

**DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Prepared by the
Finance Department

DRAFT

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

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INDEPENDENT AUDITORS' REPORT

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners and CRA Director
Delray Beach Community Redevelopment Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund and the discretely presented component unit of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CRA's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and discretely presented component unit of the CRA, as of September 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information¹⁰

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 12, the budgetary comparison schedule on pages 48 through 54, and the Schedule of OPEB Cost-Sharing Allocation on page 55 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CRA's financial statements. The Block 60 Parking Condominium Association, Inc.'s statement of net position, statement of activities, statement of cash flows and schedule of revenues and expenses – budget and actual on pages 56-59 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **June XX**, 2023 on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRA's internal control over financial reporting and compliance.

West Palm Beach, FL
June XX, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)**

DRAFT

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Acting in our capacity as the management of the Delray Beach Community Redevelopment Agency (the “CRA”), we offer readers of the CRA’s financial statements this narrative overview and analysis of the financial activities of the CRA for the fiscal year ended September 30, 2022.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$74,391,981 (*net position*).
- The CRA’s total net position increased \$12,925,125. Substantially all of this increase is attributable to tax increment revenue and offset by a loss on the sale of capital assets in excess of redevelopment expenses.
- As of the close of the current fiscal year, the CRA’s General Fund reported ending fund balance of \$39,986,393, an increase of \$9,887,255. Fund balance of \$4,044,362 or 10% is nonspendable for long-term receivables and prepaids; \$30,001,648 or 75% was assigned to the subsequent year’s budget; and \$5,940,383 or 15% is unassigned.
- The CRA had an increase of leases receivable and deferred inflows of resources of \$2,690,946 due to the implementation of GASB Statement No. 87 (Leases).
- The CRA’s total noncurrent liabilities decreased by \$1,693,655 during the current fiscal year primarily due to scheduled debt repayments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CRA’s financial statements. The financial statements of the CRA comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains supplementary information in addition to the financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the CRA’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the CRA’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CRA is improving or deteriorating.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

The *statement of activities* presents information showing how the CRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flow*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements present functions of the CRA that are principally supported by tax increment revenues (*governmental activities*). The governmental activities of the CRA include general government, property management and economic development. The CRA has no business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the CRA itself (known as the *primary government*), but also one legally separate not-for-profit organization for which the CRA is financially accountable (presented as a discretely presented *component unit*), the Block 60 Parking Condominium Association, Inc. Financial information for the component unit is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The CRA utilizes only one fund, the *General Fund*, which is classified as a *governmental* fund and accounts for all financial resources of the CRA.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the CRA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the *governmental fund* and *governmental activities*.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

The governmental fund financial statements can be found on pages 15 and 17 of this report. The reconciliation between the governmental fund balance sheet to the statement of activities can be found on page 16 and a reconciliation of the changes in fund balance and the governmental activities change in net position can be found on page 18.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 47 of this report.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's budget to actual results for the General Fund for the current fiscal year, as well as a cost-sharing allocation for OPEB. The CRA adopts an annual appropriated budget for its General Fund, for which a budgetary comparison schedule and an accompanying note has been provided on pages 48 to 54 to demonstrate compliance with this budget. In addition, separate financial statements for the CRA's component unit, the Block 60 Parking Condominium Association, Inc., are presented as *supplementary information* on pages 56 to 59.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$74,391,981 at the close of the most recent fiscal year.

Approximately 48% of the CRA's net position reflects its net investment in capital assets (e.g., land, improvements and equipment). The CRA uses these capital assets for economic development; consequently, these assets are *not* immediately available for future spending, however, certain of the capital assets may be sold for private development in the future and the proceeds used for additional redevelopment projects or repayment of the related debt. Although the CRA's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt may be provided from the sale of certain capital assets, as well as future tax increment revenues and other income.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

The CRA’s net position at September 30, 2022 and 2021 is summarized below:

SUMMARY OF NET POSITION
SEPTEMBER 30, 2022 AND 2021

| | 2022 | 2021 | (\$) Change | % Change |
|---------------------------------------|----------------------|----------------------|----------------------|-------------|
| Assets | | | | |
| Current and other assets | \$ 46,333,751 | \$ 34,382,098 | \$ 11,951,653 | 35% |
| Capital assets, net | <u>37,371,400</u> | <u>35,979,783</u> | <u>1,391,617</u> | 4% |
| Total Assets | <u>83,705,151</u> | <u>70,361,881</u> | <u>13,343,270</u> | 19% |
| Deferred Outflows of Resources | <u>94,067</u> | <u>71,959</u> | <u>22,108</u> | |
| Liabilities | | | | |
| Noncurrent liabilities | 2,825,845 | 4,519,510 | (1,693,665) | -37% |
| Other liabilities | <u>3,694,604</u> | <u>4,333,731</u> | <u>(639,127)</u> | -15% |
| Total Liabilities | <u>6,520,449</u> | <u>8,853,241</u> | <u>(2,332,792)</u> | -26% |
| Deferred Inflows of Resources | <u>2,886,788</u> | <u>113,743</u> | <u>2,773,045</u> | |
| Net Position | | | | |
| Net investment in capital assets | 35,523,653 | 34,370,794 | 1,152,859 | 3% |
| Unrestricted | <u>38,868,328</u> | <u>27,096,062</u> | <u>11,772,266</u> | 43% |
| Total Net Position | <u>\$ 74,391,981</u> | <u>\$ 61,466,856</u> | <u>\$ 12,925,125</u> | 21% |

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 48% of the CRA’s net position reflects its net investment in capital assets (e.g., land, improvements and equipment). The remaining balance of net position of \$38,868,328 or 52% may be used to fund the CRA’s ongoing redevelopment projects and to pay creditors.

The CRA saw an increase in deferred outflows, deferred inflows and other liabilities due to the implementation of GASB Statement No. 87, *Leases*, to record leases (right-to-use asset) on the statement of net position that were previous considered operating leases and participation in the City’s other post-employment benefit plan (“OPEB”) during the fiscal year. Additionally, the significant decrease in noncurrent liabilities is due to debt service payments made during the fiscal year.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

The CRA's net position increased by \$12,925,125 during the current fiscal year, which primarily represents the degree to which tax increment revenues exceeded current year expenses. There was an increase of \$8,032 in net position reported in connection with the CRA's component unit, the Block 60 Parking Condominium Association, Inc.

Governmental activities. Governmental activities increased the CRA's net position by \$12,925,125. Key elements of this increase are as follows.

SUMMARY OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | 2022 | 2021 | (\$) Change | % Change |
|---------------------------------------|----------------------|----------------------|----------------------|-------------|
| Revenues | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 259,474 | \$ 301,002 | \$ (41,528) | -14% |
| Operating contributions and grants | 129,675 | 61,350 | 68,325 | 111% |
| General revenue: | | | | |
| Tax increment revenue | 27,584,441 | 26,500,852 | 1,083,589 | 4% |
| Gain (loss) on sale of capital assets | (1,252,740) | 1,611,970 | (2,864,710) | -178% |
| Lease revenue | 80,744 | -- | 80,744 | 0% |
| Interest and other income | 119,037 | 45,598 | 73,439 | 161% |
| Total Revenues | <u>26,920,631</u> | <u>28,520,772</u> | <u>(1,600,141)</u> | -6% |
| Expenses | | | | |
| General government | 1,898,461 | 2,253,536 | (355,075) | -16% |
| Property management | 112,662 | 112,662 | -- | 0% |
| Economic development | 11,984,383 | 20,147,935 | (8,163,552) | -41% |
| Total Expenses | <u>13,995,506</u> | <u>22,514,133</u> | <u>(8,518,627)</u> | -38% |
| Change in Net Position | 12,925,125 | 6,006,639 | 6,918,486 | 115% |
| Net Position | | | | |
| Beginning of year | <u>61,466,856</u> | <u>55,460,217</u> | <u>6,006,639</u> | 11% |
| End of year | <u>\$ 74,391,981</u> | <u>\$ 61,466,856</u> | <u>\$ 12,925,125</u> | 21% |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Tax increment revenues increased by \$1,083,589 or approximately 4% for the year. Property values in the CRA’s development area increased by approximately \$99.6 million or 4% in 2022, accounting for the increase in tax increment revenue.

