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Independent Auditors' Report

The Honorable Mayor and Members of the City Council
of City of Boca Raton, Florida:

We have audited the general purpose financial statements of the City of Boca Raton, Florida (the City) as of and for the year ended September 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Boca Raton, Florida as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the general purpose financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The schedule of funding progress and schedule of employer contributions on pages 43 and 44 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedule of funding progress and the schedule of employer contributions, certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedule.



KPMG LLP (CPA) LLP a US limited liability partnership

CITY OF BOCA RATON, FLORIDA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 2001
(with comparative totals for September 30, 2000)

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	\$1,974,098	\$23,052,103	\$1,895,984	\$8,338,096
Cash with fiscal agent			1,234,990	
Investments	14,191,337	6,825,640	1,785,009	6,454,100
Interest receivable on investments	358,874	172,155	61,712	163,054
Interest receivable on assessments				
Accounts receivable, net	1,971,237			
Assessments receivable				57,445
Lease revenues receivable		7,368,847		
Due from other governmental units	415,994	3,132,497		
Due from other funds	2,591,235			
Inventories	28,471			
Other assets	9,857	500		
Advance to other funds	300,000			
Restricted assets - Enterprise Funds:				
Cash and cash equivalents				
Cash with fiscal agent				
Investments				
Interest receivable on investments				
Fixed assets:				
Utility plant in service				
Land				
Buildings				
Improvements other than buildings				
Equipment				
Construction in progress				
Accumulated depreciation				
Other debits:				
-- amount available in debt service and capital projects funds				
-- amount to be provided - debt service				
-- amount to be provided - sick and annual leave				
Total assets and other debits	\$21,841,103	\$40,551,742	\$4,977,695	\$15,012,695

(Continued)

See accompanying notes to financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (memorandum only)	
Enterprise	Internal Service	Trust and Agency	General Long-Term Debt	General Fixed Assets	2001	2000
\$45,677,502	\$9,394,252	\$26,164,607			\$116,496,642	\$50,946,485
					1,234,990	1,234,990
19,258,728	6,357,972	218,914,005			273,786,791	304,925,448
285,428	152,343	1,190,456			2,384,022	2,486,255
84,202					84,202	73,382
6,541,221	9,561	973,197			9,495,216	10,023,545
26,122					83,567	61,180
					7,368,847	6,971,978
40,183					3,588,674	1,850,166
					2,591,235	498,184
529,981	286,333				844,785	946,890
168,243	3,595	43,695			225,890	293,328
					300,000	300,000
1,367,347					1,367,347	12,720,776
8,500					8,500	8,500
28,626,317					28,626,317	31,276,384
351,769					351,769	344,368
239,873,526					239,873,526	233,829,511
586,735				\$139,911,267	140,498,002	140,253,002
2,133,886	1,317,036			25,953,352	29,404,274	29,643,885
4,343,945				14,488,720	18,832,665	17,697,026
2,231,244	18,826,705			19,445,385	40,503,334	35,837,947
21,310,265				10,066,414	31,376,679	28,058,114
(83,684,809)	(12,685,776)				(96,370,585)	(89,217,267)
			\$4,974,966		4,974,966	5,602,446
			150,473,834		150,473,834	158,084,998
			4,756,624		4,756,624	4,479,537
<u>\$289,760,335</u>	<u>\$23,662,021</u>	<u>\$247,285,960</u>	<u>\$160,205,424</u>	<u>\$209,865,138</u>	<u>\$1,013,162,113</u>	<u>\$989,231,058</u>

CITY OF BOCA RATON, FLORIDA
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL, SPECIAL REVENUE, DEBT SERVICE
AND CAPITAL PROJECT FUND TYPES

for the fiscal year ended September 30, 2001
(with comparative actual totals for the fiscal year ended September 30, 2000)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenue:						
Taxes	\$50,274,600	\$50,640,804	\$366,204	\$4,206,700	\$4,285,220	\$78,520
Licenses and permits	4,380,500	4,590,369	209,869			
Intergovernmental revenue	8,141,500	8,319,722	178,222	16,955,100	13,893,165	(3,061,935)
Charges for services	7,507,900	7,353,383	(154,517)			
Fines and forfeitures	1,241,900	1,041,568	(200,332)	\$14,964,000	14,646,134	(317,866)
Interest on investments	1,550,000	2,001,296	451,296	456,500	1,520,028	1,063,528
Miscellaneous revenue				3,203,700	3,346,891	143,191
Total revenues	<u>73,096,400</u>	<u>73,947,142</u>	<u>850,742</u>	<u>39,786,000</u>	<u>37,691,438</u>	<u>(2,094,562)</u>
Expenditures:						
Current:						
General government	9,443,600	8,476,934	966,666			
Public safety	35,089,300	34,452,260	637,040	2,276,400	952,905	1,323,495
Physical environment	4,208,000	4,130,295	77,705			
Highways and streets	7,356,100	6,757,922	598,178	6,140,800	1,424,056	4,716,744
Community development				3,343,500	2,127,593	1,215,907
Human services	421,500	397,518	23,982			
Library services	1,986,700	1,974,060	12,640			
Parks and recreation	10,130,900	9,812,743	318,157	16,289,700	13,241,145	3,048,555
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total expenditures	<u>68,636,100</u>	<u>66,001,732</u>	<u>2,634,368</u>	<u>28,050,400</u>	<u>17,745,699</u>	<u>10,304,701</u>
Excess (deficiency) of revenue over expenditures	<u>4,460,300</u>	<u>7,945,410</u>	<u>3,485,110</u>	<u>11,735,600</u>	<u>19,945,739</u>	<u>8,210,139</u>
Other financing sources (uses):						
Operating transfers in	366,000	366,000		3,813,300	3,441,907	(371,393)
Operating transfers out	(6,102,500)	(5,478,501)	623,999	(7,687,000)	(7,686,985)	15
Proceeds of refunding bonds						
Payments to bond escrow agent						
Total other financing sources (uses)	<u>(5,736,500)</u>	<u>(5,112,501)</u>	<u>623,999</u>	<u>(3,873,700)</u>	<u>(4,245,078)</u>	<u>(371,378)</u>
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	<u>(\$1,276,200)</u>	<u>2,832,909</u>	<u>\$4,109,109</u>	<u>\$7,861,900</u>	<u>15,700,661</u>	<u>\$7,838,761</u>
Fund balances at beginning of year		13,324,489			14,240,754	
Fund balances at end of year		<u>\$16,157,398</u>			<u>\$29,941,415</u>	

See accompanying notes to financial statements.

DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS			Totals (memorandum only)			
						2001		2000	
Variance		Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Actual
\$4,395,000	\$4,395,000		\$4,633,600	\$4,696,055	\$62,455	\$63,509,900	\$64,017,079	\$507,179	\$55,957,912
						4,380,500	4,590,369	209,869	4,594,935
			1,533,000	80,000	(1,453,000)	26,629,600	22,292,887	(4,336,713)	18,162,666
						7,507,900	7,353,383	(154,517)	7,081,082
						16,205,900	15,687,702	(518,198)	2,198,354
305,000	387,514	82,514	552,500	1,261,451	708,951	2,864,000	5,170,289	2,306,289	3,840,967
			3,895,400	1,840,979	(2,054,421)	7,099,100	5,187,870	(1,911,230)	4,136,711
<u>4,700,000</u>	<u>4,782,514</u>	<u>82,514</u>	<u>10,614,500</u>	<u>7,878,485</u>	<u>(2,736,015)</u>	<u>128,196,900</u>	<u>124,299,579</u>	<u>(3,897,321)</u>	<u>95,972,627</u>
						9,443,600	8,476,934	966,666	8,800,203
						37,365,700	35,405,165	1,960,535	33,470,474
						4,208,000	4,130,295	77,705	4,000,042
						13,496,900	8,181,978	5,314,922	7,853,552
						3,343,500	2,127,593	1,215,907	1,710,888
						421,500	397,518	23,982	494,924
						1,986,700	1,974,060	12,640	1,872,660
						26,420,600	23,053,888	3,366,712	18,156,669
			24,970,900	10,283,525	14,687,375	24,970,900	10,283,525	14,687,375	57,297,239
23,312,600	7,625,000	15,687,600				23,312,600	7,625,000	15,687,600	6,080,750
7,187,800	6,779,481	408,319				7,187,800	6,779,481	408,319	5,534,818
<u>30,500,400</u>	<u>14,404,481</u>	<u>16,095,919</u>	<u>24,970,900</u>	<u>10,283,525</u>	<u>14,687,375</u>	<u>152,157,800</u>	<u>108,435,437</u>	<u>43,722,363</u>	<u>145,272,219</u>
(25,800,400)	(9,621,967)	16,178,433	(14,356,400)	(2,405,040)	11,951,360	(23,960,900)	15,864,142	39,825,042	(49,299,592)
11,598,600	11,598,585	(15)	2,044,100	1,791,494	(252,606)	17,822,000	17,197,986	(624,014)	30,061,177
(350,000)	(350,000)		(4,669,600)	(4,669,600)		(18,809,100)	(18,185,086)	624,014	(16,284,477)
14,635,000	14,635,000					14,635,000	14,635,000		33,180,000
	(15,873,778)	(15,873,778)					(15,873,778)	(15,873,778)	
<u>25,883,600</u>	<u>10,009,807</u>	<u>(15,873,793)</u>	<u>(2,625,500)</u>	<u>(2,878,106)</u>	<u>(252,606)</u>	<u>13,647,900</u>	<u>(2,225,878)</u>	<u>(15,873,778)</u>	<u>46,956,700</u>
\$83,200	387,840	\$304,640	(\$16,981,900)	(5,283,146)	\$11,698,754	(\$10,313,000)	13,638,264	\$23,951,264	(2,342,892)
	4,587,126			19,441,893			51,594,262		53,937,154
	<u>\$4,974,966</u>			<u>\$14,158,747</u>			<u>\$65,232,526</u>		<u>\$51,594,262</u>

