 PENSION TRUST FUNDS
 September 30, 2016

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ASSETS			
Cash and cash equivalents	\$ 1,455,025	\$ 4,054,294	\$ 5,509,319
Investments:			
U.S. Government securities	6,067,918	3,592,276	9,660,194
U.S. Government Agency securities	-	8,582,194	8,582,194
Mortgage and asset-backed securities	4,096,213	-	4,096,213
Municipal obligations	1,302,464	255,715	1,558,179
International fixed income investment fund	-	7,523,100	7,523,100
Domestic and international corporate bonds	11,506,204	18,281,067	29,787,271
Domestic equity securities	24,079,271	60,757,309	84,836,580
Domestic and international equity investment funds	-	39,057,659	39,057,659
Timber investment funds	-	6,014,227	6,014,227
Alternative investments	66,134,229	18,729,060	84,863,289
Interest and dividends receivable	259,890	547,170	807,060
Due from broker for securities sold	208,734	104,999	313,733
Employee contributions receivable	-	65,687	65,687
Prepaid expenses	109,624	233,825	343,449
Total Assets	<u>115,219,572</u>	<u>167,798,582</u>	<u>283,018,154</u>
LIABILITIES			
Accounts payable	42,703	135,959	178,662
Due to broker for securities purchased	337,019	68,617	405,636
Total Liabilities	<u>379,722</u>	<u>204,576</u>	<u>584,298</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 114,839,850</u>	<u>\$ 167,594,006</u>	<u>\$ 282,433,856</u>

CITY OF DELRAY BEACH, FLORIDA
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
 PENSION TRUST FUNDS
 For the Fiscal Year Ended September 30, 2016

	General Employees' Pension	Police and Firefighters' Retirement System	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 2,046,827	\$ 10,789,457	\$ 12,836,284
State	-	1,909,358	1,909,358
Plan members	618,705	1,806,021	2,424,726
Total contributions	2,665,532	14,504,836	17,170,368
Investment earnings			
Net appreciation in fair value of investments	9,095,495	10,872,656	19,968,151
Interest and dividends	2,148,536	3,249,452	5,397,988
	11,244,031	14,122,108	25,366,139
Less investment expenses - custodian fees	257,756	666,391	924,147
Net investment earnings	10,986,275	13,455,717	24,441,992
Other income	18,858	150,647	169,505
Total additions	13,670,665	28,111,200	41,781,865
DEDUCTIONS			
Benefits	6,468,203	13,413,830	19,882,033
Refunds of contributions	66,862	118,761	185,623
Administrative expenses	82,336	245,221	327,557
Total deductions	6,617,401	13,777,812	20,395,213
Change In Plan Net Position	7,053,264	14,333,388	21,386,652
Net Position Restricted for Pension Benefits - October 1, 2015	107,786,586	153,260,618	261,047,204
Net Position Restricted for Pension Benefits - September 30, 2016	\$ 114,839,850	\$ 167,594,006	\$ 282,433,856

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, 2016

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
Ad valorem	\$ 56,325,810	\$ 56,876,767	\$ 550,957
Sales and use	1,390,000	1,426,451	36,451
Utility	6,270,000	6,330,379	60,379
Communications Services Tax	3,184,000	3,053,365	(130,635)
Business tax receipts	797,000	839,208	42,208
Total taxes	67,966,810	68,526,170	559,360
Licenses and permits:			
Building permits	3,860,000	4,357,491	497,491
Franchise fees	5,320,600	5,132,170	(188,430)
Miscellaneous	1,514,200	1,767,474	253,274
License fees	105,000	107,416	2,416
Total fees and permits	10,799,800	11,364,551	564,751
Intergovernmental:			
Federal shared revenue:			
Hazmat Sustainment	-	14,840	14,840
Highway Safety Grant	-	27,926	27,926
SAFER Grant	561,602	501,732	(59,870)
Bulletproof Vest Grant	10,297	-	(10,297)
Justice Assistance Grants	34,520	34,516	(4)
Total federal shared revenue	606,419	579,014	(27,405)
State shared revenue:			
State revenue sharing	1,980,000	2,009,340	29,340
Local government sales tax	4,960,000	4,935,105	(24,895)
Alcoholic beverage licenses tax	80,000	80,862	862
Municipal fuel tax refund	45,000	49,753	4,753
Mobile home licenses tax	400	395	(5)
Fire incentive	66,000	69,892	3,892
State grants	24,378	29,378	5,000
Total state shared revenue	7,155,778	7,174,725	18,947
Shared revenue from local units:			
County occupational licenses	105,000	115,830	10,830
Palm Beach County Grants	75,000	105,836	30,836
Total shared revenue from local units	180,000	221,666	41,666
Total intergovernmental	7,942,197	7,975,405	33,208

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, 2016

	Final Amended Budget	Actual	Variance Positive (Negative)
Revenue (continued):			
Charges for services:			
General government	\$ 1,009,900	\$ 1,145,999	\$ 136,099
Public safety	7,342,950	7,433,513	90,563
Physical environment	124,000	159,827	35,827
Parking	1,834,000	1,894,917	60,917
Culture and recreation	1,303,350	1,335,312	31,962
Total charges for services	11,614,200	11,969,568	355,368
Fines and forfeitures:			
Court	866,747	1,068,968	202,221
Penalties on licenses and permits	84,000	138,689	54,689
Violations of local ordinances	190,000	298,954	108,954
Total fines and forfeitures	1,140,747	1,506,611	365,864
Miscellaneous:			
Interest	1,481,325	1,642,963	161,638
Rents and special assessments	136,350	305,163	168,813
Sale of capital assets	-	790	790
Contributions and donations	4,425,660	4,411,837	(13,823)
Recovery of administrative costs	2,736,770	2,736,770	-
Other	624,550	2,215,912	1,591,362
Total miscellaneous	9,404,655	11,313,435	1,908,780
Total revenue	108,868,409	112,655,740	3,787,331
Other financing sources:			
Prior year surplus	8,300,737	-	(8,300,737)
Debt proceeds	2,629,000	-	(2,629,000)
Transfers in:			
Water and Sewer Fund	3,229,720	3,230,090	370
Delray Beach Municipal and Lakeview Golf Course Funds	23,000	23,000	-
City Marina Fund	52,970	52,970	-
Utilities Tax Fund	1,800	1,800	-
Sanitation Fund	125,270	125,270	-
Stormwater Utility Fund	416,580	416,580	-
2004 GO Bond	19,540	19,540	-
Special Projects Fund	12,000	12,000	-
Insurance Fund	140	140	-
Total transfers in	3,881,020	3,881,390	370
Total other financing sources	14,810,757	3,881,390	(10,929,367)
Total revenue and other financing sources	\$ 123,679,166	116,537,130	\$ (7,142,036)
Reconciliation to GAAP basis statements:			
On-behalf payments		1,909,358	
Revenue and other financing sources - GAAP basis		<u>\$ 118,446,488</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, 2016

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
General government:						
City commission	\$ 197,770	\$ 227,770	\$ 213,340	\$ -	\$ 213,340	\$ 14,430
City manager	767,440	914,980	923,852	-	923,852	(8,872)
Economic development	240,740	176,800	113,137	-	113,137	63,663
Human resources	617,970	840,462	827,992	-	827,992	12,470
Public information office	64,560	96,560	92,748	-	92,748	3,812
City clerk	675,580	682,643	624,406	-	624,406	58,237
Finance	1,836,410	1,792,203	1,695,214	-	1,695,214	96,989
Information technology	4,229,210	4,318,912	2,774,622	-	2,774,622	1,544,290
City attorney	1,223,000	1,576,861	1,444,440	-	1,444,440	132,421
Purchasing	603,420	603,420	594,352	-	594,352	9,068
Cemetery	337,800	347,165	280,893	-	280,893	66,272
Grants and Aids:						
Old School Square	250,000	250,000	250,000	-	250,000	-
Library	1,453,500	1,453,500	1,453,500	-	1,453,500	-
Other grants and aids	243,450	248,450	248,450	-	248,450	-
Miscellaneous and contingency	2,698,260	64,834	1,153,332	-	1,153,332	(1,088,498)
Transfers to component units	8,814,100	8,814,100	8,791,322	-	8,791,322	22,778
Total general government	24,253,210	22,408,660	21,481,600	-	21,481,600	927,060
Public safety:						
Law enforcement	31,391,540	31,572,200	31,034,568	-	31,034,568	537,632
Fire control	26,790,750	28,123,026	27,558,499	-	27,558,499	564,527
Community improvement administration	1,004,470	1,108,855	1,055,872	-	1,055,872	52,983
Planning and zoning	1,802,400	2,043,786	1,603,232	-	1,603,232	440,554
Building inspection	1,794,640	1,713,902	1,485,856	-	1,485,856	228,046
Code compliance	1,523,950	1,548,996	1,426,701	-	1,426,701	122,295
Total public safety	64,307,750	66,110,765	64,164,728	-	64,164,728	1,946,037
Physical environment:						
Engineering	731,260	972,810	610,106	-	610,106	362,704
Parking facilities	1,356,430	1,332,283	1,122,833	-	1,122,833	209,450
Public works:						
Traffic operations	461,410	469,410	355,320	-	355,320	114,090
Administration	180,720	180,720	128,443	-	128,443	52,277
Street lighting	740,020	740,020	677,014	-	677,014	63,006
Street maintenance	1,308,350	1,323,996	703,120	-	703,120	620,876
Building maintenance	1,141,530	1,275,860	1,135,923	-	1,135,923	139,937
Total physical environment	5,919,720	6,295,099	4,732,759	-	4,732,759	1,562,340

Continued on next page.

