

CITY OF DELRAY BEACH



1993
2001

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

100 N.W. 1st AVENUE • DELRAY BEACH, FLORIDA 33444 • 561/243-7000

March 26, 2010

Ladies and Gentlemen:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the City of Delray Beach for the fiscal year ended September 30, 2009. This report was prepared by the Finance Department and responsibility for the accuracy, completeness and the fairness of the data as presented rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the respective changes in financial position and cash flows where applicable thereof of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs and condition have been included.

The City of Delray Beach offers the readers of their financial statements the Management's Discussion and Analysis (MD&A) which is an overview and analysis of financial activities for the fiscal year ended September 30, 2009. **This analysis is considered "required supplementary information" for the annual audit and we encourage readers to review and consider this when presented with additional information provided in the financial statements.**

PRIMARY GOVERNMENT AND COMPONENT UNITS

This report includes all funds of the primary government (the City of Delray Beach) and all organizations and component units for which the City is financially accountable including the following:

- **South Central Regional Wastewater Treatment and Disposal Board (SCRWTDB)** - This entity was established as a joint venture with equity interests between the cities of Delray Beach and Boynton Beach on December 26, 1974, and is accounted for using the equity method in the financial statements. This agreement created a legal entity which provides wastewater treatment and disposal services as well as a water reuse transmission plant to the south central region of Palm Beach County without regard to political or governmental boundaries. The entity is governed by a Board composed of the Commission members of each city.
- **Community Redevelopment Agency (CRA)** - The CRA is a dependent special district established by the City of Delray Beach under authority granted by Florida Statute Chapter 163, Part III. It is a legally separate entity established by Ordinance 46-85 passed by the City of Delray Beach City Commission on June 18, 1985. The CRA is governed by a seven member board appointed by the City Commission of the City of Delray Beach. The CRA receives tax increment funds (TIF) from the City of Delray Beach and Palm Beach County based upon the operating millage of those entities for the taxable assessed values of properties in the CRA district in excess of the 1985 taxable assessed valuations. The CRA is a component unit of the City of Delray Beach and, based upon accounting and reporting criteria, is required to be discretely presented within the financial statements. Discrete presentation requires that the financial information be presented in columns separate from that of the City's basic financial statements.

- **Downtown Development Authority (DDA)** - 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 DDA is allowed to charge an ad valorem millage rate on the commercial businesses within its boundaries not to exceed one (1) mil. The resolutions regarding millage rates and budgetary submissions must be approved in a public hearing process by the City of Delray Beach. The DDA is also a component unit of the City of Delray Beach and is also required to be discretely presented within the financial statements.

THE CITY OF DELRAY BEACH

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 63,789 (2000 census permanent population was 60,020) with another estimated 12,600 seasonal residents.

The current total land area of the City is 16.5 square miles. Delray Beach is primarily residential (67%) with a balance of commercial (10%), light industrial (4%), vacant and agricultural (1%), recreation and open space (13%) and education and government facilities (5%). It is a mature community with 99.1% build-out (based upon land area) and, therefore, its focus is not upon growth, but upon quality development of remaining vacant areas and redevelopment of areas in a state of decline or deterioration. This would include the redevelopment of commercial and industrial areas which are no longer functionally competitive in the regional marketplace.

The City of Delray Beach is a full service city with a Commission-Manager form of local government. The citizens elect a Mayor at large on a non-partisan basis every two (2) years who presides over four (4) Commissioners who are elected at large on a non-partisan basis for two (2) year terms in alternating years. The City Commission sets policy, approves legislation, adopts the Annual Budget, and sets rates and fees. The City Commission appoints the City Manager, who is the Chief Operational Officer of the City, and the City Attorney, who acts on all legal matters pertaining to the City. The City Manager is charged with overseeing the daily business of the City and is responsible for the supervision of the City departments and employees. Department Heads serve at the pleasure of the City Manager and other employees are covered with either Civil Service regulations or union agreements.

The City of Delray Beach is considered a full service municipality providing citizens with police, fire, emergency medical services including transport, parks and recreation, beach lifeguards, public works, water, sewer, garbage and trash, community improvement and inspection services along with planning, personnel, management and financial support services. The City also provides services to unincorporated areas and adjacent municipalities. Water, fire protection, emergency medical services, emergency police dispatch services, building inspection and permitting and limited sewer services are provided to the Town of Gulfstream. Sewer services, fire protection and emergency medical services and limited water services are provided to the Town of Highland Beach. Both areas are serviced on a contractual basis.