**CITY OF BOCA RATON, FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS**

for the fiscal year ended September 30, 2001
(with comparative totals for the fiscal year ended September 30, 2000)

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	<u>(memorandum only)</u>	
				<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$4,360,361	(\$3,009,332)	\$466,406	\$1,817,435	\$6,133,015
Adjustments to reconcile operating income (loss) to net cash provided by (used) operating activities:					
Depreciation	6,748,787	2,202,815		8,951,602	8,689,434
Interest revenue			(339,636)	(339,636)	(313,438)
Amortization of bond discount	197,984			197,984	43,949
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	129,036	3,194	16,666	148,896	(1,347,508)
(Increase) decrease in assessments receivable	(7,874)			(7,874)	72,817
Decrease in due from other funds					216,111
Decrease in due from other gov'tal units	(10,287)			(10,287)	
Decrease in inventories	17,403	92,709		110,112	72,789
(Increase) decrease in other assets	24,344	(1,397)		22,947	30,753
Increase (decrease) in vouchers payable and accrued expenses	(597,222)	157,897		(439,325)	290,727
Increase (decrease) in accrued sick and annual leave	142,836	35,245		178,081	(27,002)
Increase (decrease) in due to other funds	1,127,874			1,127,874	(135,633)
Increase in retainage payable	330,354			330,354	159,575
Increase (decrease) in customer deposits	(20,381)			(20,381)	35,333
Increase in deferred revenue	12,086	2,920		15,006	4,560
Net cash provided (used) by operating activities	<u>12,455,301</u>	<u>(515,949)</u>	<u>143,436</u>	<u>12,082,788</u>	<u>13,925,482</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating transfers in	150,200	2,403,400		2,553,600	2,577,800
Operating transfers out	<u>(616,300)</u>	<u>(800,000)</u>	<u>(150,200)</u>	<u>(1,566,500)</u>	<u>(16,354,500)</u>
Net cash provided (used) by non-capital financing activities	<u>(466,100)</u>	<u>1,603,400</u>	<u>(150,200)</u>	<u>987,100</u>	<u>(13,776,700)</u>

(continued)

See accompanying notes to financial statements.

**CITY OF BOCA RATON, FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS**

for the fiscal year ended September 30, 2001
(with comparative totals for the fiscal year ended September 30, 2000)

	<u>PROPRIETARY FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>	<u>Totals</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	<u>(memorandum only)</u>	
				<u>2001</u>	<u>2000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
System development charges	\$6,265,241			\$6,265,241	\$1,486,628
Issuance of bonds	24,460,000			\$24,460,000	
Proceeds of bond issuance premium	139,526			\$139,526	
Payments of bonds/notes/leases	(6,897,400)			(\$6,897,400)	(5,760,962)
Interest paid	(3,121,647)			(3,121,647)	(2,824,276)
Proceeds from sale of fixed assets	43,865			43,865	86,760
Acquisition of fixed assets	(10,006,315)	(\$1,717,824)		(11,724,139)	(14,831,076)
Net cash provided (used) by capital and related financing activities	<u>10,883,270</u>	<u>(1,717,824)</u>		<u>9,165,446</u>	<u>(\$21,842,926)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	4,532,103	962,926	\$339,636	5,834,665	5,369,820
Sales of investments	2,810,660	2,550,743	1,046,405	6,407,808	22,946,848
(Purchase) sale of investments	(720,525)			(720,525)	(5,523,840)
Net cash provided by investing activities	<u>6,622,238</u>	<u>3,513,669</u>	<u>1,386,041</u>	<u>11,521,948</u>	<u>22,792,828</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,494,709	2,883,296	1,379,277	33,757,282	1,098,684
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,558,640</u>	<u>6,510,956</u>	<u>2,151,012</u>	<u>26,220,608</u>	<u>25,121,924</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$47,053,349</u>	<u>\$9,394,252</u>	<u>\$3,530,289</u>	<u>\$59,977,890</u>	<u>\$26,220,608</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Increase in fair value of investments that are not cash equivalents:

Unrealized Gains on investments:	<u>\$451,244</u>	<u>\$95,375</u>	<u>\$ 30,273</u>	<u>\$576,892</u>	<u>\$118,043</u>
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During 2001, developers contributed \$1,361,798 in fixed assets to the Water and Sewer Fund.

**Presentation on Combined Balance Sheet:
Reconciliation of cash and cash equivalents:**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>
Cash and cash equivalents:			
Unrestricted	\$45,677,502	\$9,394,252	\$ -
Restricted	1,367,347	-	-
Fiscal agent	8,500	-	-
Non-Expendable Trust Fund	-	-	3,530,289
Pension Trust Funds	-	-	22,606,558
Expendable Trust Fund	-	-	27,760
Total cash and cash equivalents per the Combined Balance Sheet	<u>\$47,053,349</u>	<u>\$9,394,252</u>	<u>\$26,164,607</u>

See accompanying notes to financial statements.

**CITY OF BOCA RATON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001**

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CITY OF BOCA RATON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

1. The City of Boca Raton

The City of Boca Raton, Florida (the City) was incorporated in 1925 and its Charter adopted by the Legislature of the State of Florida, as Chapter 65-1264, Special Acts, Law of Florida. The City operates under a form of government which is comprised of an elected City Council (4 members) and an elected Mayor, and provides, under the administration of an appointed City Manager, the following services: public safety, recreation, sanitation, cemetery, streets and traffic engineering, planning and zoning, water and sewer services, animal control, and general administrative services.

2. Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's governmental accounting policies are described below.

A. Reporting Entity

As required by GASB Statement No. 14, "The Financial Reporting Entity", these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported, in a separate column in the combined financial statements to emphasize they are legally separate from the government.

Blended Component Unit. The Boca Raton Community Redevelopment Agency (CRA) was established in 1980 as an independent special district by the City Council of Boca Raton, Florida under the provisions of Chapter 163 of Florida Statutes. The CRA was established to prepare or have prepared a community redevelopment plan for areas within the City of Boca Raton which are determined to be slum or blighted areas, and to carry out the community redevelopment purposes of Part III, Chapter 163, of the Florida Statutes. As a tax increment district, the CRA receives operating revenues from tax increment assessments from three taxing jurisdictions within Palm Beach County. Funds are also provided by private contributions, fees collected, interest income, and the unexpended fund balance from the previous year. The CRA is reported as a Special Revenue Fund.

During Fiscal Year 1989, the CRA entered into an interlocal agreement with the City. This agreement called for the City to make a secondary pledge of its excise tax revenues for the CRA's debt. On February 5, 1991, the City, by referendum, adopted a resolution declaring the City Council Members to constitute the Board of Commissioners of the CRA. Under Florida Statute 218.34, this made the CRA a dependent special district of the City. Financial statements of the CRA may be obtained from the City's Financial Services Department located in the City Hall.

CITY OF BOCA RATON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

Discretely Presented Component Units. There are no discretely presented component units for the City.

B. Fund Accounting

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts which comprise its assets, liabilities, fund equities, revenue and expenditures or expenses. The various funds are grouped by type in the financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The following fund types and account groups are used by the City:

Governmental Fund Types -- Governmental fund types are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds -- The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs other than bonds payable from the operations of the enterprise funds and non-expendable trust funds.

Capital Projects Funds -- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Fund Types -- Proprietary fund types are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Enterprise Funds -- Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services to the general public are financed or recovered primarily through user charges.

Internal Service Funds -- Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

CITY OF BOCA RATON, FLORIDA
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Fiduciary Fund Types -- Fiduciary Fund types are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a non-expendable trust fund or an expendable trust fund is used. The terms "non-expendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

Trust Funds -- Trust Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governmental units and funds.

Account Groups

General Long-Term Debt Account Group -- This account group is used to account for the outstanding principal balances of long-term debt and other long-term liabilities other than debt payable from the operations of the proprietary funds and non-expendable trust funds.