City of Delray Beach, Florida

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

For the Fiscal Year Ended September 30, 2016

	Original Budget	Final Amended Budget	Current Year Expenditures	Current Year Encumbrances Outstanding	Total Expenditures and Encumbrances	Unencumbered Balance Lapsed
Parks and recreation:						
Administration	\$ 690,020	\$ 803,967	\$ 755,816	\$ -	\$ 755,816	\$ 48,151
Out of school program	318,740	356,465	349,423	-	349,423	7,042
Teen center	259,070	280,245	273,408	-	273,408	6,837
Catherine Strong Park	316,670	308,496	271,997	-	271,997	36,499
Community center	329,280	332,168	314,040	-	314,040	18,128
Veteran's park recreation facility	172,380	182,951	179,162	-	179,162	3,789
Pompey Park recreation facility	850,440	846,490	831,952	-	831,952	14,538
Parks maintenance	4,064,790	4,059,565	3,783,868	-	3,783,868	275,697
Special events	136,370	163,268	161,487	-	161,487	1,781
Tennis centers	1,295,380	1,339,380	1,139,468	-	1,139,468	199,912
Tennis stadium	2,429,640	2,435,750	2,378,677	-	2,378,677	57,073
Aquatics	453,800	453,802	411,199	-	411,199	42,603
Athletics	547,250	554,750	524,773	-	524,773	29,977
Total parks and recreation	11,863,830	12,117,297	11,375,270	-	11,375,270	742,027
Debt service:						
Principal retirement	2,956,470	5,485,470	5,485,461	-	5,485,461	9
Interest and fiscal charges	733,320	733,320	737,225	-	737,225	(3,905)
Total debt service	3,689,790	6,218,790	6,222,686	-	6,222,686	(3,896)
Total expenditures and encumbrances	110,034,300	113,150,611	107,977,043	-	107,977,043	5,173,568
Other financing uses:						
Transfers out to other funds:						
Neighborhood Services Fund	149,430	149,430	149,430	-	149,430	-
Beautification Fund	927,000	927,000	939,336	-	939,336	(12,336)
Utilities Tax Fund	2,125,790	2,125,790	2,125,790	-	2,125,790	-
Capital Improvement Fund	742,000	3,748,611	3,748,611	-	3,748,611	-
Beach Restoration Fund	15,000	15,000	15,000	-	15,000	-
Municipal Golf Course	-	1,789,321	1,789,321	-	1,789,321	-
Lakeview Golf Course	-	1,193,403	1,193,403	-	1,193,403	-
Central Garage Fund	-	580,000	580,500	-	580,500	(500)
Total other financing uses	3,959,220	10,528,555	10,541,391	-	10,541,391	(12,836)
Total expenditures, encumbrances and other financing uses	\$ 113,993,520	\$ 123,679,166	\$ 118,518,434	\$ -	118,518,434	\$ 5,160,732
Reconciliation to GAAP basis statements:						
On-behalf payments					1,909,358	
Expenditures and other financing uses - GAAP basis					\$ 120,427,792	

Schedules of Debt Service Requirements

City of Delray Beach, Florida

Summary Schedule of Debt Service Requirements
(Principal and Interest) to Maturity

Fiscal Year Ending September 30	General Obligation Bonds	Revenue Bonds and Note	Water and Sewer Revenue Bonds	Installment Agreements	Total Requirements
2017	\$ 2,089,576	\$ 3,415,300	\$ 2,162,119	\$ 156,190	\$ 7,823,185
2018	2,096,705	3,412,108	2,163,775	156,192	7,828,780
2019	2,091,898	3,422,450	2,152,015	52,361	7,718,724
2020	2,104,997	3,434,650	1,933,097	25,356	7,498,100
2021	2,105,795	3,425,900	1,948,716	-	7,480,411
2022	2,109,345	3,432,650	1,948,086	-	7,490,081
2023	2,115,489	3,428,900	-	-	5,544,389
2024	2,128,967	3,434,900	-	-	5,563,867
2025	-	3,434,900	-	-	3,434,900
2026	-	3,428,900	-	-	3,428,900
2027	-	3,436,900	-	-	3,436,900
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>\$ 16,842,772</u>	<u>\$ 57,936,608</u>	<u>\$ 12,307,808</u>	<u>\$ 390,099</u>	<u>\$ 87,477,287</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
2017	\$ 1,640,000	\$ 449,576	\$ 2,089,576	\$ 14,753,196
2018	1,700,000	396,705	2,096,705	12,656,491
2019	1,750,000	341,898	2,091,898	10,564,593
2020	1,820,000	284,997	2,104,997	8,459,596
2021	1,880,000	225,795	2,105,795	6,353,801
2022	1,945,000	164,345	2,109,345	4,244,456
2023	2,015,000	100,489	2,115,489	2,128,967
2024	2,095,000	33,967	2,128,967	-
	<u>\$ 14,845,000</u>	<u>\$ 1,997,772</u>	<u>\$ 16,842,772</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	August 1	August 1			
2017	\$ 820,000	\$ 160,709	\$ 143,694	\$ 143,694	\$ 1,124,403	\$ 7,984,186	4.15%
2018	860,000	143,694	125,849	125,849	1,129,543	6,854,643	4.15
2019	895,000	125,849	107,278	107,278	1,128,127	5,726,516	4.15
2020	940,000	107,278	87,773	87,773	1,135,051	4,591,465	4.15
2021	985,000	87,773	67,334	67,334	1,140,107	3,451,358	4.15
2022	1,030,000	67,334	45,961	45,961	1,143,295	2,308,063	4.15
2023	1,080,000	45,961	23,551	23,551	1,149,512	1,158,551	4.15
2024	1,135,000	23,551	-	-	1,158,551	-	4.15
	<u>\$ 7,745,000</u>	<u>\$ 762,149</u>	<u>\$ 601,440</u>	<u>\$ 601,440</u>	<u>\$ 9,108,589</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	August 1				
2017	\$ 820,000	\$ 77,035	\$ 68,138	\$ 965,173	\$ 6,769,010	2.17%	
2018	840,000	68,138	59,024	967,162	5,801,848	2.17	
2019	855,000	59,024	49,747	963,771	4,838,077	2.17	
2020	880,000	49,747	40,199	969,946	3,868,131	2.17	
2021	895,000	40,199	30,489	965,688	2,902,443	2.17	
2022	915,000	30,489	20,561	966,050	1,936,393	2.17	
2023	935,000	20,561	10,416	965,977	970,416	2.17	
2024	960,000	10,416	-	970,416	-	2.17	
	\$ 7,100,000	\$ 355,609	\$ 278,574	\$ 7,734,183			

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	– Compass Mortgage Corporation Leander, Texas
Ratings	– N/A

Projects: The bonds were issued for the purpose of acquiring land and constructing and developing parks and recreation facilities in the City.

City of Delray Beach, Florida

Combined Schedule of Revenue Bonds and Note
Debt Service Requirements (Principal and Interest)

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2017	\$ 1,717,280	\$ 1,698,020	\$ 3,415,300	\$ 54,521,308
2018	1,790,000	1,622,108	3,412,108	51,109,200
2019	1,879,684	1,542,766	3,422,450	47,686,750
2020	1,975,000	1,459,650	3,434,650	44,252,100
2021	2,065,000	1,360,900	3,425,900	40,826,200
2022	2,175,000	1,257,650	3,432,650	37,393,550
2023	2,280,000	1,148,900	3,428,900	33,964,650
2024	2,400,000	1,034,900	3,434,900	30,529,750
2025	2,520,000	914,900	3,434,900	27,094,850
2026	2,640,000	788,900	3,428,900	23,665,950
2027	2,780,000	656,900	3,436,900	20,229,050
2028	2,855,000	573,500	3,428,500	16,800,550
2029	2,945,000	487,850	3,432,850	13,367,700
2030	3,030,000	399,500	3,429,500	9,938,200
2031	3,125,000	304,812	3,429,812	6,508,388
2032	3,225,000	203,250	3,428,250	3,080,138
2033	930,000	98,438	1,028,438	2,051,700
2034	960,000	67,050	1,027,050	1,024,650
2035	990,000	34,650	1,024,650	-
	<u>\$ 42,281,964</u>	<u>\$ 15,654,644</u>	<u>\$ 57,936,608</u>	

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

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

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance	Interest Rate
	Principal			Outstanding at			
	June 1	December 1	June 1	End of Fiscal Year			
2017	\$ 540,000	\$ 44,845	\$ 44,845	\$ 629,690	\$ 1,262,836	5.245%	
2018	570,000	30,683	30,683	631,366	631,470	5.245	
2019	600,000	15,735	15,735	631,470	-	5.245	
	<u>\$ 1,710,000</u>	<u>\$ 91,263</u>	<u>\$ 91,263</u>	<u>\$ 1,892,526</u>			

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

Projects: The bonds were issued to finance all or a portion of the costs of certain roadway improvements including water, sewer and drainage work, and a portion of the costs of a tri-party radio system. Approximately 73% of the bonds are governmental activities debt and 27% is business-type activities debt.

City of Delray Beach, Florida

Schedule of 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				
2017	\$ 850,000	\$ 48,482	\$ 48,482	\$	946,964	\$ 1,899,524	3.66%
2018	880,000	32,931	32,931		945,862	953,662	3.66
2019	920,000	16,831	16,831		953,662	-	3.66
	<u>\$ 2,650,000</u>	<u>\$ 98,244</u>	<u>\$ 98,244</u>	<u>\$</u>	<u>2,846,488</u>		

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

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

City of Delray Beach, Florida

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

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal		December 1	June 1			
	June 1						
2017	\$ 520,000	\$	770,700	\$ 770,700	\$ 2,061,400	\$ 51,805,300	5.00%
2018	545,000		757,700	757,700	2,060,400	49,744,900	5.00
2019	570,000		744,075	744,075	2,058,150	47,686,750	5.00
2020	1,975,000		729,825	729,825	3,434,650	44,252,100	5.00
2021	2,065,000		680,450	680,450	3,425,900	40,826,200	5.00
2022	2,175,000		628,825	628,825	3,432,650	37,393,550	5.00
2023	2,280,000		574,450	574,450	3,428,900	33,964,650	5.00
2024	2,400,000		517,450	517,450	3,434,900	30,529,750	5.00
2025	2,520,000		457,450	457,450	3,434,900	27,094,850	5.00
2026	2,640,000		394,450	394,450	3,428,900	23,665,950	5.00
2027	2,780,000		328,450	328,450	3,436,900	20,229,050	5.00
2028	2,855,000		286,750	286,750	3,428,500	16,800,550	3.00
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	3.13
2032	3,225,000		101,625	101,625	3,428,250	3,080,138	3.25
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	3.38
2035	990,000		17,325	17,325	1,024,650	-	3.38
	<u>\$ 38,530,000</u>	<u>\$</u>	<u>7,668,350</u>	<u>\$ 7,668,350</u>	<u>\$ 53,866,700</u>		

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

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

City of Delray Beach, Florida

Combined Schedule of Water and Sewer Revenue Bonds

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2017	\$ 1,892,720	\$ 269,399	\$ 2,162,119	\$ 10,145,689
2018	1,945,000	218,775	2,163,775	7,981,914
2019	1,985,316	166,699	2,152,015	5,829,899
2020	1,820,000	113,097	1,933,097	3,896,802
2021	1,880,000	68,716	1,948,716	1,948,086
2022	1,925,000	23,086	1,948,086	-
	<u>\$ 11,448,036</u>	<u>\$ 859,772</u>	<u>\$ 12,307,808</u>	

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

City of Delray Beach, Florida

Schedule of Water and Sewer Revenue Bonds (Series 2006B)

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal October 1		October 1	April 1			
2017	\$ 170,000	\$	22,587	\$ 19,204	\$ 211,791	\$ 1,063,608	3.98%
2018	180,000		19,204	15,622	214,826	848,782	3.98
2019	185,000		15,622	11,940	212,562	636,220	3.98
2020	195,000		11,940	8,060	215,000	421,220	3.98
2021	200,000		8,060	4,080	212,140	209,080	3.98
2022	205,000		4,080	-	209,080	-	3.98
	<u>\$ 1,135,000</u>	<u>\$</u>	<u>81,493</u>	<u>\$ 58,906</u>	<u>\$ 1,275,399</u>		

Original Authorization – \$2,350,000
 Issued – \$2,350,000
 Date of Issue – November 17, 2006
 Maturity Range – Serial Bonds: October 1, 2007 through October 1, 2021
 Principal Payment Date – October 1 of each year
 Interest Payment Dates – October 1 and April 1 of each year
 Pledged Revenue – Utility system net revenues
 Denomination – N/A
 Call Features – Penalty for early payment
 Paying Agent – SunTrust Bank
 Ratings – N/A

Projects: The bonds were issued to finance the City's share of the Reclaimed Water Treatment Project at the South Central Regional Wastewater Treatment Facility.