The City encourages the participation of residents and business owners in educational forums, discussing problems within our community, and in contributing their input into resolving these problems. One venue for this is the Annual Town Hall Meeting (including an Annual Citizen's Roundtable and Infrastructure Hearing) held each year prior to the annual budget process which includes a comprehensive report on the prior year accomplishments of the Planning and Zoning Board, the Community Redevelopment Board and the City of Delray Beach including the distribution of the City's Annual Report. Other venues include area-wide meetings with neighborhood associations, established boards and committees, charettes, a Resident's Academy, a Student's Academy, a Police Academy, a Speaker's Bureau and special meetings. In the prior fiscal year the City Commission initiated a Budget Task Force (a 9-member citizen task force) to evaluate and make recommendations on the budget as well as other financial documents) that later became the full-time Financial Review Board and a Green Task Force (a 7-member citizen task force) to make recommendations on improving environmental sustainability of City programs, service, equipment and facilities, conservation, and best practices regarding efficient use of resources that also was extended into a full-time board.

Delray Beach is known locally, regionally and nationally for its special events and vibrant downtown activities. Over the past year, there were over 50 special events including the Green Market in the Park, Art and Jazz on the Avenue, Garlic Fest, Roots Cultural Festival, U.S.T.A. 12 year old Boy's and Girl's National Tennis Championship,

the U.S.T.A. Boy's 18 and 16 Clay Court National Championships, the U.S.T.A. Summer Smash Regional Championships, the 10th Annual ATP International Tennis Championships (ITC) featuring James Blake (USA) and Tommy Haas (Germany), and the 18th Annual Chris Evert/Raymond James Pro-Celebrity Tennis Classic charity tournament including comedians Chevy Chase and Jon Lovitz. The 47th Annual Delray Affair attracted over 150,000 visitors over a three-day period. The 4th of July fireworks display attracted over 40,000 observers. The City displayed its 100-foot Christmas tree and had over 25,000 attend its First Night event at Old School Square. There are numerous musicals, parades, shows, art and craft festivals, movies, lectures, exhibits, performances and other special activities.

The Delray Beach Tennis Center is a full-service tennis facility with 14 clay courts, 7 hard courts, and an 8,200 seat tennis stadium. The facility includes 19 lit courts, a pavilion and conference room, pro shop and locker room offering a wide range of adult and junior programs as well as professional events.

The Delray Beach Golf Club, designed by Donald Ross in 1923, is one of Palm Beach County's finest public golf courses which includes a par 72-6,907 yard golf course, driving ranges, 2 putting areas, banquet facilities, restaurant, bar and lounge area and pro shop facilities. The Lakeview Golf Course is a par 60-3,006 yard executive course favored by many beginners, senior citizens and casual golfers.

The City of Delray Beach has received the prestigious honor of being recognized as an All-America City in both 1993 and 2001. The City was also a finalist in the 1998 All-America City award competition. The City of Delray Beach is the only city in Florida to have received this prestigious honor twice.

The City of Delray Beach celebrated its 31st year in Sister's Cities Program relationship with Miyazu, Japan and a later relationship with Moshi, Tanzania, Africa.

CURRENT MAJOR INITIATIVES

Bus Shelters

The City installed 43 new bus shelters at various locations throughout the City. The City has been awarded three grants to install an additional 50 bus shelters over the next two years. In 2006, a shuttle was initiated with three buses providing shuttle service from TriRail to downtown Delray Beach (the downtown roundabout service) and an additional part-time shuttle on Friday's and Saturday's. In FY 2009 the shuttle served 132,564 customers.

Downtown Parking

With the addition of 770 parking spaces provided from the Old School Square parking garage and the Robert Federspiel parking garage, the City has embarked on a downtown parking study to develop a comprehensive parking management program that will not only look at existing inventory but also how the current parking is utilized. Other outcomes of this study include a review of the current payment-in-lieu parking system, benefits and barriers to imposing parking fees, a review of the current shuttle service and policies and programs to improve and encourage walkability within the downtown area.

Workforce Housing

The City has developed a workforce housing initiative and has a workforce housing ordinance. A Community Land Trust was started whereby land is banked for the development of special workforce housing units.

Technology

In response to the City of Delray Beach Strategic Plan 2001-2006, the City established a consolidated departmental website which was activated in June, 2002. This site was updated last year to include key "gateway" links to the Chamber of Commerce, the Community Redevelopment Agency, the Delray Beach Library and the Downtown Marketing Cooperative. The site is called MyDelrayBeach.com and provides citizens and other viewers with important information about the operations of the City, facilities, services, special events, calendar schedules, budgetary and financial information, utility rates and includes links to major city and private organizations. The site allows for citizen comments, inquiries and complaints, utility bill payments, as well as responses from City officials. The site contains minutes of City Commission meetings, ordinances, and important information from all City departments. Major improvements to this site include a live video-cam of our beach area, a mail list subscription

service which allows residents to receive copies of newsletters, agendas, minutes, and other City documents on a regular basis, and additional information such as full copies of the Comprehensive Annual Financial Report, Annual Budget, Financial Trends Monitoring Report and the IT Enterprise Technology Plan.

The Information Technology Division recently completed implementation of an interactive voice response system allowing for utility customers to view their account information and make payments over the phone and through the website. The system also allows for contractors with building permits to schedule inspections and for inspectors to record inspection results either by telephone or through the website.