General government expenses decreased approximately \$355,074 (16%) in part due to the change in total OPEB liability and related deferred outflows and inflows.

The CRA’s economic development expenses include the following for fiscal year ended September 30, 2022:

| | |
|---------------------------------|--------------|
| 98 N.W. 5 th Avenue | \$ 1,860,091 |
| Island Cove Affordable Housing | \$ 1,000,000 |
| Osceola Neighborhood & Plan | \$ 642,052 |
| City - Clean & Safe Program | \$ 2,910,231 |
| City – N.W. Neighborhood Design | \$ 1,600,000 |

Financial Analysis of the Governmental Fund

As noted earlier, the CRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The CRA has only one governmental fund, the General Fund. The focus of this *governmental fund* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the CRA’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned for the subsequent year’s budget* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the CRA’s governmental fund reported ending fund balance of \$39,986,393, an increase of \$9,887,255 for the fiscal year. A total of \$4,044,362 or 10.1% of the total fund balance is *nonspendable* to indicate that it is not available for new spending because it represents long-term receivables and prepaids. In addition, there is \$30,001,648 of fund balance *assigned* for the 2022/2023 budget and unassigned fund balance of \$5,940,383 that is available to fund the CRA’s ongoing redevelopment projects and pay its creditors.

As a measure of the General Fund’s liquidity, it may be useful to compare assigned and unassigned fund balance to total fund expenditures. Assigned and unassigned fund balance at September 30, 2022, represented 202% of total General Fund expenditures for fiscal year 2022.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

The \$9,887,255 increase in fund balance for the General Fund in fiscal year 2022 was primarily related to the increase in tax increment revenues of approximately \$1,100,000 and decreases in economic development expenditures of approximately \$4,700,000 mostly due to reductions in the Osceola Park Neighborhood Plan.

General Fund Budgetary Highlights

During fiscal year 2022, total revenues and other financing sources were under budgetary estimates by approximately \$318,000. Overall, final budgeted expenditures were approximately \$473,000 less than the actual expenditures for the fiscal year ended September 30, 2022. This was largely due to expenditures being under budget for Areawide and Neighborhood Plans and Redevelopment Projects offset by over budget expenditures in General Government. There was a decrease of approximately \$31.2 million from the original budgeted expenditures to the final amended budget for the fiscal year; attributable primarily to construction and redevelopment projects that were not started.

Capital Asset and Debt Administration

Capital assets. The CRA’s investment in capital assets as of September 30, 2022, amounts to \$37,371,400 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, equipment, and furniture and fixtures. Major capital asset transactions during fiscal year 2022 consisted of capital outlay expenditures of approximately \$3.6 million net of sales and disposals of various properties of approximately \$1.9 million and depreciation of approximately \$309,000. Capital assets at September 30, 2022 and 2021 are summarized as follows:

SCHEDULE OF CAPITAL ASSETS
(NET OF DEPRECIATION)

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Land and improvements | \$ 27,988,736 | \$ 28,888,093 |
| Construction in progress | 3,095,578 | 495,712 |
| Buildings and improvements, furniture and fixtures, and equipment | <u>6,287,086</u> | <u>6,595,978</u> |
| Totals | <u>\$ 37,371,400</u> | <u>\$ 35,979,783</u> |

Additional information on the CRA’s capital assets can be found in Note 9 to the audited financial statements.

**DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Noncurrent Liabilities. At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$1,847,747, which were secured by a pledge of the tax increment revenues received by the CRA. The CRA also had a note payable to the City of Delray Beach totaling \$722,838 for the CRA’s contribution to the City’s U.S. Highway 1 project. Noncurrent liabilities at September 30, 2022 and 2021 are summarized as follows:

NONCURRENT LIABILITIES

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Revenue bonds | \$ 1,847,747 | \$ 3,044,731 |
| Note payable to the City of Delray Beach | 722,838 | 1,084,257 |
| Total Noncurrent Liabilities | \$ 2,570,585 | \$ 4,128,988 |

The CRA’s total noncurrent liabilities decreased by \$1,558,403 (37.7%) during the current fiscal year due to scheduled payments on the bonds and a note payable. There are no legal or statutory debt limitations for the CRA. Additional information on the CRA’s long-term debt can be found in Note 10 to the financial statements.

Economic Factors and Next Year’s Budget

The following economic factors were considered in establishing the CRA’s budget for the 2022/2023 fiscal year.

- The property valuations in the CRA district increased approximately \$100 million in 2023, which is an increase of approximately 4%. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2023 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund increased in fiscal year 2022 by \$9,887,255 due primarily to the increase in tax increment revenues. The CRA has assigned approximately \$30 million of the fund balance at September 30, 2023, to the 2022/2023 budget for ongoing projects.
- The occupancy rate of the CRA’s central business district on East Atlantic Avenue has remained high for several years.
- Inflationary and economic trends in the area compare favorably to national indices.

All of these factors were considered in preparing the CRA’s budget for the 2022/2023 fiscal year.

**DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Requests for Information

This financial report is designed to provide a general overview of the CRA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director at 20 N. Swinton Avenue, Delray Beach, Florida, 33444.

FINANCIAL STATEMENTS

DRAFT

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

| | Primary Government <u>Governmental Activities</u> | Discretely Presented <u>Component Unit</u> |
|--|---|--|
| Assets | | |
| Cash | \$ 38,996,945 | \$ 18,201 |
| Investments | 7,304 | -- |
| Accounts receivable: | | |
| Block 60 | 4,870 | -- |
| Rental and Other | 32,168 | 8,213 |
| Prepaid items | 5,431 | -- |
| Leases receivable | 2,690,946 | -- |
| Notes receivable: | | |
| Delray Beach Community Land Trust | 325,249 | -- |
| Delray Beach Chamber of Commerce | 153,048 | -- |
| Village Square Elderly, Ltd. | 2,625,000 | -- |
| Hatcher Construction & Development, Inc. | 553,115 | -- |
| Second mortgage loans | 935,634 | -- |
| Other assets | 4,041 | -- |
| Capital assets: | | |
| Capital assets not being depreciated | 31,084,314 | -- |
| Depreciable capital assets, net | 6,287,086 | -- |
| Total Assets | 83,705,151 | 26,414 |
| Deferred Outflows of Resources | | |
| Deferred amounts related to other post employment benefits | 94,067 | -- |
| Liabilities | | |
| Accounts payable | 1,288,077 | 5,280 |
| Accrued liabilities | 172,095 | -- |
| Due to the City of Delray Beach | 2,216,433 | -- |
| Refundable deposits and other | 17,999 | -- |
| Noncurrent liabilities: | | |
| Total OPEB liability | 255,260 | -- |
| Due within one year | 1,589,152 | -- |
| Due in more than one year | 981,433 | -- |
| Total Liabilities | 6,520,449 | 5,280 |
| Deferred Inflows of Resources | | |
| Leases | 2,690,946 | |
| Deferred amounts related to other post employment benefits | 195,842 | -- |
| | 2,886,788 | -- |
| Net Position | | |
| Net investment in capital assets | 35,523,653 | -- |
| Unrestricted | 38,868,328 | 21,134 |
| Total Net Position | \$ 74,391,981 | \$ 21,134 |