City of Delray Beach, Florida

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

Fiscal Year Ending September 30	Serial Bond		Interest		Total	Balance Outstanding at End of Fiscal Year	Interest Rate
	Principal October 1		October 1	April 1			
2017	\$ 530,000	\$	37,294	\$ 31,437	\$ 598,731	\$ 3,005,500	2.21%
2018	540,000		31,437	25,470	596,907	2,408,593	2.21
2019	555,000		25,470	19,337	599,807	1,808,786	2.21
2020	565,000		19,338	13,094	597,432	1,211,354	2.21
2021	585,000		13,094	6,630	604,724	606,630	2.21
2022	600,000		6,630	-	606,630	-	2.21
	<u>\$ 3,375,000</u>	<u>\$</u>	<u>133,263</u>	<u>\$ 95,968</u>	<u>\$ 3,604,231</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			
2017	\$ 1,000,000	\$	69,946	\$ 58,897	\$ 1,128,843	\$ 5,630,229	2.21%
2018	1,020,000		58,896	47,626	1,126,522	4,503,707	2.21
2019	1,035,000		47,625	36,189	1,118,814	3,384,893	2.21
2020	1,060,000		36,189	24,476	1,120,665	2,264,228	2.21
2021	1,095,000		24,476	12,376	1,131,852	1,132,376	2.21
2022	1,120,000		12,376	-	1,132,376	-	2.21
	<u>\$ 6,330,000</u>	<u>\$</u>	<u>249,508</u>	<u>\$ 179,564</u>	<u>\$ 6,759,072</u>		

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

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

City of Delray Beach, Florida

Schedule of Installment Agreements (Capital Leases)

Fiscal Year Ending September 30	Principal	Interest	Total	Balance Outstanding at End of Fiscal Year
2017	\$ 148,891	\$ 7,299	\$ 156,190	\$ 233,909
2018	152,078	4,114	156,192	77,717
2019	50,921	1,440	52,361	25,356
2020	24,978	378	25,356	-
	<u>\$ 376,868</u>	<u>\$ 13,231</u>	<u>\$ 390,099</u>	

Schedule of installment agreements consists of the following:

- SunTrust Leasing — Original amount of principal—\$825,000, 84-month term, 2.8546% interest, dates December 6, 2012 through December 6, 2018—public safety hardware and software.
- De Lage Landen Public Finance LLC — Original amount of principal—\$140,100, 60-month term, 2.74% interest, dates October 1, 2016 through August 1, 2020—golf carts at Delray Beach Golf Course.

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 September 1	Interest Sept. 1/Mar. 1	Total	Balance Outstanding at End of Fiscal Year	Interest Rate
2017	\$ 1,090,000	\$ 151,440	\$ 1,241,440	\$ 2,485,888	4.2982 - 5.9095 %
2018	1,140,000	103,184	1,243,184	1,242,704	4.2982 - 4.8000
2019	1,190,000	52,704	1,242,704	-	4.2982 - 4.8000
	3,420,000	\$ 307,328	\$ 3,727,328		
Series 2012 and 2015 draws with no fixed maturity	2,719,225				
	\$ 6,139,225				
Original Authorization	<ul style="list-style-type: none"> – \$9,715,000 (Series 1999A - Tax-exempt) – \$10,000,000 (Series 2004A - Tax-exempt) – \$4,000,000 (Series 2012 - Tax-exempt draw down bond) – \$2,000,000 (Series 2015 - Tax-exempt draw down bond) 				
Issued	<ul style="list-style-type: none"> – \$9,715,000 (Series 1999A - Tax-exempt) – \$10,000,000 (\$5,000,000 issued before September 30, 2004 and \$5,000,000 issued from October 1, 2004 to December 31, 2004 - Series 2004A - Tax-exempt) – \$2,669,225 draws to September 30, 2016 (Series 2012 - Tax-exempt) – \$50,000 draws to September 30, 2016 (Series 2015 - Tax-exempt) 				
Date of Issue	<ul style="list-style-type: none"> – June 25, 1999 (1999 Series) – May 19, 2004 (2004 Series) – February 10, 2012 (2012 Series) – January 29, 2016 (2015 Series) 				
Maturity Range	– Serially September 1, 2001 through September 1, 2019 (Series 2004A&B and 1999A)				
Principal Payment Date	<ul style="list-style-type: none"> – <u>Series 1999A</u>: September 1 of each year, commencing September 1, 2001 – <u>Series 2004A</u>: September 1 of each year, commencing September 1, 2005 – <u>Series 2012</u>: September 1 and April 1 of each year, commencing the first September 1 or April 1 after final draw – <u>Series 2015</u>: September 1 and April 1 of each year, commencing the first September 1 or April 1 after final draw 				
Interest Rate	<ul style="list-style-type: none"> – <u>Series 1999A</u>: 4.80% until September 1, 2019 – <u>Series 2004A</u>: 4.2982% until September 1, 2019 – <u>Series 2012</u>: 2.10% on outstanding balance commencing October 1, 2012 and 2.78% on outstanding balance commencing April 1, 2016 – <u>Series 2015</u>: 2.78% on outstanding balance commencing April 1, 2016 				
Pledged Revenue	– Tax increment revenues				
Denomination	– N/A				
Call Features	– No penalty for early payment for taxable debt only				
Paying Agent/Registrar	<ul style="list-style-type: none"> – Bank of America (Series 2004A & B and 1999A) – City National Bank of Florida (Series 2012) – City National Bank of Florida (Series 2015) 				
Ratings	– Not rated				
Project:	The Series 2015, 2012, 2004A and 1999A proceeds were issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects.				

Statistical Section

STATISTICAL SECTION

This part of the City of Delray Beach comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends.....	122
<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.....	136
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity.....	139
<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	143
<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.....	145
<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			
	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	\$ 51,049,876	\$ 70,521,186	\$ 76,546,448	\$ 77,727,858
Restricted	20,850,170	12,644,718	10,728,740	13,592,226
Unrestricted	23,371,450	23,694,418	23,962,095	21,879,827
Total governmental activities net position	\$ 95,271,496	\$ 106,860,322	\$ 111,237,283	\$ 113,199,911
Business-type activities				
Net investment in capital assets	\$ 54,782,750	\$ 65,505,859	\$ 66,198,545	\$ 69,465,739
Restricted	7,038,221	6,658,262	1,592,060	7,116,700
Unrestricted	40,529,960	38,161,102	43,117,847	39,543,220
Total business-type activities net position	\$102,350,931	\$ 110,325,223	\$ 110,908,452	\$ 116,125,659
Primary government				
Net investment in capital assets	\$105,832,626	\$ 136,027,045	\$ 142,744,993	\$ 147,193,597
Restricted	27,888,391	19,302,980	12,320,800	20,708,926
Unrestricted	63,901,410	61,855,520	67,079,942	61,423,047
Total primary government net position	\$197,622,427	\$ 217,185,545	\$ 222,145,735	\$ 229,325,570

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					
2011	2012	2013	2014	2015	2016
\$ 78,779,535	\$ 78,326,444	\$ 70,077,233	\$ 69,969,843	\$ 67,883,652	\$ 83,352,304
6,520,365	1,801,017	1,618,934	1,745,885	2,991,799	3,102,189
26,242,684	35,072,705	43,858,427	51,496,227	(6,748,871)	(10,566,092)
\$ 111,542,584	\$ 115,200,166	\$ 115,554,594	\$ 123,211,955	\$ 64,126,580	\$ 75,888,401
\$ 69,465,739	\$ 76,043,338	\$ 79,245,276	\$ 85,086,776	\$ 88,760,143	\$ 97,070,159
7,116,700	4,620,831	4,428,595	2,222,394	3,880,165	3,572,645
39,543,220	43,705,842	46,849,014	49,393,057	50,522,734	53,312,727
\$ 116,125,659	\$ 124,370,011	\$ 130,522,885	\$ 136,702,227	\$ 143,163,042	\$ 153,955,531
\$ 148,245,274	\$ 154,369,782	\$ 149,322,509	\$ 155,056,619	\$ 156,643,795	\$ 180,422,463
13,637,065	6,421,848	6,047,529	3,968,279	6,871,964	6,674,834
65,785,904	78,778,547	90,707,441	100,889,284	43,773,863	42,746,635
\$ 227,668,243	\$ 239,570,177	\$ 246,077,479	\$ 259,914,182	\$ 207,289,622	\$ 229,843,932