General Fixed Assets Account Group -- This account group is used to account for all fixed assets of the City other than those accounted for in the proprietary funds and non-expendable trust funds.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Revenue and other governmental fund financial resource increments are recognized in the accounting period when they become susceptible to accrual -- that is, when they become both "measurable" and "available" to finance expenditures of the fiscal period.

CITY OF BOCA RATON, FLORIDA
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Those revenues susceptible to accrual are property taxes, special assessments, interest revenue and charges for services. Utility and franchise taxes, licenses and permits, fines and forfeitures, charges for services and miscellaneous revenue are recorded as revenue when cash is received because they generally are not measurable until actually received. Where grant revenue is dependent upon expenditures by the City, revenue is recognized when the related expenditures are incurred.

Effective October 1, 2000, the City adopted GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, expenditures or expenses should be recognized by the provider and revenue should be recognized by the recipient when all eligibility requirements are met. Resources transmitted before all eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient. Assets and liabilities should be recognized by the recipient and provider, respectively, when all eligibility requirements have been met (for asset recognition) or when resources are received, whichever is first. Additionally, GASB Statement No. 33 requires recognition of external capital contributions to proprietary funds as revenues, not contributed capital. Therefore, external capital contributions are treated as an operating statement item and affect retained earnings. Only internal capital contributions are treated as a direct addition to contributed capital.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The accrual basis of accounting is utilized by proprietary fund types, pension trust funds and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The revenue of the Water and Sewer System, which is based upon rates authorized by City Council, is determined by bi-monthly cyclical billings to customers. Earned but unbilled revenue is accrued and reported in the financial statements. System Development Charges are considered non-operating revenue of the Water and Sewer System.

The City has elected to not apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, as permitted by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Fund and Other Governmental Entities That Use Proprietary Fund Accounting."

D. Lease Revenues

The City accounts for lease revenue in accordance with GASB Statement No. 13, "Accounting for Operating Leases with Scheduled Rent Increases". GASB 13 requires accounting for leases on a straight-line basis for leases that contain rental payments that are lower than the amounts computed on a straight-line basis. Revenue is recognized to the extent that it is both measurable and available.

CITY OF BOCA RATON, FLORIDA
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Long-term portions of the lease receivable are offset with deferred revenue as it is not available to finance expenditures of the current period.

E. Deferred Revenue

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

F. Encumbrances

Budgets in governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the reappropriation of year-end encumbrances.

G. Budgets

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements, which govern the City's operations.

Budgets have been legally adopted on a basis consistent with GAAP for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Council. All necessary supplemental appropriations were adopted by the City Council as part of a quarterly budget review process and are included in the reported budgetary data.

H. Cash and Investments (See Note 4)

Cash includes amounts in demand and time deposit accounts, as well as cash on hand. For purposes of the statement of cash flows, cash and cash equivalents also include highly liquid investments with a maturity of three months or less at the date of purchase.

The City maintains a cash and investment pool that is available for use by all funds. This pool has deposits, and other investments with maturities generally less than one year. In addition, longer-term investments are held by several of the City's funds. Pooled cash is classified as "Cash and Cash Equivalents" in the Combined Balance Sheet and pooled investments are combined with other separate investments and classified as "Investments."

CITY OF BOCA RATON, FLORIDA
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Long-term investments are stated at fair value. GASB issued Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" which requires that long-term investments be reported at fair value. Investments that have a remaining maturity at the time of purchase, of one year or less, are reported at amortized cost.

Interest income earned as a result of pooling is distributed to the appropriate funds based on the month end equity balance in each fund.

I. Short-Term Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

J. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Under the consumption method of inventory accounting, inventories are recorded as expenditures when used in the governmental funds and expenses when used in the proprietary funds.

When this method is used, reported inventories are not equally offset by a fund balance reserve account in the governmental funds or a retained earnings reserve account in the proprietary funds.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2001 are recorded as prepaid items and are included on the balance sheet as other assets and a reservation of fund balance is recorded as these assets do not represent available spendable financial resources.

L. Accounting for Fixed Assets

Proprietary Funds -- Capital expenditures made for revenue-producing assets, which are employed in operations that are accounted for in the proprietary funds, are capitalized at historical costs and depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings.....	40 years
Improvements.....	10 - 50 years
Equipment.....	3 - 40 years

General Fixed Assets Account Group -- Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in governmental funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available which may not reflect current fair market value. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain and similar assets such as roads and sidewalks that are immovable and of value only to the City of Boca Raton have not been included in general fixed assets. No depreciation has been provided on general fixed assets.

CITY OF BOCA RATON, FLORIDA
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M. Accumulated Unpaid Annual and Sick Pay

Accumulated unpaid annual and sick pay is accrued when incurred in proprietary funds. The amount of accumulated annual and sick pay recorded in the governmental funds is that amount, adjusted to current salary costs, which is expected to be liquidated with expendable available financial resources. Only the current portion is reflected in the funds. The remainder of the liability is reported in the General Long-Term Debt Account Group.

N. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers or customers prior to October 1, 2000. Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

O. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

P. Deferred Compensation Plans

The City, in accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code, Section 457, Deferred Compensation Plans," does not report deferred compensation plans in the general purpose financial statements. GASB Statement No. 32 requires the reporting of deferred compensation plans if the government has significant administrative involvement with plan assets or performs the investment function for plan assets. The City does not exercise either of these functions and accordingly, the City no longer reports the deferred compensation plans as Fiduciary Funds in its general purpose financial statements.

Q. Accounting for Long-Term Obligations

Long-term obligations, either general obligation or revenue bonds, used to finance proprietary fund operations and payable from revenue of the proprietary funds are recorded in the applicable fund. General obligation bonds and other forms of long-term debt supported by general revenue are obligations of the City as a whole and not its individual funds. Accordingly, such unmatured obligations of the City are accounted for in the General Long-Term Debt Account Group. Advance refundings resulting in defeasance of debt are accounted for in governmental fund types using guidance from GASB Statement No. 7, "Advance Refunding Resulting in Defeasance of Debt," and for proprietary fund types using GASB Statement No. 23.

CITY OF BOCA RATON, FLORIDA
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R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

T. Comparative Data

Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the government's financial position and operations. The information is for comparative purposes only and certain balances have been reclassified to conform to the 2001 presentation. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

3. Fixed Assets

The following is a summary of proprietary fund type fixed assets at September 30, 2001

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Utility plant in service	\$ 239,873,526	\$ -
Land	586,735	-
Buildings	2,133,886	1,317,036
Improvements other than buildings	4,343,945	-
Equipment	<u>2,231,244</u>	<u>18,826,705</u>
	249,169,336	20,143,741
Less accumulated depreciation	(83,684,809)	(12,685,776)
Construction in progress	<u>21,310,265</u>	-
Net property, plant, and equipment	<u>\$ 186,794,792</u>	<u>\$ 7,457,965</u>

CITY OF BOCA RATON, FLORIDA
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The following is a summary of changes in the general fixed assets account group:

	<u>Balance</u> <u>October 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2001</u>
Land	\$ 139,666,267	\$ 245,000	\$ -	\$ 139,911,267
Buildings	26,192,963	263,743	(\$503,354)	25,953,352
Improvements other than buildings	13,406,945	1,221,686	(139,911)	14,488,720
Equipment	15,440,657	7,801,344	(3,796,616)	19,445,385
Construction in progress	<u>11,278,397</u>	<u>4,006,085</u>	<u>(5,218,068)</u>	<u>10,066,414</u>
Total	<u>\$205,985,229</u>	<u>\$ 13,537,858</u>	<u>(\$9,657,949)</u>	<u>\$ 209,865,138</u>

4. Cash and Investments

General Authorization:

The City's investment practices are governed by Chapter 280 and 166, Florida Statutes, City Code of Ordinances, Section 20, the adopted investment policy, and various legal covenants related to outstanding bond issues. For all investments authorized by statute and policy, the City applies the "Prudent Man Rule" when developing investment strategies.

Types of Investments:

The City is authorized to invest in a wide range of securities that include certificates of deposit, money market funds, U.S. Treasury, State and Government Agencies Securities, State and Local Government Series, State Board of Administration investment pool, mutual funds and repurchase agreements. The City uses only financial institutions qualified as public depositories by the State of Florida or "primary" security dealers to place its investments unless bond covenants specifically require other financial institutions to be used. In addition to the investments above, the Pension Plans are authorized to invest in corporate bonds, common and preferred stock.

Public Deposits:

At year end, the City's carrying amount of deposits was (\$593,525) and the bank balance was \$3,508,825. Monies, which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit, are defined as Public Deposits. All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. The bank balance of all deposits of the City are Category 1 credit risk as defined by GASB Statement No. 3, which are insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF BOCA RATON, FLORIDA
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Security:

The City has a third party custodial arrangement with First Union Capital Markets to accept securities on a delivery vs. payment basis for direct purchase agreements. Securities purchased in the City's name are registered in the name of the City by an agent of the City and are confirmed with safekeeping receipts.