The Finance Department has issued an Information Technology Division – Enterprise Technology Plan for Fiscal Years 2009-2013. This plan actually includes four (4) different plans to include the Strategic Plan, Tactical Plan, Business Interruption/Continuity Plan, and the Annual Project Work Plan. This plan received the honor of being published on the International City Manager’s Association (ICMA) technology website thereby receiving national recognition.

The Finance Department-Information Technology Division recently received national recognition for its 8th place award in the Digital Cities Survey from the Center for Digital Government for cities under 75,000 in population. This award recognizes our efforts and successes to provide information and services to the public through our website technology, recognizes our technology infrastructure improvements, and our long-range planning as seen in our 5-year Enterprise Technology Plan. Previously, the IT Division received two consecutive 1st place awards and a 3rd place award. These awards have been presented to the City at the National League of Cities conferences.

The City recently completed a new Information Technology building just north of City Hall. This building is a hurricane-hardened facility with modern computer racks with built-in air conditioning, separate backup generator, and updated CAT6 cabling.

The Finance Department Utility Customer Service Division has completed the installation of radio-read water meters east of the Intracoastal Waterway and has installed these meters in some areas west of the Intracoastal east of Swinton.

The Finance Department recently completed implementation of pension administration software which also includes a web-based interactive site for employees and retirees to receive information, calculate future retirement amounts, and provide information for our annual actuarial reports. This department recently became the pension administrator for the Police and Fire Retirement System which was previously provided by outside services.

Reclaimed Water Project

The Environmental Services Department expanded its reclaimed water project which is serving our municipal golf courses. In FY2009, this department completed the first phase of the barrier island reclaimed water system that will provide irrigation water to the barrier island at significantly lower costs than using potable drinking water and will also relieve the potable drinking water system of those irrigation demands.

GENERAL 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.

All internal control evaluations utilize these criteria. We believe that the City’s system of internal accounting controls adequately safeguards the assets of this City and provides reasonable assurance of the proper recording of financial transactions.

Single Audit

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

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

The results of the City's single audit for the fiscal year ended September 30, 2009 disclosed no instances of material weaknesses in the internal control structure and disclosed no significant violation of applicable laws and regulations.

Budgetary Control

The City maintains a system of budgetary controls within its accounting and financial management systems. The objective of these budgetary controls is to monitor compliance with legal provisions embodied in the annual appropriated budget approved by the City Commission. Appropriated budgets are legally required to be adopted for the General Fund. Nonappropriated budgets, which are not legally required to be adopted, are also prepared for Special Revenue Funds, Capital Projects Funds, Debt Service Fund, Enterprise Funds and Internal Service Funds. The level of budgetary control is at the division and departmental level.

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

Cash Management

The City has a Banking Services Agreement with a local banking institution based upon competitive bidding of its banking services. The City uses a pooled-cash concept for all operating funds with the exception of the pension trust plans which are administered by professional money managers and performance monitors. The deposits and investments of the City are safeguarded by utilizing State approved public depositories and by investing in fully collateralized instruments as required by the State of Florida.

OTHER INFORMATION

Independent Audit

Florida Statutes Chapter 166 requires that the City be audited on an annual basis by independent certified public accountants. The certified public accounting firm of Caler, Donten, Levine, Porter & Veil, P.A. was selected to perform the audit of the City's financial statements. In addition to meeting the requirements set forth in the Florida Statutes, the audit was also designed to meet the requirements of the Federal and Florida Single Audit Act and the related OMB Circular A-133. The auditors' reports related to the single audit are included in the Compliance Section.

Financial Statement Awards

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Delray Beach, Florida, for its CAFR for the fiscal year ended September 30, 2008. This was the 25th consecutive year the City received this prestigious award.

This award is the highest form of recognition in governmental accounting and financial reporting. Its attainment represents a significant accomplishment for the City and indicates that the contents of the CAFR conformed to strict program standards and satisfied Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. A certificate is valid for a period of one year only. We believe our current report continues to conform to the requirements of the certificate program, and we will submit it to the GFOA to determine its eligibility for the Certificate of Achievement.

ACKNOWLEDGMENTS

A Comprehensive Annual Financial Report of this type and depth, illustrating the results of operations of the entire City and its various diversified funds and activities, could not have been prepared so completely and professionally without the dedication and efficiency of the entire Finance Department. The efforts of Milena Walinski, Assistant Finance Director, and the entire Financial Services Division and Rebecca O'Connor, Treasurer, deserve special individual recognition.

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

It is with great pride that we present this Comprehensive Annual Financial Report at this time.

Respectfully submitted,



Joseph M. Safford
Finance Director



Milena Walinski, CGFO
Assistant Finance Director

The Government Finance Officers Association (G.F.O.A.) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Delray Beach, Florida, for its Comprehensive Annual Financial Report (C.A.F.R.) for the fiscal year ended September 30, 2008.

In order to be awarded a certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A certificate is valid for a period of one year only. We believe our current report continues to conform to certificate program requirements, and we are submitting it to G.F.O.A. to determine its eligibility for another certificate.

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enner".

Executive Director