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$ 25,304,576	\$ 25,137,520	\$ 22,331,793	\$ 22,451,901
Public safety	55,930,194	56,742,719	54,234,648	56,042,835
Physical environment	7,194,134	8,130,445	9,859,520	8,378,489
Parks and recreation	14,723,853	14,457,336	14,790,100	15,334,070
Interest on long-term debt	1,389,786	2,832,011	3,278,142	2,863,293
Total governmental activities expenses	<u>104,542,543</u>	<u>107,300,031</u>	<u>104,494,203</u>	<u>105,070,588</u>
Business-type activities:				
Water and Sewer	22,407,194	23,932,410	25,636,462	26,196,959
Municipal Golf Course	3,440,617	3,265,478	2,952,315	3,006,373
Lakeview Golf Course	748,549	704,782	744,544	669,681
City Marina	120,146	121,004	131,235	137,095
Sanitation	2,897,768	3,476,663	4,443,701	4,391,569
Stormwater Utility	1,331,003	1,506,764	1,390,004	1,490,446
Total business-type activities expenses	<u>30,945,277</u>	<u>33,007,101</u>	<u>35,298,261</u>	<u>35,892,123</u>
Total primary government expenses	<u>\$ 135,487,820</u>	<u>\$ 140,307,132</u>	<u>\$ 139,792,464</u>	<u>\$ 140,962,711</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 4,521,285	\$ 4,622,167	\$ 3,216,555	\$ 3,279,505
Public safety	6,033,201	6,543,112	6,739,002	7,346,627
Physical environment	626,974	649,216	971,381	1,371,036
Parks and recreation	1,236,660	1,282,353	1,465,722	1,578,023
Operating grants and contributions:				
General government	3,165,420	3,945,992	4,645,288	4,930,159
Public safety	2,033,988	2,292,523	1,986,484	1,921,898
Physical environment	547,284	103,357	24,979	92,887
Parks and recreation	1,345,900	997,425	143,090	89,883
Capital grants and contributions:				
General government	1,383,440	622,993	848,436	598,366
Public safety	-	749,250	200,900	-
Physical environment	-	8,250,000	40,977	160,346
Total governmental activities program revenues	<u>20,894,152</u>	<u>30,058,388</u>	<u>20,282,814</u>	<u>21,368,730</u>
Business-type activities:				
Charges for services:				
Water and Sewer	29,162,001	29,245,949	33,445,652	31,861,348
Municipal Golf Course	3,467,778	3,459,044	3,303,511	2,995,351
Lakeview Golf Course	853,654	681,561	749,367	666,964
City Marina	160,605	208,598	204,467	185,435
Sanitation	3,094,658	3,383,499	4,942,922	4,770,585
Stormwater Utility	2,097,527	2,090,146	2,095,636	2,105,069
Operating grants and contributions:				
Water and Sewer	951,487	2,595,258	1,092,926	386,822
Municipal Golf Course	182,796	43,969	37,040	43,671
Lakeview Golf Course	6,171	5,410	5,985	5,643
City Marina	491	884	35,653	9,997
Sanitation	115,040	417,250	130,030	780,500
Stormwater Utility	362,325	17,509	17,366	13,260
Capital grants and contributions:				
Water and Sewer	1,424,878	996,447	1,102,611	872,684
Municipal Golf Course	-	-	-	-
Stormwater Utility	-	-	-	-
Total business-type activities program revenues	<u>41,879,411</u>	<u>43,145,524</u>	<u>47,163,166</u>	<u>44,697,329</u>
Total primary government program revenues	<u>\$ 62,773,563</u>	<u>\$ 73,203,912</u>	<u>\$ 67,445,980</u>	<u>\$ 66,066,059</u>
Net (expense)/revenue				
Governmental activities	\$ (83,648,391)	\$ (77,241,643)	\$ (84,211,389)	\$ (83,701,858)
Business-type activities	10,934,134	10,138,423	11,864,905	8,805,206
Total primary government net expense	<u>\$ (72,714,257)</u>	<u>\$ (67,103,220)</u>	<u>\$ (72,346,484)</u>	<u>\$ (74,896,652)</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 18,350,964	\$ 19,076,155	\$ 18,456,193	\$ 23,014,006	\$ 18,050,754	\$ 22,968,532
56,586,070	54,742,173	57,249,952	58,417,444	62,013,271	65,918,444
7,559,512	7,638,881	8,110,979	7,984,163	8,143,146	7,714,515
15,647,602	15,241,008	24,399,517	15,370,063	13,400,031	13,311,802
2,701,776	2,551,029	2,414,349	2,090,947	3,259,673	2,229,468
<u>100,845,924</u>	<u>99,249,246</u>	<u>110,630,990</u>	<u>106,876,623</u>	<u>104,866,875</u>	<u>112,142,761</u>
29,558,007	25,957,121	24,799,536	24,462,318	24,335,317	24,467,001
2,976,846	2,932,249	3,060,771	3,073,076	2,934,725	3,098,149
676,158	614,895	605,393	575,059	556,711	566,898
136,955	122,499	80,426	93,963	94,090	88,509
4,293,784	4,640,061	4,686,520	4,677,510	6,326,114	3,748,162
1,677,612	1,694,769	1,660,899	1,476,036	1,631,007	1,546,867
<u>39,319,362</u>	<u>35,961,594</u>	<u>34,893,545</u>	<u>34,357,962</u>	<u>35,877,964</u>	<u>33,515,586</u>
<u>\$ 140,165,286</u>	<u>\$ 135,210,840</u>	<u>\$ 145,524,535</u>	<u>\$ 141,234,585</u>	<u>\$ 140,744,839</u>	<u>\$ 145,658,347</u>
\$ 3,623,718	\$ 5,651,807	\$ 5,566,254	\$ 6,104,202	\$ 7,583,178	\$ 7,378,380
7,022,063	7,842,116	8,046,157	7,971,996	8,912,161	9,031,132
1,419,279	1,605,704	1,753,619	1,985,081	2,048,277	2,063,648
1,726,011	2,011,941	1,766,249	1,860,432	2,125,935	1,825,824
2,529,998	3,432,599	3,035,452	4,031,439	3,711,327	960,763
1,844,661	2,362,428	2,280,986	2,162,469	2,717,267	2,604,202
-	-	10,000	-	-	-
466,706	281,651	1,864,383	7,334,572	102,871	210,948
414,403	119,652	136,689	435,039	615,926	944,673
-	-	-	-	-	-
18,424	37,408	3,963,421	120,248	-	-
<u>19,065,263</u>	<u>23,345,306</u>	<u>28,423,210</u>	<u>32,005,478</u>	<u>27,816,942</u>	<u>25,019,570</u>
31,962,663	30,855,031	30,771,956	31,571,968	32,482,206	32,815,643
2,820,197	2,807,593	2,998,040	3,005,811	3,127,554	3,129,388
666,591	655,175	610,313	635,489	662,453	610,903
209,145	195,627	209,625	243,234	219,286	223,401
4,739,150	5,046,386	5,183,866	4,969,127	4,693,015	4,132,645
2,112,375	2,135,445	2,158,887	2,128,772	2,108,862	2,111,117
511,829	351,852	590,080	343,532	55,970	430,950
51,769	53,799	57,160	60,962	63,652	78,803
5,855	5,443	5,118	4,612	5,378	8,544
1,628	4,682	1,914	2,570	2,281	11,743
322,010	305,901	229,518	207,656	206,278	254,232
12,757	12,859	388	12,334	23,466	22,986
713,526	913,308	1,808,752	877,588	1,354,457	1,092,373
2,762	545	-	-	-	-
72,644	-	60,101	48,442	13,294	-
<u>44,204,901</u>	<u>43,343,646</u>	<u>44,685,718</u>	<u>44,112,097</u>	<u>45,018,152</u>	<u>44,922,728</u>
<u>\$ 63,270,164</u>	<u>\$ 66,688,952</u>	<u>\$ 73,108,928</u>	<u>\$ 76,117,575</u>	<u>\$ 72,835,094</u>	<u>\$ 69,942,298</u>
\$ (81,780,661)	\$ (75,903,940)	\$ (82,207,780)	\$ (74,871,145)	\$ (77,049,933)	\$ (87,123,191)
4,885,539	7,382,052	9,792,173	9,754,135	9,140,188	11,407,142
<u>\$ (76,895,122)</u>	<u>\$ (68,521,888)</u>	<u>\$ (72,415,607)</u>	<u>\$ (65,117,010)</u>	<u>\$ (67,909,745)</u>	<u>\$ (75,716,049)</u>

CITY OF DELRAY BEACH, FLORIDA

Changes in Net Position

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in				
Net Assets				
Governmental activities:				
Taxes:				
Property taxes	\$ 59,091,002	\$ 55,302,837	\$ 53,984,307	\$ 56,656,596
Franchise fees	5,257,560	5,247,442	5,333,561	4,986,589
Utility service taxes	8,222,944	8,338,282	8,958,175	9,038,143
Sales taxes	1,438,613	1,365,552	1,308,213	1,301,502
Local business tax	-	-	789,705	616,861
Intergovernmental, unrestricted	6,927,534	6,532,854	5,917,818	5,763,694
Investment earnings	2,816,429	2,064,705	322,165	227,535
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	5,724,228	7,320,429	8,425,515	7,479,767
Transfers	3,716,720	2,659,368	3,547,891	3,593,799
Total governmental activities	<u>93,195,030</u>	<u>88,831,469</u>	<u>88,587,350</u>	<u>89,664,486</u>
Business-type activities				
Investment earnings	737,952	495,237	6,897	5,800
Gain on disposal of capital assets	-	-	-	-
Transfers	(3,716,720)	(2,659,368)	(3,547,891)	(3,593,799)
Total business-type activities	<u>(2,978,768)</u>	<u>(2,164,131)</u>	<u>(3,540,994)</u>	<u>(3,587,999)</u>
Total primary government	<u>\$ 90,216,262</u>	<u>\$ 86,667,338</u>	<u>\$ 85,046,356</u>	<u>\$ 86,076,487</u>
Changes in Net Position				
Governmental activities	\$ 9,546,639	\$ 11,589,826	\$ 11,833,506	\$ 1,962,628
Business-type activities	7,955,366	7,974,292	8,323,911	5,217,207
Total primary government	<u>\$ 17,502,005</u>	<u>\$ 19,564,118</u>	<u>\$ 20,157,417</u>	<u>\$ 7,179,835</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 47,467,480	\$ 46,224,759	\$ 47,036,144	\$ 47,695,425	\$ 51,971,057	\$ 56,876,767
4,857,533	4,758,027	4,640,568	5,134,527	5,269,680	5,132,170
8,777,975	8,805,643	8,958,647	9,307,370	9,462,152	9,383,744
1,293,963	1,307,897	1,310,488	1,341,267	1,397,627	1,426,451
702,394	700,100	748,768	737,231	786,579	839,208
5,983,120	5,864,142	6,261,001	6,795,748	7,143,751	7,174,725
306,887	275,451	363,285	258,802	308,589	306,237
-	-	2,240,888	-	29,100	37,765
7,022,162	8,307,853	7,725,615	7,533,386	12,793,025	16,829,794
3,711,820	3,317,650	3,685,290	3,724,750	3,562,620	878,151
<u>80,123,334</u>	<u>79,561,522</u>	<u>82,970,694</u>	<u>82,528,506</u>	<u>92,724,180</u>	<u>98,885,012</u>
29,609	77,359	90,795	132,999	270,617	248,146
-	-	-	16,958	-	15,352
<u>(3,711,820)</u>	<u>(3,317,650)</u>	<u>(3,685,290)</u>	<u>(3,724,750)</u>	<u>(3,562,620)</u>	<u>(878,151)</u>
<u>(3,682,211)</u>	<u>(3,240,291)</u>	<u>(3,594,495)</u>	<u>(3,574,793)</u>	<u>(3,292,003)</u>	<u>(614,653)</u>
<u>\$ 76,441,123</u>	<u>\$ 76,321,231</u>	<u>\$ 79,376,199</u>	<u>\$ 78,953,713</u>	<u>\$ 89,432,177</u>	<u>\$ 98,270,359</u>
\$ (1,657,327)	\$ 3,657,582	\$ 762,914	\$ 7,657,361	\$ 15,674,247	\$ 11,761,821
1,203,328	4,141,761	6,197,678	6,179,342	5,848,185	10,792,489
<u>\$ (453,999)</u>	<u>\$ 7,799,343</u>	<u>\$ 6,960,592</u>	<u>\$ 13,836,703</u>	<u>\$ 21,522,432</u>	<u>\$ 22,554,310</u>

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

Fiscal Year	Property Taxes	Franchise Fees	Utility Service Taxes	Sales and Use Tax	Local Business Tax ⁽¹⁾	Total
2007	\$ 59,091,002	\$ 5,257,560	\$ 8,222,944	\$ 1,438,613	\$ -	\$ 74,010,119
2008	55,302,837	5,247,442	8,338,282	1,365,552	-	70,254,113
2009	53,984,307	5,333,561	8,958,175	1,308,213	789,705	70,373,961
2010	52,656,596	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

(1) Effective with the 2009 fiscal year, local business tax receipts (formerly occupational licenses) are no longer categorized as revenue from Fees and Permits.