The City's investments are categorized in accordance with GASB Statement No. 3 in the following table to indicate the level of risk assumed by the City. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

As of September 30, 2001, the following types of investments were outstanding:

<u>Type</u>	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
City Investments:				
U.S. Treasury Securities	\$ 6,575,060			\$ 6,575,060
Certificates of Deposit	16,000,000			16,000,000
Repurchase Agreements			\$ 11,734,000	11,734,000
U.S. Agency Securities	<u>50,413,124</u>			<u>50,413,124</u>
	<u>72,988,184</u>		<u>11,734,000</u>	<u>84,722,184</u>
Pension Investments:				
General:				
U.S. Government Securities	27,438,203			27,438,203
Corporate Bonds	10,347,749			10,347,749
Common Stock	56,689,059			56,689,059
Police and Fire:				
U.S. Government Securities	21,439,314			21,439,314
Corporate Bonds	16,534,249			16,534,249
Preferred Stock	150,300			150,300
Common Stock	<u>83,799,551</u>			<u>83,799,551</u>
	<u>216,398,425</u>			<u>216,398,425</u>
	<u>\$289,386,609</u>	<u>0</u>	<u>\$ 11,734,000</u>	<u>\$301,120,609</u>
Money Market Funds:				
City				\$ 22,513,788
General Pension				8,155,196
Police/Fire Pension				5,487,702
Investment in Mutual Funds				8,296,564
Investment Pools:				
State Board of Administration				63,517,656
Florida League of Cities				<u>13,022,597</u>
Total Investments				\$422,114,112
Carrying amount of City Deposits				(593,525)
Total Investments and Deposits				<u>\$421,520,587</u>
Cash and cash equivalents				
Cash and cash equivalents				\$116,496,642
Cash with fiscal agent				1,234,990
Investments				273,786,791
Cash and cash equivalents – restricted				1,367,347
Cash with fiscal agent - restricted				8,500
Investments - restricted				<u>28,626,317</u>
Total Cash and Investments				<u>\$421,520,587</u>

CITY OF BOCA RATON, FLORIDA
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The overnight repurchase agreements in Category 3 are held with a qualified financial institution, and are used to provide investment income on City funds held in the operating accounts.

The fair value of the City's position in the State Board of Administration (SBA) and the Florida League of Cities pool is the same as the value of the pool shares. The SBA is a "2a-7 like" pool and the balance reported to the participants is the fair value for the pool. The Florida League of Cities pool carries securities at market or fair value.

The investments in the State Board of Administration Investment Pool, the Florida League of Cities Investment Pool, and mutual funds are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. The City invested throughout the year in the SBA Investment Pool. The City's investment in the SBA Investment Pool at September 30, 2001, represented less than 1% of the total investment assets of the SBA Investment Pool. Throughout the year, and as of September 30, 2001, the SBA Investment Pool contained certain floating rate notes, which were indexed based on the prime rate and/or one- and three-month LIBOR rates. These investments represented approximately 3% of the total investment portfolio of the SBA Investment Pool.

The Local Government Surplus Funds Trust Fund (SBA) is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investment of the SBA.

The Florida Municipal Investment Trust (Florida League of Cities) is an authorized investment under Section 218.415 (115), Florida Statutes for units of local government in Florida. The operation and administration of the Trust is the responsibility of a Board of Trustees who are selected from the ranks of elected officials of governmental entities participating in the Trust.

Violations:

There were no violations of the legal or contractual provisions for deposits and investments.

5. Property Tax Calendar

The City is permitted by state statutes to levy taxes up to 10 mills of assessed value. The millage rate levied by the City for the fiscal year ended September 30, 2001, was 3.625. Current tax collections for the City were approximately 96% of the total tax levy.

Ad valorem taxes are levied on property values as of January 1 as assessed on July 1 with the millage established during September. Property taxes are levied on October 1 of each year; tax bills are mailed November 1 and must be paid by the following March. Taxes not paid are declared delinquent and tax certificates are sold to satisfy the lien in July. Taxes are not paid in advance. The City's tax revenue is first paid to the County Tax Collector who remits to the City funds collected following a calendar prescribed by law. The City's taxes are billed along with all other

CITY OF BOCA RATON, FLORIDA
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taxes due County taxing entities. The Tax Collector pays the City interest on monies held from day of collection to day of distribution. The City has no control over the investment program of the Tax Collector as this program is governed by State statutes.

6. System Development Charges (Impact Fees)

System Development Charges are fees designed to recover the cost of providing capacity for new customers. The fees represent a major source of financing for the Water and Sewer System and will provide a significant portion of the debt service coverage for the 1992 Refunding Bonds, as well as the Water and Sewer General Obligation Bonds. A Florida State Supreme Court decision outlined the basic requirements of an equitable System Development Charge structure.

They are:

- . System Development Charges must reflect a pro rata share of the cost of new capacity.
- . System Development Charges revenue may be applied only to capital projects expressly designed to expand System capacity.
- . Anticipated System Development Charge revenues may not exceed the costs to be incurred by the municipality in expanding capacity to accommodate new users of the System.

The City's System Development Charge structure, implemented in 1980, was designed to comply with this doctrine. Compliance is achieved in the following manner:

- . The Consulting Engineers have reviewed the proposed Capital Improvement Program and identified the expansion portions of the program directed as providing capacity for growth.
- . The debt service associated with the cost of providing for this growth will be met through System Development Charges from new customers and the capital recovery portion of the rates paid by new customers.
- . System Development Charge revenues will be utilized solely for meeting the construction costs or annual debt service or for early retirement of debt specifically designated for System expansion.

A computerized model has been developed to verify the validity of this approach. It is the City's intent to utilize this model to make necessary adjustments in the System Development Charge schedule from time to time to ensure that compliance with fee objectives is maintained.

The City has classified system development charges as non-operating revenue as the fees are revenues which are incidental to the Water and Sewer Enterprise Fund's primary service activities which are provision of potable water and processing of wastewater.

7. Long-Term Debt

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Long-term liabilities financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Long-term liabilities of Enterprise Funds are accounted for in their respective Funds. The following is a summary of changes in long-term liabilities of the City for the fiscal year ended September 30, 2001:

	General Long-Term Debt	Enterprise Funds
Payable at October 1, 2000	\$ 168,166,981	\$ 51,584,824
New Debt Issued:		
General Obligation Bonds	30,000,000	-
Special Assessment Refunding Bonds	14,635,000	-
Water and Sewer Bonds	-	24,460,000
Debt Retired:		
General Obligation Bond Anticipation Note	(30,000,000)	
General Obligation Bonds	(2,535,000)	
Revenue Bonds	(2,150,000)	(6,860,000)
Special Assessment Debt Bonds	(15,285,000)	-
Tax Increment Revenue Bonds	(1,550,000)	-
First Florida Governmental Financing Commission Loans	(1,390,000)	-
Capital Lease		(37,400)
Capital Accretion	36,356	
Net Change in Accrued Compensation Absences and Longevity	<u>277,087</u>	<u>-</u>
Payable at September 30, 2001	<u>\$ 160,205,424</u>	<u>\$ 69,147,424</u>

General Obligation Bonds:

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City as a whole and not its individuals funds. In each year debt is outstanding, an ad valorem tax is levied equal to principal and interest due. No reserves are maintained. These bonds generally are issued as 20-year serial bonds.

On October 11, 2000, the city issued General Obligation bonds totaling \$30,000,000 for the purpose of retiring the City's Bond Anticipation Note, Series 2000. The Bond Anticipation Note was issued to provide funds for the acquisition of all or a part of approximately 164 acres of undeveloped land for the purpose of preserving such land for various municipal purposes and for paying the cost and expenses relating to the issuance of the Bonds. The Bonds were issued at interest rates ranging from 4.7% to 5.375%. Annual principal payments of the 2000 Bonds will commence on July 2, 2001 and the final maturity will be July 1, 2020.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government, Series 2000	4.70 - 5.38%	\$ 28,780,000
General Government, Series 1992	5.30 - 5.60%	1,520,000
General Government – refunding, Series 1997	3.70 - 5.60%	<u>8,535,000</u>
Total General Obligation Bonds		<u>\$ 38,835,000</u>

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Revenue Bonds:

Enterprise Funds:

The City issues bonds where the City pledges income derived from the operations of the water and sewer system and the golf course, and a system development charge of the water and sewer system to pay debt service.

Total Revenue bonds (Enterprise Funds) outstanding at September 30, 2001, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water and Sewer – Series 2001	4.00 - 5.00%	\$ 24,460,000
Water and Sewer – Series 1999	4.00 - 4.75%	17,015,000
Golf Course Public Improvement Refunding, 1992	3.90 - 5.80%	320,000
Water and Sewer - 1992 Refunding	4.70 - 5.75%	<u>27,220,000</u>
Total Enterprise Funds Revenue Bonds		<u>\$ 69,015,000</u>

These amounts are reflected in the financial statements net of the unamortized discount of \$271,650 on the Water and Sewer Series 1999 and 1992 Refunding Bonds, unamortized premium of \$138,373 on the Series 2001 Bonds, and unamortized loss on refunding \$1,652,376 at September 30, 2001.