The accompanying notes are an integral part of these financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| Functions/Programs | Expenses | Program Revenue | | Net Revenue (Expenses) and Changes in Net Position | |
|---------------------------------|----------------------|----------------------|------------------------------------|--|-------------------------------------|
| | | Charges for Services | Operating Contributions and Grants | Primary Governmental Activities | Discretely Presented Component Unit |
| Primary Government | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,898,461 | \$ -- | \$ -- | \$ (1,898,461) | \$ -- |
| Property management | 112,662 | 215,948 | -- | 103,286 | -- |
| Economic development | 11,984,383 | 43,526 | 129,675 | (11,811,182) | -- |
| Total Primary Government | \$ 13,995,506 | \$ 259,474 | \$ 129,675 | (13,606,357) | -- |
| Component Unit | | | | | |
| Block 60 Parking Condominium | \$ 8,005 | \$ 16,023 | \$ -- | -- | 8,018 |
| General Revenues | | | | | |
| | | | | 27,584,441 | -- |
| | | | | (1,252,740) | -- |
| | | | | 80,744 | -- |
| | | | | 119,037 | 14 |
| Total General Revenues | | | | 26,531,482 | 14 |
| Change in Net Position | | | | 12,925,125 | 8,032 |
| Net Position - Beginning | | | | 61,466,856 | 13,102 |
| Net Position - Ending | | | | \$ 74,391,981 | \$ 21,134 |

The accompanying notes are an integral part of these financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BALANCE SHEET
GOVERNMENTAL FUND

SEPTEMBER 30, 2022

| | General Fund |
|--|----------------------|
| Assets | |
| Cash | \$ 38,996,945 |
| Investments | 7,304 |
| Accounts receivable: | |
| Block 60 | 4,870 |
| Rental and other | 32,168 |
| Prepaid items | 5,431 |
| Leases receivable | 2,690,946 |
| Notes receivable: | |
| Delray Beach Community Land Trust | 325,249 |
| Delray Beach Chamber of Commerce | 153,048 |
| Village Square Elderly, Ltd. | 2,625,000 |
| Hatcher Construction & Development, Inc. | 553,115 |
| Second mortgage loans | 935,634 |
| Other assets | 4,041 |
| Total Assets | \$ 46,333,751 |
| Liabilities | |
| Accounts payable | \$ 1,288,077 |
| Accrued liabilities | 133,903 |
| Due to the City of Delray Beach | 2,216,433 |
| Refundable deposits and other | 17,999 |
| Total Liabilities | 3,656,412 |
| Deferred Inflows of Resources | |
| Leases | 2,690,946 |
| Fund Balance | |
| Nonspendable: | |
| Prepaid items | 5,431 |
| Long-term notes receivable | 4,038,931 |
| Assigned to: | |
| Subsequent year's budget | 30,001,648 |
| Unassigned | 5,940,383 |
| Total Fund Balance | 39,986,393 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 46,333,751 |

The accompanying notes are an integral part of these financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2022

| | |
|--|------------------------------------|
| Total Fund Balance - Governmental Fund | \$ 39,986,393 |
| Capital assets used in governmental activities are not financial resources and are not reported in the general fund | 37,371,400 |
| Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund | (38,192) |
| Deferred outflows and in inflows of resources related to other post employment benefits (OPEB) are reported in the statement of net positions, but not reported in the general fund. | |
| Deferred outflows related to other postemployment benefits | \$ 94,067 |
| Deferred inflows related to other postemployment benefits | <u>(195,842)</u> |
| | (101,775) |
| Long-term liabilities including are not due and payable in the current period and therefore, are not reported in the general fund. | |
| OPEB liability | (255,260) |
| Noncurrent liabilities | <u>(2,570,585)</u> |
| | <u>(2,825,845)</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 74,391,981</u></u> |