CITY OF DELRAY BEACH, FLORIDA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2007	2008	2009	2010
General fund				
Reserved	\$ 4,557,940	\$ 4,328,761	\$ 3,992,760	\$ 3,723,755
Unreserved	18,828,235	18,593,915	19,747,589	20,337,823
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Capital improvements	-	-	-	-
Committed for:				
Economic development	-	-	-	-
Assigned to:				
Encumbrances	-	-	-	-
Subsequent year's budget	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 23,386,175</u>	<u>\$ 22,922,676</u>	<u>\$ 23,740,349</u>	<u>\$ 24,061,578</u>
All other governmental funds				
Reserved	\$ 744,096	\$ 2,563,856	\$ 767,398	\$ 789,940
Unreserved, reported in:				
Capital Project Funds	20,161,989	11,584,321	9,962,213	7,421,960
Special revenue funds	3,488,365	3,389,886	3,500,989	5,377,312
Nonspendable:				
Prepaid items	-	-	-	-
Long-term notes receivable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Law enforcement	-	-	-	-
Capital improvements	-	-	-	-
Community development	-	-	-	-
Assigned to:				
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Capital improvements	-	-	-	-
Unassigned				
Special Revenue Funds (deficit)	-	-	-	-
Total all other governmental funds	<u>\$ 24,394,450</u>	<u>\$ 17,538,063</u>	<u>\$ 14,230,600</u>	<u>\$ 13,589,212</u>

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

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
27,178	27,688	31,810	22,270	20,467	20,091
719,973	828,555	796,362	803,979	912,548	669,738
3,165,084	3,173,159	3,139,659	3,139,659	7,282,742	3,500
5,984	5,984	5,984	5,984	5,984	5,985
-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
151,013	151,304	209,672	373,543	-	-
-	1,600,000	-	-	-	400,000
18,682,823	19,741,367	22,864,687	23,700,352	31,843,644	36,984,767
\$ 22,752,055	\$ 26,528,057	\$ 28,048,174	\$ 29,045,787	\$ 41,065,385	\$ 39,084,081

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
289	-	-	-	935	750
1,726,988	-	-	-	-	-
505,430	505,178	520,914	519,593	1,514,496	1,512,898
1,066,733	1,000,591	815,232	946,004	1,195,724	1,307,711
-	289,264	276,804	274,304	275,595	275,595
322,144	985,816	733,533	556,557	1,890,147	1,995,011
130,456	121,420	126,383	127,523	124,615	137,876
1,230,965	1,385,951	1,328,551	1,404,962	1,586,977	1,773,431
7,629,593	8,155,302	12,170,799	20,530,505	22,686,037	17,304,033
(640,364)	-	(11,483)	-	-	-
\$ 11,972,234	\$ 12,443,522	\$ 15,960,733	\$ 24,359,448	\$ 29,274,526	\$ 24,307,305

CITY OF DELRAY BEACH, FLORIDA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2007	2008	2009	2010
Revenues				
Taxes	\$ 74,010,119	\$ 65,006,671	\$ 65,040,400	\$ 63,613,102
Licenses and permits	4,325,079	9,693,973	8,393,462	7,848,364
Intergovernmental	14,020,126	13,872,151	12,717,659	12,798,521
Charges for services	7,020,582	7,985,973	8,579,286	9,122,062
Fines and forfeitures	1,072,459	664,344	753,473	1,591,354
Miscellaneous	8,132,308	9,171,109	8,683,421	7,624,308
Total revenues	108,580,673	106,394,221	104,167,701	102,597,711
Expenditures				
Current				
General government	22,952,680	22,856,837	21,001,014	20,223,169
Public safety	53,662,961	55,274,605	54,034,021	55,750,747
Physical environment	5,355,092	5,981,177	7,253,871	5,695,353
Parks and recreation	12,460,242	12,302,491	12,491,281	13,044,535
Capital outlay	21,042,901	15,406,527	8,021,386	6,056,493
Debt service				
Principal retirement	11,345,356	4,543,545	4,553,835	3,357,533
Interest and other fiscal charges	2,373,627	2,987,110	3,134,074	2,873,815
Bond issue costs	353,104	25,365	-	-
Total expenditures	129,545,963	119,377,657	110,489,482	107,001,645
Excess of revenues over (under) expenditures	(20,965,290)	(12,983,436)	(6,321,781)	(4,403,934)
Other financing sources (uses)				
Installment agreement issued	-	-	260,600	-
Bonds issued	30,770,787	3,000,000	-	-
Bond anticipation note issued	-	-	-	-
Proceeds from sale of capital assets	62,471	2,590	49,802	22,161
Redemption of bonds	-	-	-	-
Transfers in	13,086,133	9,707,274	9,214,199	7,548,409
Transfers out	(7,381,327)	(7,046,314)	(5,692,610)	(3,486,795)
Total other financing sources (uses)	36,538,064	5,663,550	3,831,991	4,083,775
Net change in fund balances	\$ 15,572,774	\$ (7,319,886)	\$ (2,489,790)	\$ (320,159)
Debt service as a percentage of non-capital expenditures	12.64%	7.24%	7.50%	6.17%

2011	2012	2013	2014	2015	2016
\$ 58,241,812	\$ 57,038,399	\$ 58,054,047	\$ 59,081,293	\$ 63,617,415	\$ 68,526,170
7,957,960	9,534,404	9,281,304	10,431,335	12,124,145	11,364,551
10,824,485	11,940,820	13,451,822	20,324,228	13,675,216	10,950,638
9,418,571	11,132,277	11,300,477	11,357,851	12,148,312	12,468,984
1,272,073	1,202,914	1,191,070	1,267,052	1,666,774	1,597,619
7,285,098	8,550,807	8,130,876	7,900,378	14,592,475	17,785,403
94,999,999	99,399,621	101,409,596	110,362,137	117,824,337	122,693,365
17,848,375	17,900,248	17,639,897	21,181,580	18,948,238	23,125,406
55,095,307	53,017,993	54,885,089	56,479,283	61,070,530	65,947,616
4,849,851	4,950,217	5,427,738	5,474,282	5,828,266	5,557,126
12,874,379	12,759,647	21,758,749	12,942,976	11,718,153	11,936,500
4,758,088	4,360,188	5,367,587	7,184,219	7,950,057	9,839,169
3,490,360	3,734,924	6,932,904	5,489,848	14,676,629	11,197,870
2,723,863	2,574,191	2,423,784	2,128,407	2,157,085	2,350,249
-	-	18,574	42,030	620,925	-
101,640,223	99,297,408	114,454,322	110,922,625	122,969,883	129,953,936
(6,640,224)	102,213	(13,044,726)	(560,488)	(5,145,546)	(7,260,571)
-	825,000	-	-	-	-
-	-	2,629,000	8,810,000	42,285,456	-
-	-	11,799,612	6,190,036	1,799,244	-
1,903	1,727	889	-	934	790
-	-	-	(8,767,970)	(25,568,032)	-
7,983,124	6,723,835	8,049,046	7,096,181	6,159,463	10,953,739
(4,271,304)	(3,405,485)	(4,396,496)	(3,371,431)	(2,596,843)	(10,644,483)
3,713,723	4,145,077	18,082,051	9,956,816	22,080,222	310,046
\$ (2,926,501)	\$ 4,247,290	\$ 5,037,325	\$ 9,396,328	\$ 16,934,676	\$ (6,950,525)
6.41%	6.65%	8.58%	7.34%	14.64%	11.28%

CITY OF DELRAY BEACH, FLORIDA*General Governmental Tax Revenues By Source**Last Ten Fiscal Years**Modified Accrual Basis of Accounting*

Fiscal Year	Property Taxes	Franchise Fees ⁽¹⁾	Utility Service Taxes	Sales and Use Tax	Local Business Tax ⁽²⁾	Total
2007	\$ 59,091,002	\$ 5,257,560	\$ 8,222,944	\$ 1,438,613	\$ -	\$ 74,010,119
2008	55,302,837	-	8,338,282	1,365,552	-	65,006,671
2009	53,984,307	-	8,958,175	1,308,213	789,705	65,040,400
2010	52,656,596	-	9,038,143	1,301,502	616,861	63,613,102
2011	47,467,480	-	8,777,975	1,293,963	702,394	58,241,812
2012	46,224,759	-	8,805,643	1,307,897	700,100	57,038,399
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

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

(2) Effective with the 2009 fiscal year, local business tax receipts (formerly occupational licenses) are no longer categorized as revenue from Fees and Permits.

CITY OF DELRAY BEACH, FLORIDA

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

Fiscal Year Ending September 30,	Tax Roll Year	Just Value			Total
		Real Property	Personal Property	Centrally Assessed Property	
2007	2006	\$ 11,615,147,721	\$ 319,788,615	\$ 2,135,457	\$ 11,937,071,793
2008	2007	11,599,199,337	333,985,825	2,755,227	11,935,940,389
2009	2008	10,881,842,880	339,398,773	2,954,529	11,224,196,182
2010	2009	8,948,585,352	328,007,736	3,991,739	9,280,584,827
2011	2010	7,780,872,856	334,936,255	3,739,563	8,119,548,674
2012	2011	7,629,495,267	309,196,114	3,817,341	7,942,508,722
2013	2012	7,694,442,624	300,188,574	3,534,871	7,998,166,069
2014	2013	8,394,493,799	303,495,744	3,999,617	8,701,989,160
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

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
\$ 3,574,481,397	\$ 8,362,590,396	7.3000	\$ 11,380,589,015	73.48%
3,243,881,789	8,692,058,600	6.5783	11,374,426,933	76.42%
3,074,589,654	8,149,606,528	6.8504	10,634,938,238	76.63%
2,270,466,355	7,010,118,472	7.7216	8,714,452,876	80.44%
1,869,880,655	6,249,668,019	7.7902	7,541,945,805	82.87%
1,793,453,521	6,149,055,201	7.8033	7,400,391,321	83.09%
1,791,146,696	6,207,019,373	7.8033	7,432,751,782	83.51%
2,107,124,944	6,594,864,216	7.5064	7,834,736,483	84.17%
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%

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
2007	6.8600	0.4400	7.3000	7.8720	4.2800	1.6670	21.1190
2008	6.1449	0.4334	6.5783	7.3560	3.9813	1.5140	19.4296
2009	6.3900	0.4604	6.8504	7.2510	3.9656	1.6215	19.6885
2010	7.1900	0.5316	7.7216	7.9830	4.5614	1.7691	22.0351
2011	7.1900	0.6002	7.7902	8.1539	4.9960	2.5552	23.4953
2012	7.1900	0.6133	7.8033	8.1800	4.9928	2.3436	23.3197
2013	7.1992	0.6041	7.8033	7.7780	4.9902	2.3154	22.8869
2014	7.1611	0.3453	7.5064	7.5859	4.9902	2.2800	22.3625
2015	7.1611	0.3028	7.4639	7.5940	4.9729	2.1732	22.2040
2016	7.0611	0.2756	7.3367	7.5120	4.9142	2.0974	21.8603