On July 1, 2001, the City issued \$24,460,000 Water and Sewer Revenue Improvement Bonds, Series 2001, to finance the construction of a Membrane Softening Process Addition to the water treatment facility. The bonds were issued at interest rates ranging from 4.00% to 5.00%. Annual principal payments of the 2001 bonds will commence on October 1, 2006.

Long Term Debt Account Group:

The City issues bonds where the City pledges revenues from non-ad valorem revenues. An interlocal agreement with the Boca Raton Beach and Parks District is the primary pledge to repay the debt service on 1995 Beach Acquisition bonds. The Public Service Tax is the primary pledge for the 1993 Right of Way Beautification Refunding Bonds.

Total Revenue bonds (General Long Term Debt Account Group) outstanding at September 30, 2001, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Rights-of-Way Beautification Refunding, 1993	3.400 - 5.600%	\$ 1,145,000
Beach Acquisition, 1995	4.125 - 6.125%	<u>9,765,000</u>
Total Revenue Bonds (General Long Term Debt)		<u>\$10,910,000</u>

Special Assessment Debt:

On April 3, 2001, the City issued \$14,635,000 Special Assessment Refunding Bonds, Series 2001. The proceeds were used to pay and defease the Special Assessment Improvement Bonds, series 1992, the Special Assessment Improvement Bonds, Series, 1993, and the Subordinate Special Assessment Bonds, Series 2000. The bonds were issued at interest rates ranging from 3.75% to 5.00%. Annual principal payments of the 2001 bonds will commence on July 1, 2002.

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The City advance refunded the bonds in order to reduce its total debt service payment over the life of the bonds by \$3,310,511 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2,279,523.

Total Special Assessment Improvement Revenue Bonds outstanding at September 30, 2001, are as follows:

<u>Project Description</u>	<u>Interest Rate</u>	<u>Maturity of Loan</u>	<u>Loan Amount</u>
Special Assessment Refunding, 2001	3.75% - 5.00%	July 1, 2022	\$ 14,635,000

Principal and interest on both issues shall be payable from pledged funds, which consist of special assessment proceeds, and annual appropriations of available non-ad valorem revenues as shall be necessary to make up any deficiencies in the event the pledged funds shall be inadequate.

On August 21, 2000, the City Council adopted Resolution 166-00 which equalized and adopted the special assessment roll for the Downtown Special Assessment and established the special assessment amounts due January 1, 2001. The City assessed \$1,031,426 and collected \$997,546 which was approximately 96.7% of the assessment levied.

Tax Increment Revenue Bonds:

On October 14, 1998, the Boca Raton Community Redevelopment Agency (CRA or Agency) issued \$72,560,168 Tax Increment Revenue Refunding Bonds to advance refund a portion of the CRA's Tax Increment Revenue Bonds, Series 1992. The refunded bonds will be called for redemption prior to maturity on March 1, 2002 at a redemption price equal to the par amount of the refunded bonds to be redeemed plus a premium equal to 1% and plus accrued interest to the redemption date.

The Agency Bonds are secured by a pledge of, and lien on, the Pledged Revenues as provided in the Agency resolution and on the Deficiency Payments received by the Agency pursuant to the Interlocal Agreement. In the event sufficient savings from the issuance of the Agency Bonds are realized, the Agency may use such savings to finance capital projects in Mizner Park which would constitute public infrastructure or park improvements.

Total Tax Increment Revenue bonds outstanding at September 30, 2001, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Tax Increment – refunding, Series 1993	5.00% - 6.75%	\$ 1,860,000
Tax Increment – refunding, Series 1998	3.6% - 5.00%	<u>73,013,800</u> *
Total Tax Increment Bonds		<u>\$ 74,873,800</u>

* Includes \$748,632 accretion of Capital Appreciation Bonds.

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Loans payable:

First Florida Governmental Financing Commission Loan Agreement Program:

The Commission is a public body corporate and politically formed by the seven local governments in Florida to benefit participants from the economies of scale associated with large financing. The City covenants and agrees to appropriate in its annual budget, by amendment if required, and to pay when due under its Loan Agreement as promptly as funds become available, amounts of non-ad valorem revenues and other legally available funds sufficient to satisfy the loan repayment requirements of the Loan Agreement.

Pursuant to the First Florida Governmental Financing Commission Loan Agreement Program, the principal amounts outstanding at September 30, 2001, are as follows:

<u>Project Description</u>	<u>Interest Rate</u>	<u>Maturity of Loan</u>	<u>Loan Amount</u>
Road & Street Improvements	2.70 – 5.00%	July 1, 2010	\$ 3,425,000
Municipal Services Complex	3.85 – 6.00%	July 1, 2014	6,715,000
Public Safety Equipment	4.00 – 4.50%	July 1, 2008	<u>6,055,000</u>
Total Loans Payable			<u>\$ 16,195,000</u>

Summary of Annual Debt Service Requirements:

The annual requirements to pay principal and interest on the bonds and notes outstanding at September 30, 2001, follows. These amounts include interest of \$74,414,091 for the General Long Term Debt Account Group and \$26,125,527 for the Enterprise Funds.

General Long Term Debt Account Group

<u>Year</u>	<u>General Obligation Bonds & Notes</u>	<u>Revenue Bonds</u>	<u>First Florida Loans</u>	<u>Tax Increment Revenue Bonds</u>	<u>Total</u>
2002	4,243,356	3,791,342	2,246,290	4,568,693	14,849,681
2003	4,257,513	3,796,133	2,248,845	5,177,824	15,480,315
2004	3,457,813	3,345,442	2,252,045	5,704,265	14,759,565
2005	3,455,425	3,246,663	2,250,550	6,379,255	15,331,893
2006	3,453,890	3,259,517	2,248,860	6,377,655	15,339,922
2007-2011	17,312,118	5,723,998	7,713,400	32,712,604	63,462,120
2012-2016	12,596,553	5,668,465	2,244,500	32,804,809	53,314,327
2017-2021	9,657,956	5,861,480		19,860,000	35,379,436
2022-2025		1,197,000			1,197,000
	<u>\$ 58,434,624</u>	<u>\$ 35,890,040</u>	<u>\$ 21,204,490</u>	<u>\$ 113,585,105</u>	<u>\$ 229,114,259</u>

Enterprise Funds Debt

<u>Year</u>	<u>Water & Sewer Revenue Bonds</u>	<u>Golf Course Revenue Bonds</u>	<u>Total</u>
2002	\$ 7,466,222	\$ 338,560	\$ 7,804,782
2003	9,310,334	-	9,310,334
2004	9,308,473	-	9,308,473
2005	9,297,163	-	9,297,163
2006	9,302,606	-	9,302,606
2007-2011	17,593,032	-	17,593,032
2012-2016	17,511,073	-	17,511,073
2017-2021	15,013,064	-	15,013,064
	<u>\$ 94,801,967</u>	<u>\$ 338,560</u>	<u>\$ 95,140,527</u>

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Water and Sewer System Bond Covenants:

The Water and Sewer System (the System) bond ordinances provide for two separate revenue flows to meet the needs of the System operations, reserves and debt service. System Development Charges (impact fees) are deposited into separate accounts. An annual calculation determines the portion of the charge to be transferred to debt service fund. Impact fees are restricted to payment of debt service related to the construction of new plant capacity. Impact fees may not be used for operations (see Note 6).

Operating revenue of the System first is used to meet the operations and maintenance requirements. Next, revenue is used to pay any portion of the bond interest, principal and reserve requirements not paid from impact fees. Next, an amount not less than 5% of the prior year's revenue is transferred to the System's renewal and replacement fund until the balance in the fund totals 1% of gross book value of assets of the System. Revenue is then used to fund an operation and maintenance reserve fund, which is maintained at a level equal to 1/8 of the operating budget. Remaining monies can be used for any legal City purpose.

At September 30, 2001, all reserves including the Bond Reserve Account were fully funded. The rate structure is calculated annually to assure adequate coverage of all requirements.

Golf Course Revenue Bond Covenants:

Gross revenues of the golf course are pledged to meet the requirements of bond principal and interest on the 1992 Public Improvement Revenue Refunding Bonds. If required, the City covenants and agrees to appropriate in its annual budget amounts of non-ad valorem revenues and other legally available funds sufficient to satisfy the debt service payments. A reserve account with deposits equal to the maximum annual debt service is on deposit with the trustee and is fully funded.