The accompanying notes are an integral part of these financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | <u>General Fund</u> |
|---|-----------------------------|
| Revenues | |
| Tax increment revenue | \$ 27,584,441 |
| Reimbursements | 129,675 |
| Property and Parking Lot Rental income | 82,377 |
| Lease revenue | 80,744 |
| Interest and other income | 119,037 |
| Green Market revenue | 43,526 |
| Arts Warehouse revenue | <u>133,571</u> |
| Total Revenues | 28,173,371 |
| Expenditures | |
| Current | |
| General government | 1,777,787 |
| Economic development | 11,869,143 |
| Capital outlay | 3,605,943 |
| Debt service | |
| Principal | 1,558,403 |
| Interest | <u>127,819</u> |
| Total Expenditures | <u>18,939,095</u> |
| Excess of Revenues Over Expenditures | <u>9,234,276</u> |
| Other Financing Sources | |
| Proceeds from sales of purchased properties | <u>652,979</u> |
| Total Other Financing Sources | <u>652,979</u> |
| Net Change in Fund Balance | 9,887,255 |
| Fund Balance - Beginning | <u>30,099,138</u> |
| Fund Balance - Ending | <u><u>\$ 39,986,393</u></u> |

The accompanying notes are an integral part of these financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balance - Governmental Fund \$ 9,887,255

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are reported as capital assets and the costs are allocated over their estimated useful lives as depreciation expense.

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 3,605,943 | |
| Net book value of disposals | (1,905,719) | |
| Current year depreciation | <u>(308,607)</u> | 1,391,617 |

| | | |
|---|--|----------|
| The net effect of other post-employment benefits (OPEB) deferred outflows/inflows | | (59,991) |
|---|--|----------|

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|-----------------|--|-----------|
| Debt repayments | | 1,558,403 |
|-----------------|--|-----------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund;

| | | |
|--------------------------------|--|---------|
| Change in total OPEB liability | | 135,262 |
|--------------------------------|--|---------|

In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental fund, an interest expenditure is reported when the payment is due. This is the net change in accrued interest payable.

| | | |
|--|--|---------------|
| | | <u>12,579</u> |
|--|--|---------------|

| | | |
|--|--|-----------------------------|
| Change in Net Position of Governmental Activities | | <u><u>\$ 12,925,125</u></u> |
|--|--|-----------------------------|

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

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

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based upon the application of these criteria, the CRA had one component unit as described below.

DISCRETELY PRESENTED COMPONENT UNIT

Block 60 Parking Condominium Association, Inc.

The CRA, as owner and developer of a 92 space parking lot in Block 60 of the City of Delray Beach, transferred control of the parking lot to a legally separate condominium association incorporated by the CRA as a Florida not-for-profit corporation on November 28, 2000 and governed by a six member board of directors elected by the owners of the 92 parking spaces. As owner of a majority of the parking spaces, the CRA has a majority voting interest in selecting the board of directors of the condominium association and the CRA is responsible for managing the day-to-day operations of the condominium association. The condominium association does not prepare separate audited financial statements; however, additional financial information can be obtained from the CRA. The condo association financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all non-fiduciary activities of the CRA and its component unit. These statements include separate columns for the *governmental activities* of the CRA, which are normally supported by tax increment and other revenue, and the activity of the legally separate *component unit* for which the CRA is financially accountable as the primary government. The CRA has no *business-type activities*. The Statement of Net Position presents the financial condition of the CRA, including all long-term assets and receivables as well as all long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes three categories of transactions: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and, (3) capital grants and contributions. Tax increment revenue and other items not meeting the definition of program revenue are reported as *general revenues*. The CRA does not allocate indirect expenses.

FUND FINANCIAL STATEMENTS

The underlying accounting system of the CRA is organized and operated on the basis of a separate fund, which is considered to be a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The CRA utilizes only one fund, the *General Fund*, which is classified as a *governmental* fund and accounts for all financial resources of the CRA as follows:

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net position and changes in net position presented in the government-wide financial statements.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Tax increment revenues are recognized as revenues in the year for which they are levied. Grants are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The CRA considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment revenues, rents and charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the CRA.

When both restricted and unrestricted resources are available for use, it is the CRA's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND INVESTMENTS

Cash and investments consist of petty cash and amounts on deposit in interest and non-interest bearing accounts with financial institutions and Florida PRIME, a state administered governmental investment pool.