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, 2016

	2016			
	Taxable Assessed Valuation	Taxes Levied	Rank	Percentage of Total Taxes Levied
Florida Power and Light Co.	\$ 95,860,360	\$ 703,299	1	1.20%
Fairfield Spring Harbors LLC	63,214,652	463,787	2	0.79%
Tenet Healthcare Corp	56,909,119	417,525	3	0.71%
Granite Worthing LLC	55,625,441	408,107	4	0.70%
Alta Congress Owner LLC	53,340,065	391,340	5	0.67%
Citation Club Investors	51,738,896	379,593	6	0.65%
Ocean Properties Ltd.	43,558,935	319,579	7	0.55%
Linton Delray LLC	43,081,283	316,074	8	0.54%
Lifespace Communities Inc.	36,097,870	264,839	9	0.45%
Morse Operations Inc.	32,984,382	241,997	10	0.41%
MS LPC South Congress Holdings, LLC	-	-	-	-
Spring Harbor 288, LLC	-	-	-	-
Pineapple Grove Village, LLC	-	-	-	-
Life Care Retirement Communities, Inc.	-	-	-	-
Linton Lake Land Trust	-	-	-	-
125 Via Deste Apartments Investors, LLC	-	-	-	-
Totals	<u>\$ 532,411,003</u>	<u>\$ 3,906,140</u>		<u>6.67%</u>

	2007			
	Taxable Assessed Valuation	Taxes Levied	Rank	Percentage of Total Taxes Levied
	\$ -	\$ -	-	-
	-	-	-	-
	39,070,822	285,217	3	0.48%
	-	-	-	-
	-	-	-	-
	38,064,658	277,872	4	0.47%
	33,342,055	243,397	6	0.41%
	49,065,479	358,178	2	0.61%
	-	-	-	-
	-	-	-	-
	70,630,137	515,600	1	0.87%
	35,460,137	258,859	5	0.44%
	31,755,068	231,812	7	0.39%
	30,884,795	225,459	8	0.38%
	24,604,521	179,613	9	0.30%
	23,969,452	174,977	10	0.30%
	<u>\$ 376,847,124</u>	<u>\$ 2,750,984</u>		<u>4.65%</u>

Source: Palm Beach County Property Appraiser's Office

Net Tax Levy:

Fiscal Year 2016	\$ 58,512,469
Fiscal Year 2007	59,150,165

City Millage Rate:

Fiscal Year 2016	7.3367
Fiscal Year 2007	7.3000

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
2007	\$ 59,150,165	\$ 59,091,002	99.90%	\$ -	\$ 59,091,002	99.90%
2008	55,452,218	55,213,846	99.57%	88,991	55,302,837	99.73%
2009	54,234,643	53,745,390	99.10%	238,917	53,984,307	99.54%
2010	52,477,859	52,183,869	99.44%	472,727	52,656,596	100.34%
2011	46,416,830	46,950,920	101.15%	516,560	47,467,480	102.26%
2012	46,543,434	46,080,286	99.00%	144,473	46,224,759	99.32%
2013	47,610,690	46,571,308	97.82%	464,836	47,036,144	98.79%
2014	54,077,708	47,556,686	87.94%	138,739	47,695,425	88.20%
2015	58,557,569	51,884,261	88.60%	86,796	51,971,057	88.75%
2016	58,512,469	56,283,096	96.19%	593,671	56,876,767	97.20%

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

*Total Tax Levy for fiscal year are shown net of allowance for discounts for years 2007-2013
and gross for 2014-2016.

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			
2007	\$ 36,045,000	\$ 17,491,783	\$ 774,922	\$ 39,647,694	\$ 6,828,176	\$ 99,774	\$ 100,887,349	3.36%	\$ 1,568
2008	33,980,000	38,550,798	445,551	47,533,675	7,580,901	173,843	128,264,768	3.61%	1,997
2009	31,760,000	39,524,722	148,082	42,654,753	8,377,883	112,203	122,577,643	3.25%	1,922
2010	29,465,000	37,405,774	268,795	37,398,701	9,062,171	136,681	113,737,122	3.22%	1,879
2011	27,090,000	36,499,201	192,835	32,179,828	9,774,887	97,245	105,833,996	5.18%	1,740
2012	24,605,000	35,558,216	128,460	26,271,178	7,789,967	64,782	94,417,603	3.29%	1,535
2013	22,081,834	35,216,172	803,924	23,717,698	8,496,031	31,410	90,347,069	3.15%	1,462
2014	17,970,000	47,875,872	503,906	15,396,205	-	-	81,745,983	2.70%	1,266
2015	16,435,000	54,939,822	386,854	13,761,371	-	-	85,523,047	2.78%	1,278
2016	14,845,000	45,259,291	267,429	11,448,036	-	109,439	71,929,195	2.34%	1,124

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
2007	\$ 36,045,000	\$ -	\$ 36,045,000	\$ 8,362,590,396	0.43%	64,360	\$ 560.05
2008	33,980,000	-	33,980,000	8,692,058,600	0.39%	64,220	529.12
2009	31,760,000	-	31,760,000	8,149,606,528	0.39%	63,789	497.89
2010	29,465,000	-	29,465,000	7,010,118,472	0.42%	60,522	486.85
2011	27,090,000	-	27,090,000	6,249,668,019	0.43%	60,831	445.33
2012	24,605,000	-	24,605,000	6,149,055,201	0.40%	61,495	400.11
2013	22,081,834	-	22,081,834	6,207,019,373	0.36%	61,801	357.31
2014	17,970,000	-	17,970,000	6,594,864,216	0.27%	64,582	278.25
2015	16,435,000	-	16,435,000	7,239,395,652	0.23%	66,904	245.65
2016	14,845,000	-	14,845,000	7,975,194,271	0.19%	63,972	232.05

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, 2016*

	Total Outstanding	Percentage Applicable to City of Delray Beach⁽¹⁾	Amount Applicable to City of Delray Beach
Direct:			
City of Delray Beach	\$ 60,371,720	100.00%	\$ 60,371,720
Overlapping:			
Palm Beach County	122,760,000	5.07%	6,223,932
Palm Beach County School District			
Capital Outlay Bond	16,930,000	4.83%	817,719
Certificates of Participation	1,541,963,000	4.83%	74,476,813
Total overlapping debt	1,681,653,000		81,518,464
Total direct and overlapping debt	\$ 1,742,024,720		\$ 141,890,184
Population			63,972
Total direct and overlapping debt per capita			\$ 2,218.00

⁽¹⁾ Estimates based on 2015 ratio of assessed taxable values.

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

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

Source: Finance Department, City of Delray Beach, Florida
Palm Beach County Property Appraiser
School Board of Palm Beach County

CITY OF DELRAY BEACH, FLORIDA*Water and Sewer Pledged Revenue Coverage**Last Ten Fiscal Years*

Fiscal Year		Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Revenue Available for Debt Coverage	Current Debt Service	Current Coverage
2007	(3)	\$ 30,747,711	\$ 20,432,772	\$ 10,314,939	\$ 5,338,475	1.93
2008	(3)	30,315,366	17,953,965	12,361,401	5,584,116	2.21
2009	(3)	34,538,578	18,981,078	15,557,500	5,945,074	2.62
2010		32,248,170	19,324,309	12,923,861	5,936,276	2.18
2011		32,495,880	19,213,153	13,282,727	5,950,563	2.23
2012		31,259,498	19,706,178	11,553,320	5,351,049	2.16
2013		31,418,727	18,806,440	12,612,287	5,882,394	2.14
2014		31,418,727	18,806,440	12,612,287	5,882,394	2.14
2015	(4)	32,717,661	19,392,578	13,325,083	434,399	30.67
2016		33,402,805	19,693,777	13,709,028	2,057,854	6.66

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

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

(3) Excludes expenses totaling \$3,437,756, \$8,053,985 and \$3,085,995 in Fiscal Years 2007 through 2009, respectively. These amounts reflect expenses for the South Central Regional Wastewater Treatment and Disposal Board (SCRWTBD), a joint venture between the City and Boynton Beach, which relate to projects funded by bond proceeds.

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

CITY OF DELRAY BEACH, FLORIDA

Principal Employers

Current Year and Nine Years Ago

Employer	Fiscal Year 2016			Fiscal Year 2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Delray Medical Center	1,600	1	4.53%	1,500	2	4.44%
Palm Beach County School District	1,034	2	2.93%	-	-	-
Lifespace Communities	873	3	2.47%	-	-	-
City of Delray Beach	813	4	2.30%	-	-	-
Publix Supermarkets	720	5	2.04%	754	3	2.23%
Palm Beach County	520	6	1.47%	-	-	-
Ed Morse Delray Toyota & Scion	450	7	1.27%	-	-	-
Home Depot	318	8	0.90%	357	8	1.06%
South County Mental Health Center	313	9	0.89%	-	-	-
Anncos Services	300	10	0.85%	-	-	-
Office Depot	-	-	-	2,620	1	7.75%
Addison Reserve Main Gate	-	-	-	500	4	1.48%
Jetflite Inc	-	-	-	425	5	1.26%
Levenger	-	-	-	401	6	1.19%
Harddrives of Delray, Inc.	-	-	-	365	7	1.08%
Delray Lincoln Mercury	-	-	-	350	9	1.03%
Alcohol Treatment Center	-	-	-	301	10	0.89%
Totals	6,941		19.65%	7,573		22.41%

Note: Total Employment, Delray Beach 2016: 35,305

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⁾
2007	64,360	1,295,033	\$ 46,630	\$ 3,001,106,800	38.1	7,839	3.6%
2008	64,220	1,294,654	55,311	3,552,072,420	42.5	7,807	5.8%
2009	63,789	1,287,344	59,147	3,772,927,983	43.2	7,945	11.5%
2010	60,522	1,286,461	58,358	3,531,942,876	43.5	7,945	12.3%
2011	60,831	1,325,743	33,610	2,044,529,910	45.4	7,893	10.9%
2012	61,495	1,335,415	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	3,077,016,712	45.1	7,760	6.4%
2016	63,972	1,391,741	49,193	3,146,993,941	44.9	7,473	4.4%

Data Sources:

(1) Business Development Board of Palm Beach County.

Median Age for 2011 to current is for the City of Delray Beach, Florida. Prior years data is for Palm Beach County.

(2) Bureau of Economic Analysis

Per Capita Personal Income for the current fiscal year is estimated at a 1% growth rate from the previous year.

(3) Estimated based on County per capita personal income and City population.

(4) The School Enrollment is from the Palm Beach County School Board.