After debt service requirements, gross revenues are used to meet the operations and maintenance costs of the golf course. The City has agreed to set such rates and fees to provide revenue sufficient to pay all principal, interest reserves, and other payments including costs for operations and maintenance. As of September 30, 2001, proper reserves were maintained and all other requirements met. The final payment on this bond issue will be made July 1, 2002.

Tax Increment Revenue Bonds Covenants:

Mizner Park Project:

On October 14, 1998, the Agency issued \$72.6 million in Tax Increment Revenue Refunding Bonds, Series 1998, with interest rates ranging from 3.60% to 5.00% to advance fund a portion of the CRA's Tax Increment Revenue Bonds, Series 1992.

The net proceeds of \$71.4 million (net of \$1.2 million for original issue discount, underwriting fees, insurance and other issue costs) were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent (Trustee) to provide for all future debt payments on the 1992 Series bonds maturing after 2003, including a 1% redemption premium to

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redeem all outstanding 1992 Series bonds in 2002. As a result, a portion of the Agency's 1992 Series is in substance defeased and the liabilities have been removed from the general long-term account group.

The Agency bonds are secured by a pledge of, and a lien on, the pledged revenues as provided in the resolution and on the deficiency payments received by the Agency pursuant to an interlocal agreement with the City. Pledged revenues consist of tax increment revenues and future land lease revenues of the Agency and the Public Service taxes of the City. In the event that the tax increment revenues and the future lease revenues are insufficient to pay the required obligations under the Agency bonds, then the City is required to pay the Agency from available Public Service taxes an amount equal to any deficit in the amounts required to be on deposit in the sinking fund established under the bond resolution.

During the 1991 Legislative Session, the State Legislature passed legislation exempting the Palm Beach County Health Care District from tax increment payments to the Agency. Subsequently, this legislation has become law and has resulted in the loss of approximately \$1,834,102 in tax increment since 1991, and will continue to adversely affect the Agency in future years. At closing on the original financing, approximately 17.5% of annual tax increment was expected from the Health Care District.

In the 1992 Legislative Session, the State Legislature passed legislation exempting the Palm Beach County Children's Services District from tax increment payments to the Agency in Fiscal Year 1993. This has resulted in the loss of approximately \$595,400 in tax increment revenue since 1993. At closing, approximately 2.3% of all future tax increment payments was expected from the Children's Services District.

The Agency has leased the Mizner Park Project to a developer who has constructed a cultural, commercial and residential facility. The lease has a term of 99 years and requires minimum fixed future rentals of \$1,180,000 in 2002, 2003, 2004, 2005 and 2006, and \$139,738,330 in total thereafter, plus contingent rentals. Contingent rentals are the greater of the minimum fixed amount or 15% of the tenant's net operating income as defined in each lease agreement. Rental income in Fiscal Year 2001 amounted to \$1,180,000. The developer of the Mizner Park Project also agreed to provide advance rent payments of \$185,000 per year through September 30, 1998 for the first nine years of the lease with the provision that the Agency could use the cash payments to make a portion of the debt service payments.

The ability of the tenant to pay the Agency the lease revenues is dependent upon their ability to sublease the commercial facilities constructed thereon and such other guarantees contracted by the Agency. The Agency has an unsubordinated claim on the buildings constructed under the lease prior to the mortgage holder. All portions of the project have been constructed.

Management monitors the collection of pledged revenues to comply with the bond resolution. Tax increment and lease revenue payments of contingent rentals from the developer began in 2001 and are available for debt service. There were no contingent rentals in 2001 and management cannot presently make a reliable estimate of future contingent rentals. If lease rental and tax increment

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revenues are not sufficient for debt service, the City's pledge of public service tax would be required to be used for the repayment of the debt service.

Based on current information, management believes that the future estimated deficiencies in tax increment and lease revenues will require the use of the City's public service tax in amounts ranging as follows: \$998,100 in 2002, \$1,300,000 - \$1,600,000 in 2003, 2004 2005 and 2006. If current trends continue, additional revenues from the City will be needed in years after 2003. The City's public service (excise) tax was increased from 8.5% to 10% effective January 1, 1997. The tax is levied on electric and water service and on the purchase of natural gas. The increase in revenue is segregated into a special revenue lock box fund to cover any shortfalls in the pledged revenues for the debt service payments for the Mizner Park bonds. The City has accumulated \$5,070,952 in the special revenue lock box fund and designated \$1,600,000 of fund balance in the general fund at September 30, 2001.

8. Defeasance of Debt

In prior years, the City defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's general purpose financial statements. At September 30, 2001, \$89,640,764 of bonds outstanding is considered defeased.

9. Employee Retirement Systems

The City's pension plans are presented in accordance with GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and No. 27, "Accounting for Pensions by State and Local Governmental Employers". The objective of these statements is to enhance the understandability and usefulness of pension information included in the financial statements of state and local governmental employers. Each retirement fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Copies of the report are available in the Pension Office located in the City Hall.

Defined Benefit Plans – Plan Descriptions and Funding Policies

General Employees Pension Plan

The General Employees Pension Plan (The Plan) is a single-employer defined benefit plan administered by an eight-member Board of Trustees which covers all City employees except police, fire, and management employees. The Plan was established by Ordinance 1806, adopted April 17, 1973, by City Council. The Plan is also governed by Chapter 112, Florida Statutes.

The single-employer defined benefit plan is divided into Plan A and Plan B. Employees hired after September 30, 1987, are enrolled in Plan B. Employees hired prior to October 1, 1987, are enrolled in Plan A, and were given the one-time option of transferring to Plan B. On an ongoing basis, all

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assets accumulated for the payment of benefits may legally be used to pay benefits to members or beneficiaries of both Plan A and Plan B.

Plan A participants may retire after attaining the earlier of age 65, age 57 with completion of 20 years of continuous service or when age, plus service, equals 68 (Rule of 68 - minimum age 50, minimum service 15). The monthly benefit is equal to 2.5% of average monthly earnings (averaged over 60 months) for each year of continuous service.

Plan B participants may retire after attaining the earlier of age 65, age 62 with completion of 20 years of continuous service or when age, plus service, equals 68 (same Rule of 68 as for Plan A). The monthly benefit is equal to 1.5% of average monthly earnings (averaged over 60 months) for each year of continuous service. The plan permits early retirement for all participants at the age of 52 and the completion of 10 years of continuous service.

Active employees who become disabled receive 60% of the monthly earnings in effect at the time of disability, reduced by any public disability benefits to which the member is entitled. Disability benefits are paid until the earlier of death, recovery, or the end of the maximum benefit period. The maximum benefit period is until age 65 if the member became disabled prior to attainment of age 60 or for 60 months if the member became disabled after the attainment of age 60.

If any employee dies while an active member or on disability, the benefit is equal to 3.5 times the member's annual earnings as of the date of death. The beneficiary receives an initial lump sum followed by monthly payments until the designated amount is paid in full. Interest, at a rate determined by the Board each fiscal year, is credited on the unpaid balance. If a member's employment is terminated before he or she becomes eligible for any other benefits under this plan, the member's contributions will be refunded with interest, which is credited at 3% per year compounded annually.

If a member terminates his employment either voluntarily or by lawful discharge after the completion of at least 10 years of continuous service, but before becoming eligible for retirement under this plan, he shall be entitled to a deferred vested benefit. The deferred vested benefit shall be based on average monthly earnings and continuous service as of the termination date and will be payable at the member's normal retirement date. The member may elect reduced benefits payable on or after his or her early retirement date, with such benefit being reduced by 5/12 of 1% for each month by which the commencement date precedes the normal retirement date.

Police and Firefighters Retirement System

The Police and Firefighters Retirement System is a single-employer defined benefit plan administered by an eight-member Board of Trustees which covers all City police officers and firefighters. The Police and Firefighters Retirement System was established by Ordinance 1806, adopted April 17, 1973, by City Council. The Plan is also governed by Chapters 112, 175, and 185, Florida Statutes.

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Police officers completing 20 or more continuous years of service, or age 55 with 10 years of continuous service, are entitled to monthly benefits at 3.25% of their average monthly earnings for each year of continuous service up to a maximum of 75% with a 3% biennial cost of living increase after three years of retirement. Active employees who become disabled receive 75% of the average monthly earnings. Police officers retiring after October 1, 1999, receive a \$10 monthly supplement per year of service.

Firefighters completing 20 or more continuous years of service, or age 55 with 10 years of service, are entitled to monthly benefits of 3.25% of their average monthly earnings for each year of continuous service up to a maximum of 100% with a 3% annual cost increase after one year of retirement but not earlier than age 52. In addition, the participant will receive a supplement of \$10 a month per year of service. Non-duty death or disability retirees will receive the COLA at age 52 if they have completed 20 years of service. Vested terminations will not get the COLA. Retirees and beneficiaries receiving benefits as of July 14, 1992, will receive a 3% annual cost of living increase beginning October 1, 1992.