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due for rental income. The CRA does not require collateral for accounts receivable. An allowance for uncollectible accounts is determined based on the age of the individual receivable, and generally an allowance is established for accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the CRA deems them uncollectible. At September 30, 2022, management considers all receivables to be fully collectible.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES RECEIVABLE

The CRA has two ground leases and two leases on real property. The CRA recognized leases receivable and a deferred inflow of resources under these leases agreement. At the commencement of the lease, the CRA initially measured the leases receivable and the deferred inflow of resources at the present value of payments expected to be received during the lease term under these lease agreements. Subsequently, the leases receivable is reduced by the principal portion of lease payments made. Key estimates related to the leases include the discount rate used to discount the expected lease payments to present value, lease term and renewals and lease payments. The CRA estimated the incremental borrowing rate as the discount rate. The CRA monitors changes in circumstances that would require a remeasurement of the leases and will remeasure the leases receivable and deferred inflows if certain changes occur that are expected to significantly affect the amount of the leases receivable.

CAPITAL ASSETS

The CRA has reported all capital assets in the government-wide statement of net position. Capital assets are defined by the CRA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, acquisition value at the date of donation. Expenditures, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the change in net position. Depreciation is computed on all reported capital assets, except land and improvements, using the straight-line method over the assets' estimated useful lives. The estimated useful life of equipment, furniture and fixtures is 3 to 7 years and buildings are 20 to 30 years.

COMPENSATED ABSENCES

Vacation leave amounts and related employer payroll taxes are accrued on a monthly basis and may be accrued up to a maximum of 240 hours. Unused vacation leave is paid upon termination of employment, if the employee has completed one year of service and provides at least a 14-day notice. Such amounts are not material to the financial statements and are paid from the general fund. Sick leave benefits are paid only when taken and may be accrued up to a maximum of 480 hours. Upon termination, sick leave is not paid out.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the government-wide Statement of Net Position and the governmental fund Balance Sheet may report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until that time. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The CRA currently reports deferred outflows and inflows related to other post employment benefits (OPEB) in the government-wide Statement of Net position as of September 30, 2022. The CRA also reports a deferred inflows of resources in the governmental fund balance sheet and the government-wide Statement of Net Position related to the unamortized portion of leases receivable.

NET POSITION/FUND BALANCE

The government-wide financial statements utilize a net position presentation, while the governmental fund financial statements report fund balance.

Net Position

Net position of the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. *Net investment in capital assets* is that portion of net position that relates to the CRA's capital assets reduced by the outstanding balance of long-term debt used to acquire the capital assets. This amount is offset by any unspent debt proceeds that are held at fiscal year-end. *Restricted net position* is that portion of net position that has constraints placed on its use by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investment in capital assets or restricted net position. There is no restricted net position reported as of September 30, 2022.

Fund Balance

In the fund financial statements, the general fund reports fund balance classifications that comprise a hierarchy based primarily on the extent to which the CRA is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION/FUND BALANCE (CONTINUED)

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

Restricted - Restricted fund balance includes amounts that are restricted to specific purposes either by 1) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or, 2) imposed by law through constitutional provisions or enabling legislation. The CRA had no restricted fund balance.

Committed - Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by the CRA's Board of Commissioners through a Board resolution. The CRA had no committed fund balance.

Assigned - Assigned fund balance includes amounts that are constrained by the CRA's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance are made by the CRA's executive director based upon direction by the CRA's Board of Commissioners or in the CRA's annual budget.

Unassigned - Unassigned fund balance includes amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

The CRA considers restricted fund balance to be spent when an expenditure is incurred for the restricted purpose. The CRA considers committed, assigned or unassigned fund balances to be spent when an expenditure is incurred for purposes for which amounts in any of those fund balance classifications could be used.

Minimum Fund Balance Policy - The CRA has not adopted a formal minimum fund balance policy. Generally, the CRA strives to maintain sufficient general fund balance to provide liquidity in the event of a budget shortfall or natural disaster.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RETIREMENT PLANS

The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code (IRC) Section 457. The plan allows an employee to contribute pre-tax wages into the employees' personal retirement accounts. The CRA may, at the discretion of the Board of Commissioners, make matching contributions to the participants' accounts. The CRA has also established a 401(a) money purchase plan for the Executive Director. The CRA makes annual contributions to the plan in accordance with the Executive Director's contract. For the fiscal year ended September 30, 2022, the CRA made contributions of \$95,042 to the employees' accounts for both the deferred compensation plan and 401(a) plan.