CITY OF DELRAY BEACH, FLORIDA

Full-time Equivalent Government Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	71	71	69	68	68	67	67	59	62.5	72.5
Public Safety										
Community Improvement	5	4.5	5	5	5	5	5	5	7.5	6
Planning & Zoning	17	16	16	16	16	16	16	12.5	14	15
Building Inspection	23	21	20	20	20	20	20	16	14	19
Code Compliance	17	17	18	17	17	17	17	15	18.5	18
Law Enforcement	238	238	236	242	242	239	229	225	212.5	216.5
Fire Control	154	154	154	154	156	155	160	157	173	182.5
Community Development										
Block Grant	7	7.5	7	7	7	7	7	6	5	9.5
Insurance	4	4	4	4	4	4	4	4	3	4
City Garage	12	12	12	12	12	12	12	12	10	13
Physical Environment										
Public Works	25	25.5	25.5	25.5	25.5	25.5	25.5	27	21.5	20.5
Engineering	8	7	7	7	7	7	7	7	6	6
Sanitation	4	4	4	4	4	4	4	4	4	4
Stormwater Utility	6	6	6	6	6	6.5	6.5	6	5	7
Parks and Recreation	114	115	113	113	112	110	105	136	110.5	105
Water & Sewer Utility	117	117.5	117.5	116.5	116.5	118	118	117	111	114
Total	822	820	814	817	818	813	803	808.5	778	812.5

CITY OF DELRAY BEACH, FLORIDA

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Stations	3	2	3	3	3	3	3	3	3	3
Patrol units	159	163	219	219	217	208	181	201	209	212
Fire										
Fire stations ⁽¹⁾	6	6	6	6	6	6	6	6	6	6
Fire trucks	16	16	16	15	16	12	10	10	9	9
ALS rescue vehicles	9	9	9	9	9	9	9	9	9	9
Leisure Services										
Ballfields - lighted	15	15	15	16	16	16	15	15	15	15
Basketball courts	5	5	5	5	5	5	5	5	5	5
Football/Soccer fields ⁽²⁾	7	7	7	7	7	7	7	7	7	7
Tennis courts	47	47	47	48	48	48	48	48	48	48
Parks	17	17	17	17	22	22	22	22	23	24
Roads and Streets										
Lane miles ⁽³⁾	299	305	305	305	314	314	321	321	308	308

Sources: City of Delray Beach departments

The following data is not available:

Sanitation	- Garbage/Trash Trucks
Roads & Streets	- Street lights
Water/Sewer Utility	- Water Mains/Sanitary sewers/Storm Sewers (all by miles)
	- Fire hydrants

(1) The total number of Fire Stations includes Highland Beach where the City provides Fire and EMS Service.

(2) Soccer is played on the football fields. There are no separate soccer fields.

(3) The number of lane miles was provided by the City's Engineering Department for 2007. Later years are based on the newly installed GIS system which provides a more accurate figure for reporting purposes.

CITY OF DELRAY BEACH, FLORIDA

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Physical arrests	3,108	3,161	2,534	2,331	2,620	2,342	2,068	2,012	2,014	1,793
Traffic violations	10,962	10,882	11,249	11,443	11,314	12,393	10,135	10,913	19,702	19,703
Fire										
Number of calls	11,772	12,410	11,905	11,960	12,008	12,282	13,171	13,406	13,255	12,136
Parks and Recreation										
Library										
Circulation	257,656	270,590	274,611	257,950	252,179	237,755	234,029	226,938	191,759	187,400
Programs offered	1,112	1,287	1,224	1,284	1,145	1,194	975	808	791	756
Program attendance	32,852	35,116	33,770	29,237	24,021	25,905	25,052	23,055	24,488	22,232
Leisure Services										
Youth athletic participants	10,597	19,537	20,965	18,125	17,837	24,389	20,238	38,220	35,638	29,573
Camp program participants	625	561	699	395	352	384	525	382	2,021	1,845
Class participants	15,093	19,662	24,700	22,756	28,328	36,556	54,839	59,342	50,747	49,786
Water/Sewer Utility										
Water customers	20,963	21,056	21,156	21,320	21,407	21,596	21,795	22,010	22,132	22,212
Water main breaks	None	434	442	476	408	442	401	374	477	373
Sewer customers	20,900	21,006	21,088	21,225	21,093	20,935	20,950	20,505	20,784	20,329
Sewer main breaks	N/A	4	3	2	-	3	-	-	-	1
Avg daily water consumption (thousands of gallons)	11,602	10,040	10,944	11,643	11,356	10,953	11,029	10,925	11,000	11,759

Sources: City departments/Delray Beach Public Library

The following data is not available:

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

N/A Information is not available

Compliance Section



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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Delray Beach, Florida (the "City"), as of and for the year ended September 30, 2016, 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 April 24, 2017. Our report includes a reference to other auditors who audited the financial statements of the Police and Firefighters' Retirement System Fund, a fiduciary fund of the City, and the Delray Beach Downtown Development Authority, a discretely presented component unit of the City, as described in our report on the financial statements of the City. The financial statements of the Police and Firefighters' Retirement System Fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Police and Firefighters' Retirement System Fund. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters for the Delray Beach Downtown Development Authority that are reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the City, to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the City. Accordingly, we do not express an opinion on the effectiveness of the internal control of the City.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to those charged with governance in a separate management letter dated April 24, 2017.

City's Responses to Findings

The responses by City management to findings 2016-001 and 2016-002 identified in our audit are described in the *Views of Responsible Officials and Planned Corrective Actions* in the accompanying schedule of findings and questioned costs. The responses by the City were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on those responses.

Purpose of this Report

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

West Palm Beach, Florida
April 24, 2017

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

CITY OF DELRAY BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2016

Grantor / Program Title	CFDA Number	Grant Number/ Pass-through Entity Identifying Number	2016 Program Expenditures	Transfers to Subrecipients
Federal Awards				
U.S. Department of Housing and Urban Development				
Direct Award				
Community Development Block Grants/Entitlement Grants	14.218	B-10-MC-12-0033	\$ 35,000	\$ -
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-12-0033	199,070	1,750
Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-12-0033	284,671	56,250
Total U.S. Department of Housing and Urban Development			518,741	58,000
U.S. Department of Interior				
Pass-through Award from the State of Florida Department of Environmental Protection				
Clean Vessel Act Grant Program	15.616	V-29-F12AP00551	9,513	-
Total U.S. Department of Interior			9,513	-
U.S. Department of Justice				
Bureau of Justice Assistance				
Direct Awards				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1014	34,516	-
Total U.S. Department of Justice			34,516	-
U.S. Department of Transportation				
Pass-through Award from the State of Florida Department of Transportation				
Highway Planning and Construction	20.205	AQM - 22	12,800	-
Delray Beach Police Speed/Aggressive Driving Enforcement Program	20.600	G0531	27,926	-
Total U.S. Department of Transportation			40,726	-
U.S. Department of Homeland Security				
Federal Emergency Management Agency				
Direct Award				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00146	501,732	-
Pass-through Award from Florida Division of Emergency Management				
Homeland Security Preparedness Technical Assistance Program	97.067	17-DS-P4-10-60-02-216	14,840	-
Total U.S. Department of Homeland Security			516,572	-
Total Federal Awards			\$ 1,120,068	\$ 58,000

See notes to schedule of expenditures of federal awards.

City of Delray Beach, Florida

Notes to Schedule of Expenditures of Federal Awards

September 30, 2016

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, 2016. 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, 2016 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.



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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

info@cdlcpa.com

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by 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, 2016. 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 of Delray Beach, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2016.

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.

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

West Palm Beach, Florida
April 24, 2017

CITY OF DELRAY BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARD PROGRAMS

For the Fiscal Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

____ Yes X No

Significant deficiencies identified?

X Yes ____ None reported

Noncompliance material to financial statements noted?

____ Yes X No

Federal Award Programs

Internal control over major Federal Award Programs:

Material weakness(es) identified?

____ Yes X No

Significant deficiencies identified?

____ Yes X None reported

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

Unmodified Opinion

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

____ Yes X No

Identification of Major Programs:

Major Federal Award Programs

CFDA No.

U.S. Department of Housing and Urban Development

Direct Award

Community Development Block Grants/Entitlement Grants

14.218

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

\$ 750,000

Auditee qualified as low-risk auditee?

X Yes ____ No

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

**Finding
Number**

Finding

SIGNIFICANT DEFICIENCIES

2016-001

Bank Reconciliations

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

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.

Cause: Turnover of accounting personnel in the Finance Department appeared to be the cause of the delay in reconciling the bank accounts and following up on the items that were not yet posted to the general ledger.

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

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding. The City will perform the bank reconciliations on a monthly basis to ensure the accuracy and completeness of cash balances. Reconciling items will be clearly identified and researched and cleared by the following month. In addition, all bank reconciliations will be properly reviewed and signed off by the supervisory Finance department staff within 30 days of the month-end to ensure that the reconciled balances agree to the general ledger.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

<u>Finding Number</u>	<u>Finding</u>
	SIGNIFICANT DEFICIENCIES (Continued)
2016-002	General Employees' Pension Plan Reconciliations
	<i>Criteria:</i> Policies and procedures should be in place to ensure transactions are properly recorded on a timely basis and closing procedures should be performed each month sufficient to produce accurate and reliable financial information.
	<i>Condition:</i> We noted that certain investment accounts for the General Employees' Pension Plan were not reconciled and in agreement with the City's general ledger at September 30, 2016 and some accounts had the same balance at September 30, 2016 as the prior year.
	<i>Cause:</i> There were no formal closing procedures or account reconciliations prepared for the General Employees' Pension Fund at September 30, 2016.
	<i>Effect:</i> Lack of monthly account reconciliations increases the risk that significant financial reporting errors or misstatements may not be identified and corrected in a timely manner.
	<i>Recommendation:</i> We recommend that the City follow formal monthly closing procedures to ensure the investment activity for the General Employees' Pension Fund is accurately reconciled to the general ledger and that the reconciliations are reviewed and approved monthly by the Finance Director. In addition, the year-end reconciliation should include any market value adjustments necessary for the investment and related income accounts.
	<i>Views of Responsible Officials and Planned Corrective Actions:</i> Management agrees with the finding. The City will ensure that all the General Employees' Pension statements are reconciled to the general ledger accounts, reviewed and signed off by Supervisory Finance department staff on a monthly basis. At year-end, the City will make the year-end journal entries including market value adjustments and accruals to properly adjust the year-end balances.

CITY OF DELRAY BEACH, FLORIDA

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

For the Fiscal Year Ended September 30, 2016

SECTION III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

None

SECTION IV - OTHER MATTERS

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings reported.

CORRECTIVE ACTION PLAN

The City of Delray Beach, Florida, respectfully submits the following corrective action plan for the fiscal year ended September 30, 2016. The findings from the Schedule of Findings and Questioned Costs for the year ended September 30, 2016, are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and questioned costs.

A. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT FINDINGS

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

SIGNIFICANT DEFICIENCIES

2016-001 Bank Reconciliations

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

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.

Cause: Turnover of accounting personnel in the Finance Department appeared to be the cause of the delay in reconciling the bank accounts and following up on the items that were not yet posted to the general ledger.

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

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

Action Taken: The City will perform the bank reconciliations on a monthly basis to ensure the accuracy and completeness of cash balances. Reconciling items will be clearly identified and researched and cleared by the following month. In addition, all bank reconciliations will be properly reviewed and signed off by the supervisory Finance department staff within 30 days of the month-end to ensure that the reconciled balances agree to the general ledger.

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

<u>Finding Number</u>	<u>Finding</u>
---------------------------	----------------

SIGNIFICANT DEFICIENCIES (Continued)

2016-002 General Employees' Pension Plan Reconciliations

Criteria: Policies and procedures should be in place to ensure transactions are properly recorded on a timely basis and closing procedures should be performed each month sufficient to produce accurate and reliable financial information.

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.

Cause: There were no formal closing procedures or account reconciliations prepared for the General Employees' Pension Fund at September 30, 2016.

Effect: Lack of monthly account reconciliations increases the risk that significant financial reporting errors or misstatements may not be identified and corrected in a timely manner.