Police officers and firefighters who have reached normal retirement age may elect to participate in the Deferred Retirement Option Plan (D.R.O.P.). They will remain active employees of the City, but will no longer contribute to the Police and Firefighters' Retirement System. Their benefits will remain frozen and continue to accrue interest until they retire from the City, at which time D.R.O.P. benefits will be paid. Maximum duration of participation is five years.

Active employees who become disabled receive 75% of the average monthly earnings. Disability benefits are paid until the earlier of death or recovery from disability. The maximum pension including social security and workers compensation is 100% of salary at disability. If an active employee dies, his beneficiary receives a \$5,000 lump sum benefit payment plus a maximum monthly benefit equal to 90% of the member's average monthly earnings until the beneficiary's death. If an employee terminates his employment with the police and firefighters and is not eligible for any other benefits under the system, he is entitled to the following:

- . with less than ten years of continuous service, a refund of member contribution plus 3% interest.
- . with ten or more years of continuous service, the pension accrued to the date of termination, payable commencing at his or her normal retirement date or a lump sum refund of member contribution plus 3% interest.

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Pension Information

City contributions are determined by annual actuarial valuations adopted by the Board of Trustees for the respective plans.

The City's annual pension cost and related information for the current year is as follows:

	<u>General</u> <u>Employees</u>	<u>Police and</u> <u>Firefighters</u>
Contribution Rates:		
City		4.67%
Plan A General	7.43%	
Plan B General	9.82%	
State of Florida	0.00%	17.17%
Employees		
Plan A General	6.65%	
Plan B General	3.85%	
Police		9.73%
Fire		9.20%
Annual Pension Cost	\$2,222,000	\$3,056,035
Contribution Made	\$2,132,060	\$2,418,781
Actuarial Valuation Date	10/01/1999	10/01/1999
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	40 Years	14 to 30 Years
Asset Valuation Method	4 Year Smoothed Average	4 Year Smoothed Average
Actuarial Assumptions:		
Investment Rate of Return	7.5%	8.0%
Projected Salary Increases	6.4% to 9.8%	4.5% to 7.5%
Includes Inflation at	4.5%	5.0%
Cost of Living Adjustment	None	
Police		3.0% Bi-annually
Fire		3.0% Annually

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Annual Pension Cost and Net Pension Obligation

Annual Pension Cost (APC) is a measure of the periodic cost of an employer's participation in a defined benefit pension plan.

The APC for the General Employees and Police and Firefighters plans for the last three fiscal years is as follows:

Fiscal Year Ended in	General Employees			Police and Firefighters		
	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
1999	\$1,839,000	104%	(68,300)	\$3,519,871	114%	\$(3,319,985)
2000	\$2,222,000	102%	(104,285)	\$3,065,245	92%	\$(3,083,355)
2001	\$2,222,000	96%	(14,345)	\$3,056,035	83%	\$(2,446,101)

The annual pension cost and net pension obligation for each retirement system and for the fiscal year ended September 30, 2001, is presented as follows:

	General Employees	Police and Firefighters
Annual Required Contribution ("ARC")	\$2,226,000	\$ 2,915,100
Interest on Net Pension Obligation ("NPO")	(8,000)	(246,668)
Adjustments to ARC	4,000	387,603
Annual Percentage Cost	2,222,000	3,056,035
Contributions Made	<u>2,132,060</u>	<u>2,418,781</u>
Increase (Decrease) in NPO	89,940	637,254
NPO-Beginning of Year	<u>(104,285)</u>	<u>(3,083,355)</u>
NPO-Ending of Year	<u>\$ (14,345)</u>	<u>\$ (2,446,101)</u>

Current Membership

Current membership, at September 30, 2001 in both the General Employees Pension Plan and Police and Firefighter's Retirement System, is comprised of the following:

	General Employees Pension Plan	Police and Firefighters Retirement System
Retirees and beneficiaries currently receiving benefits	281	166
Vested terminated employees	36	8
Active employees:		
Fully-vested	325	138
Non-vested	352	126

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Summary of Significant Accounting Policies and Plan Asset Matters:

Investments and Investment Income:

Investments for both plans are initially recorded on the trade date. Investments are valued at fair value. Fair values of corporate investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; corporate bonds are valued per national bond guides, and government securities are at current quotes from published sources.

Investment policies are determined by the Boards of Trustees and are implemented by investment advisors. Net appreciation or depreciation in the fair value of investments represents realized gains and losses and the effects of adjusting the investment portfolio to fair value at fiscal year end.

Significant Investments:

There are no individual investments (other than U.S. Government and U.S. Government-Guaranteed Obligations), at fair value, that represent 5% or more of the net assets available for benefits in either the General Employees' Pension Plan or the Police and Firefighters' Retirement System.

Administrative Expenses:

The City of Boca Raton provides the plans' office space in City Hall without receiving compensation. Administrative costs paid by the Plans include services of administrative personnel, bank charges, investment counsel charges, actuarial costs, insurance expense, any approved medical expenses and miscellaneous office expenses.

Required Supplementary Information

The Schedule of Funding Progress and Schedule of Employer Contributions for the past six consecutive fiscal years for the General Employees' Pension Plan and for the Police and Firefighters' Retirement System may be found on pages 43 through 44 of the City's Comprehensive Annual Financial Report.

Plan Termination

In the event the Plan is terminated or contributions under the Plan are discontinued, each employee will have a non-forfeitable right to the benefits accrued and/or funded to the date of Plan termination or contribution discontinuance.

10. Segment Information - Enterprise Funds

The City maintains four enterprise funds. The Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City and some residents of Palm Beach County. The Cemetery Fund accounts for the operation of the City's cemetery and mausoleum. The Golf Course Fund accounts for the operation of the City's golf courses. The Stormwater Utility Fund accounts for the provision of stormwater maintenance and capital improvements to the residents of the City. The following is a list of key segment information for the Enterprise Funds:

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	<u>Water and Sewer</u>	<u>Cemetery</u>	<u>Golf Courses</u>	<u>Stormwater Utility</u>	<u>Total</u>
Operating revenue	\$32,383,486	\$251,625	\$ 2,106,698	\$1,989,674	\$36,731,483
Depreciation expense	6,292,608	68,081	268,932	119,166	6,748,787
Operating income (loss)	3,527,963	(208,788)	(46,384)	1,087,570	4,360,361
Capital Contributions	1,361,798				1,361,798
Operating Transfers In	-	150,200	-	-	150,200
Operating Transfers out	(485,500)	-	(18,200)	(112,600)	(616,300)
Net income (loss)	12,077,791	(53,199)	104,723	1,280,537	13,409,852
Plant, property and equipment:					
Additions	11,880,400	63,897	247,833	2,761,057	14,953,187
Deletions	4,065,154	5,903	28,970	-	4,100,027
Net working capital	5,519,927	23,996	(513,122)	4,585,529	9,616,330
Bonds payable, current portion	4,870,000	-	318,337	-	5,188,337
Bonds and other long-term liabilities payable from operating revenue, net	62,041,010	-	132,424	-	62,173,434
Total fund equity	196,980,028	1,557,031	4,053,817	10,604,485	213,195,361
Total assets	\$271,878,169	\$1,654,760	\$5,070,697	\$11,156,709	\$289,760,335

11. Interfund Receivable and Payable Balances

The following is a summary of interfund receivable and payable balances at September 30, 2001:

<u>Fund</u>	<u>Due From Interfund Receivable</u>	<u>Due to Interfund Payable</u>
General Fund	\$ 2,591,235	
Special Revenue Funds:		
Community Development Block Grant		\$ 242,840
Beach and Park Operations		1,220,521
Enterprise Funds:		
Water and Sewer Fund		1,127,874
Total	<u>\$ 2,591,235</u>	<u>\$ 2,591,235</u>

12. Interfund Transfer Reconciliation

<u>Transfer from</u>	<u>Transfer to</u>					<u>Enterprise</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Internal Service</u>		
General	\$ -	\$ 3,441,907		\$ 853,994	\$ 1,182,600		\$ 5,478,501
Special Revenue	-	-	7,636,985	-	50,000		7,686,985
Debt Service	350,000	-	-	-	-		350,000
Capital Project	-	-	3,961,600	-	708,000		4,669,600
Enterprise	16,000	-	-	137,500	462,800		616,300
Trust Fund						150,200	150,200
Internal Service	-	-	-	800,000	-		800,000
Total	<u>\$ 366,000</u>	<u>\$ 3,441,907</u>	<u>\$ 11,598,585</u>	<u>\$ 1,791,494</u>	<u>\$ 2,403,400</u>	<u>\$ 150,200</u>	<u>\$ 19,751,586</u>

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13. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, might constitute a liability of the applicable funds. It is Management's opinion that there are not any significant contingent liabilities relating to these grants.