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

Action Taken: The City will ensure that all the General Employees' Pension statements are reconciled to the general ledger accounts, reviewed and signed off by Supervisory Finance department staff on a monthly basis. At year-end, the City will make the year-end journal entries including market value adjustments and accruals to properly adjust the year-end balances.

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

Respectfully submitted,



Laura Thezine, CPA
Acting Finance Director

Management Letter



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

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, and have issued our report thereon dated April 24, 2017. Our report includes a reference to other auditors who audited the financial statements of the Police and Firefighters' Retirement System Fund, a fiduciary fund of the City, and the Delray Beach Downtown Development Authority, a discretely presented component unit of the City, as described in our report on the financial statements of the City.

Auditor's Responsibility

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by 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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 24, 2017, 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.

Our audit finding and recommendation 2014-008 *Interfund Accounts* reported in our management letter dated March 25, 2016, was resolved by the City in the current year.

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

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2016.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2016. 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 them.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units of the City provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

2016-003 Financial Closing and Reconciliation Procedures

Criteria: Policies and procedures should be in place to ensure that transactions are recorded correctly as to account, amount and period and that reconciliation and closing procedures are sufficient to produce accurate and reliable financial information.

Condition: Our 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, investment, receivables, prepaid assets, payables, capital leases, revenues, and grants had not been fully reconciled and the reviews and approvals throughout the fiscal year were not complete or were not performed timely. As a result, over 50 adjusting journal entries were required for the City's various funds and accounts after the final year-end trial balance 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.

Cause: There were no formal timetables for preparing account reconciliations or closing procedures and reviews and approvals were not performed timely. The City had numerous staffing changes during the current year which disrupted normal routines.

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

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

2016-004 Pension Contributions and Prepaid Expenses

Criteria: The City should accurately record pension contributions as to account, amount and period.

Condition: The City had a credit balance of approximately \$270,000 in prepaid retirement contributions, which should typically be zero at year end. After further investigation, we noted that the City recorded the City's annual contribution to the General Employee Pension and Police and Fire Pension as prepaid expenses and then reduced the prepaid expense account by estimated monthly calculations of pension expense based on payroll expenditures. Considering that the City's annual pension contribution is an actuarially determined fixed amount based on a prior year payroll, the current method may not provide an accurate estimate of pension expense.

Cause: Use of estimated pension expense based on payroll percentage rather than actuarially determined pension contribution amount for the year.

Effect: Pension expense and prepaid expense were incorrectly allocated for the current year.

Recommendation: We recommend that the City record the annual contribution to prepaid expense and each month record 1/12 of the actual contribution as pension expense. The allocation to various departments and funds should be based on the relative percentage of the total payroll. Additionally, we recommend that the City budget the actuarially determined pension contribution for the year. This methodology should provide more accurate monthly financial information and avoid the potential for any unallocated pension expense in the prepaid accounts.

2016-005 Parking Tickets and EMS Billings

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

Condition: The City's Police Department and Fire Department are responsible for issuing parking tickets and billings for emergency medical services (EMS), respectively. The Police and Fire departments maintain separate billing systems and record the collections for billed amounts. The separate subsidiary

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

Cause: The Finance Department did not obtain the subsidiary billing system information from the Police and Fire departments and properly adjust the general ledger receivable and allowance for uncollectible accounts. The City did not follow established policy with regard to sending past due parking tickets and EMS billings to a collection agency.

Effect: The general ledger receivable and allowance for uncollectible accounts for parking tickets and EMS receivables were not properly accounted for and adjusted during 2016. Past due parking tickets and EMS billings were not sent to a collection agency for most of 2016.

Recommendation: We recommend that the City's Finance Department review their procedures to ensure that parking ticket and EMS billings are recorded or adjusted monthly based on the subsidiary billing system information from the Police and Fire departments. Past due accounts should be sent to a collection agency monthly pursuant to the City's policy. Accounts sent to a collection agency should be included in the allowance for doubtful accounts and periodically (at least annually) written off on the City's receivable records.

2016-006 Information Technology Systems – PCI Compliance

Criteria: Credit card acceptance policies and procedures should comply with PCI Security Standards and compliance should be verified and documented by the City.

Condition: PCI Security Standards were created by the PCI Security Standards Council to enhance payment card data security and include a framework of specifications, tools, measurements and support resources to help organizations ensure the safe handling of cardholder information. The City uses PCI compliant software for handling credit card information, but has not performed a self-assessment or review of the City's complete operations to evaluate PCI compliance across all systems and departments.

Cause: A PCI self-assessment has not been performed for all City systems and departments.

Effect: PCI compliance has not been fully documented in accordance with the PCI standards.

Recommendation: We recommend that a PCI self-assessment be performed to address PCI compliance across all City operations and departments. The PCI Council has developed a self-assessment checklist which may be used to document the City's evaluation. The PCI self-assessment should be in writing and sufficiently detailed to fully document the City's evaluation of all systems.

2016-007 Signature Authority on Bank and Investment Accounts

Criteria: Authorized employees on the City's bank and investment accounts should be immediately updated when personnel leave employment with the City.

Condition: During our confirmation procedures for cash and investment accounts, we noted former employees were listed on the cash or investment statements. One account listed the former Finance Director who left the City in fiscal year 2014 and another account listed the Chief Accounting Officer who left the City in May 2016 as the contract person for these accounts.

Cause: The City did not update its cash and investment account authorizations following changes in personnel.

Effect: Listing former employees as authorized personnel on the City's accounts increases the risk of unauthorized access to the City's accounts.

Recommendation: We recommend the contact persons and authorized account signers be immediately updated when there is a change in personnel. The City should designate specific personnel, such as the City Treasurer and Finance Director, to be responsible for notifying all financial institutions immediately following a change in personnel with access or contact responsibility for the City's bank and investment accounts.

2016-008 Capital Leases

Criteria: Leases with terms greater than one year and meeting certain criteria for capitalization, should be recorded as capital assets with an offsetting liability for the net present value of minimum lease payments and the asset should be depreciated over the term of the lease, or the asset's estimated useful life if there is a bargain purchase option.

Condition: The City entered into a financing agreement for equipment that was recorded as an operating lease. However, a review of the financing agreement and related documents indicated that the agreement met the requirements of a capital lease and should have been capitalized.

Cause: The financing agreement and related documents were not reviewed to determine its classification as an operating or capital lease before recording the transaction.

Effect: The City recorded the lease payments as an operating expense and an adjustment was necessary to report the transaction as a capital lease and increase assets and liabilities by approximately \$140,000.

Recommendation: We recommend the City review the current policies and procedures for capital assets to ensure that leases are analyzed for proper classification and presentation. Also a knowledgeable manager in the finance department should be designated to review each lease and document its proper classification as an operating or capital lease. Documentation of the lease analysis should be in writing and retained in the lease file.

2016-009 Investment Policy Compliance

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

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

Cause: The investment compliance thresholds of the City's investment policy were not monitored throughout 2016 and were not evaluated prior to the purchase of a new investment.

Effect: The City did not comply with the investment policy limitations on amounts of investment types and maturities as set forth in the City's investment policy.

Recommendation: We recommend the City's investment policy compliance be documented and reviewed by the City Treasurer at least quarterly and prior to the purchase of new investments. This will help to ensure that the City's objectives for liquidity, safety and preservation of capital are maintained. Documentation of the investment review should be in writing and retained for the fiscal year.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

City's Responses to Findings

The responses by City management to the findings identified in our audit 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.

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

West Palm Beach, Florida
April 24, 2017

April 24, 2017

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, 2016

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

2016-001 Bank Reconciliations

Management agrees with the finding. The City will perform the bank reconciliations on a monthly basis to ensure accuracy and completeness of cash balances. Reconciling items will be clearly identified and researched and cleared by the following month. In addition, all bank reconciliations will be properly reviewed and signed off by the supervisory Finance department staff within 30 days of the month-end to ensure that the reconciled balances agree to the general ledger.

2016-002 General Employees' Pension Plan

Management agrees with the finding. The City will ensure that all the General Employees' Pension statements are reconciled to the general ledger accounts, reviewed and signed off by Supervisory Finance department staff on a monthly basis. At year-end, the City will make the year-end journal entries including market value adjustments and accruals to properly adjust the year-end balances.

2016-003 Financial Closing and Reconciliation Procedures

Management agrees with the recommendation. The City will review and update its current closing procedures to include the re-establishment of appropriate monthly and year-end detailed general ledger account analysis. With regards to the year-end closing procedures, the schedules provided to the auditors will be assigned to specific staff, reviewed and signed off by supervisory Finance Department staff on a monthly or quarterly basis.

2016-004 Pension Contributions and Prepaid Expenses

Management agrees with the recommendation. The City will review and revise the basis for its annual contribution to the pension plans as well as its current allocation process. The revised methodology will ensure that pension contribution expense is properly recorded based on the actuarially determined contribution for the year. The City will also identify a timely recognition of adjustments to prepaid expenses on a quarterly basis.

2016-005 Parking Tickets and EMS Billings

Management agrees with the recommendation. The City Finance Department will work with both Police and Fire Departments to obtain subsidiary ledger reports for parking and EMS billings, and the adjusting entries will be recorded quarterly in the City's general ledger accounts receivable accounts. Currently, past due parking tickets and EMS billings data are reviewed and sent to the City's collection agency on a monthly basis. At year-end, the allowance for doubtful accounts amounts will be properly adjusted on the City's receivable records.

2016-006 Information Technology Systems – PCI Compliance

Management agrees with the recommendation. The City must complete a PCI Assessment, annually. A vendor selection is in process for an implementation shortly after the upgrade of our vendor system, Selectron to TLS 1.2. The upgrade is scheduled to be completed in June 2017. The PCI assessment will be scheduled to commence shortly thereafter during the month of July 2017.

2016-007 Signature Authority on Bank and Investment Accounts

Management agrees with the recommendation. The review and update of authorized account signers for operating and investment accounts has been assigned to the City Treasurer, and authorized signers will be updated within 10 working days of personnel changes.

2016-008 Capital Leases

Management agrees with the recommendation. The City has setup policies to review new leases against GASB capital and operating lease guidance to ensure compliance and recording. The City Treasurer will review existing leases for compliance, proper classification and documentation. Documentation will be maintained in the shared folder in read only file format. At year-end, the City will ensure that all its leases are properly recorded, classified and presented on the year-end schedules.

2016-009 Investment Policy Compliance

Management agrees with the recommendation. The City Treasurer has already setup a monthly monitoring process for investment portfolio composition and limitations. On a quarterly basis, the quarterly compliance statement is distributed to the Finance Director for review.

Respectfully submitted,



Laura Thezine, CPA
Acting Finance Director



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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

info@cdlcpa.com

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report on Investment Compliance

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

We have examined the City of Delray Beach's compliance with Section 218.415, Florida Statutes, for the year ended September 30, 2016. Management is responsible for the City of Delray Beach's compliance with those requirements. Our responsibility is to express an opinion on the City of Delray Beach's compliance based on our examination.

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

In our opinion, the City of Delray Beach complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016, except as noted in Management Letter finding 2016-009.

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

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

West Palm Beach, Florida
April 24, 2017



Village By the Sea

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