The City is a defendant in various lawsuits at September 30, 2001. The estimated liability for probable losses, as a result of the lawsuits, was determined based on advice from legal counsel after giving consideration for insurance coverage and, in certain instances, the Florida statutory limitations of governmental liability, and is included in the estimated liability for self-insured claims in the internal service fund (see Note 15). Although the ultimate outcome of these lawsuits is not presently determinable, it is the opinion of management, based on advice from legal counsel, that the amount of losses resulting from the above litigation in excess of the amount accrued as of September 30, 2001, would not have a material adverse effect on the financial position of the City.

14. Self-Insurance Programs

The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1988, the City established a Self-Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. Under this program the City has established three programs, Workers Compensation, Employees Health and General and Automobile Liability.

The City is fully self-insured for workers' compensation, general liability, automobile liability, employee liability, police professional liability and errors and omissions. The City purchases commercial insurance for property damage up to \$49,000,000, after deductibles ranging from \$25,000 to \$1,000,000. Employee health is self-insured up to \$250,000 per person. There were no significant changes in insurance coverage from the prior year and the amount of settlements did not exceed the insurance coverage for each of the past three years.

All funds of the City participate in the program and make payments to the Self-Insurance Fund based on actuarial estimates of amounts needed to pay prior and current year claims. The claims liability of \$7,442,000 reported in the Fund at September 30, 2001 is based on the requirements of GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A discount rate of 5.0% is assumed.

The City's estimated liability for self-insured losses was determined by an independent actuarial valuation performed as of September 30, 2001. Liabilities, as determined by the actuary, include an amount for claims incurred but not reported (IBNR). Claims liabilities are calculated considering

CITY OF BOCA RATON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The liability for self-insured losses are based on estimates and the ultimate settlement of the claims may differ from the amounts recorded. The estimated liability at September 30, 2001, is as follows:

<u>Type</u>	<u>Liability at September 30, 2000</u>	<u>Liability at September 30, 2001</u>
Workers Compensation	\$3,197,000	\$ 3,197,000
Employee Health	640,000	640,000
General and Automobile Liability	<u>3,572,000</u>	<u>3,605,000</u>
Total	<u>\$7,409,000</u>	<u>\$ 7,442,000</u>

Changes in the estimated liability for the fiscal years ended September 30, 2000 and 2001 are as follows:

	<u>Liability October 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability September 30</u>
2000	8,218,000	4,715,234	5,524,234	7,409,000
2001	7,409,000	6,299,984	6,266,984	7,442,000

15. Capital Lease Obligation

In June 2000, the City entered into a lease agreement for golf carts. The asset and liability have been recorded in the Golf Course Enterprise Fund. Under the terms of the new agreement, which are accounted for as a capital lease, the City will pay minimum monthly payments of \$4,326 including interest at 7.001% over a period of 48 months.

Annual future minimum lease payments, together with the present value of minimum lease payments, are as follows:

<u>Year ending September 30</u>	<u>Amount</u>
2002	\$ 51,916
2003	51,916
2004	<u>108,410</u>
Total minimum lease payments	212,242
Less amount representing interest	<u>25,380</u>
Present value of minimum lease payments	<u>\$186,862</u>

CITY OF BOCA RATON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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16. Subsequent Event

On October 15, 2001, the city borrowed \$5,635,000 of the proceeds of the First Florida Governmental Financing Commission Refunding Revenue Bonds, Series 2001B Bonds for the purpose of advance refunding certain outstanding First Florida Governmental Financing Commission Revenue Bonds, Series 1994A. A portion of the proceeds of the Series 2001B Bonds will be applied to pay the city's portion of the costs and expenses of issuing the Series 2001B bonds. The portion of the proceeds of the Service 2001B Bonds used to advance refund the Boca Raton Refunded Bonds will be repaid in annual debt service payments over the next thirteen years. The Series 2001B Bonds were issued at interest rates ranging from 3.00% to 5.50%. Annual principal payments of the 2001 bonds will commence on July 1, 2002. The advance refunding was completed in order to reduce the City's total debt service payments over the life of the bonds by \$762,990 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$587,498.

**CITY OF BOCA RATON, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended September 30</u>	<u>Contribution Rates as Percents of Valuation Payroll</u>	<u>Annual Required Contribution Based on Actual Payroll</u>	<u>Percentage Contributed</u>
General Employees' Pension Plan			
1996	11.59%	\$2,243,355	100%
1997	10.88%	2,170,549	100%
1998	10.44%	2,167,569	100%
1999	8.91%	1,839,000	104%
2000	9.65%	2,224,000	102%
2001	8.75%	2,226,000	96%
Police and Firefighters' Retirement System			
1996	27.69%	\$3,062,219	100%
1997	30.70%	3,571,838	100%
1998	29.84%	3,591,929	100%
1999	26.48%	3,388,745	100%
2000	21.99%	2,897,888	100%
2001	17.17%	2,915,100	100%

**CITY OF BOCA RATON, FLORIDA
ALL ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN RETAINED EARNINGS**

for the fiscal year ended September 30, 2001
(with comparative totals for the fiscal year ended September 30, 2000)

	Water and	Cemetery	Golf	Stormwater	Totals	
	Sewer		Course	Utility	2001	2000
Operating Revenue:						
Water sales	\$18,706,676				\$18,706,676	\$20,836,901
Sewer service charges	11,691,594				11,691,594	11,325,655
Installation charges	67,997				67,997	62,538
Sale of cemetery plots		\$93,776			93,776	103,315
Stormwater Fees				\$1,989,674	1,989,674	1,966,865
Other	1,917,219	157,849			2,075,068	1,846,528
Golf course revenue			\$2,106,698		2,106,698	2,183,464
Total operating revenue	<u>32,383,486</u>	<u>251,625</u>	<u>2,106,698</u>	<u>1,989,674</u>	<u>36,731,483</u>	<u>38,325,266</u>
Operating Expenses:						
Water:						
Personal services	4,056,038				4,056,038	3,686,668
Materials and supplies	1,895,928				1,895,928	2,166,109
Other services and charges	5,863,417				5,863,417	5,883,790
	<u>11,815,383</u>				<u>11,815,383</u>	<u>11,736,567</u>
Sewer:						
Personal services	1,988,130				1,988,130	1,986,548
Materials and supplies	770,128				770,128	709,338
Other services and charges	1,308,936				1,308,936	1,085,341
	<u>4,067,194</u>				<u>4,067,194</u>	<u>3,781,227</u>
Cemetery:						
Personal services		232,972			232,972	222,386
Materials and supplies		19,573			19,573	14,160
Other services and charges		139,787			139,787	146,252
		<u>392,332</u>			<u>392,332</u>	<u>382,798</u>
Golf Course:						
Personal services			1,089,644		1,089,644	1,055,090
Materials and supplies			222,787		222,787	250,937
Other services and charges			563,648		563,648	558,448
			<u>1,876,079</u>		<u>1,876,079</u>	<u>1,864,475</u>
Stormwater:						
Personal services				388,123	388,123	323,802
Materials and supplies				3,642	3,642	3,883
Other services and charges				391,173	391,173	288,717
				<u>782,938</u>	<u>782,938</u>	<u>616,402</u>
Depreciation	6,292,608	68,081	268,932	119,166	6,748,787	6,528,157
General and administrative charges	6,680,338		8,071		6,688,409	5,481,084
Total operating charges	<u>28,855,523</u>	<u>460,413</u>	<u>2,153,082</u>	<u>902,104</u>	<u>32,371,122</u>	<u>30,390,710</u>
Operating income (loss)	<u>3,527,963</u>	<u>(208,788)</u>	<u>(46,384)</u>	<u>1,087,570</u>	<u>4,360,361</u>	<u>7,934,556</u>
Non-operating revenue (expenses):						
Interest revenue	4,017,586	5,389	69,195	305,567	4,397,737	4,538,861
Interest expense	(2,451,404)		(48,038)		(2,499,442)	(2,597,244)
System development charges	6,115,780		149,461		6,265,241	1,486,628
Gain (loss) on disposal of fixed assets	(8,432)		(1,311)		(9,743)	62,367
Total non-operating revenue	<u>7,673,530</u>	<u>5,389</u>	<u>169,307</u>	<u>305,567</u>	<u>8,153,793</u>	<u>3,490,612</u>
Income (loss) before operating transfers and capital contributions	<u>11,201,493</u>	<u>(203,399)</u>	<u>122,923</u>	<u>1,393,137</u>	<u>12,514,154</u>	<u>11,425,168</u>
Capital Contributions	1,361,798				1,361,798	
Operating transfers in		150,200			150,200	
Operating transfers out	(485,500)		(18,200)	(112,600)	(616,300)	(15,743,200)
Net Income (loss)	12,077,791	(53,199)	104,723	1,280,537	13,409,852	(4,318,032)
Retained earnings at beginning of year	102,125,543	56,657	3,476,819	9,323,948	114,982,967	119,300,999
Retained earnings at end of year	<u>\$114,203,334</u>	<u>\$3,458</u>	<u>\$3,581,542</u>	<u>\$10,604,485</u>	<u>\$128,392,819</u>	<u>#####</u>