RISK MANAGEMENT

The CRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CRA purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. Settlements have not exceeded insurance coverage for any of the prior three fiscal years.

IMPLEMENTATION OF GASB STATEMENTS

During the fiscal year ended September 30, 2022, the CRA implemented GASB Statement No. 87, *Leases*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The CRA adopted GASB Statement No. 87, *Leases*, (GASB 87) effective October 1, 2021, which provides a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. No restatement of fund balances or net position was necessary for the CRA, as the new standard was applied prospectively. In accordance with the guidance provided in GASB 87, all lease assets, receivables, liabilities, and deferred inflows were measured and recorded using the facts and circumstances as of the date of implementation. The CRA is not a lessee on any lease agreements and, therefore, no recognition of any right-to-use asset or lease payable

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF GASB STATEMENTS (CONTINUED)

was applicable. As lessor, the CRA recognized leases receivable and deferred inflow of resources of \$2,755,669 on October 1, 2021 for the present value of the lease payments under these agreements. See Note 3 – Leases Receivable.

The implementation of GASB Statements No. 92, 93, and 97 had no significant impact on the CRA financial statements for the fiscal year ended September 30, 2022.

ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

NOTE 2 – CASH AND INVESTMENTS

CASH

Cash at September 30, 2022, includes deposits with financial institutions with a book balance of \$38,996,695, and petty cash of \$250. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a Qualified Public Depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured or collateralized. Cash balances of the component unit at September 30, 2022, are deposits with financial institutions that are fully covered by federal depository insurance.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS

The CRA follows the provisions of Florida Statutes for its investment policy. Florida Statutes authorize the CRA to invest in Florida PRIME, an external investment pool administered by the State of Florida; money market mutual funds registered with the Securities and Exchange Commission and having the highest credit quality rating from a nationally recognized rating agency; securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by U.S. Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; direct obligations of or obligations unconditionally guaranteed by the U.S. Government; or obligations of U.S. Government Agencies and Instrumentalities.

The CRA's investment is in the Florida PRIME Fund ("Florida PRIME"). Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 215 and 218 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. Florida PRIME invests in a pool of investments whereby the CRA owns a share of the respective pool, not the underlying securities. GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* established criteria for an external investment pool to qualify to report at amortized cost. Florida PRIME is exempt from the GASB 72 fair value hierarchy disclosures and reports at amortized cost.

With regard to redemption dates, Chapter 218.409(8) (a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

withdrawals, the Executive Director may extend the moratorium until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustee exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2022, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

The investment in the Florida PRIME is not insured by FDIC or any other governmental agency.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are subject to interest rate risk as a function of the length of time to maturity. The CRA’s investment policy does not specifically limit the maturity of investments. The CRA had no investments with a maturity in excess of 90 days that were subject to interest rate risk.

CREDIT RISK

Credit risk is the risk that an issuer will not fulfill its obligations. The CRA’s investment policy addresses credit risk by limiting investments to the Florida PRIME fund, deposits with a financial institution meeting the requirements of a Florida qualified public depository, securities guaranteed by the U.S. Government, or securities that are fully collateralized or secured. At September 30, 2022, Florida PRIME was rated AAAM by Standard and Poor’s with the weighted average maturity of 21 days. The CRA had no other investments subject to credit risk.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

CUSTODIAL CREDIT RISK

Custodial credit risk is defined as the risk that the CRA may not recover the securities held by another party in the event of a financial failure. The CRA requires any investments in securities to be held in the CRA's name by a third party safekeeping institution. The CRA had no investments subject to custodial credit risk.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The CRA's investment policy does not address the concentration of credit risk, although investments included only Florida PRIME.

NOTE 3 – LEASES RECEIVABLE

The CRA, as a lessor, leases real property and land pursuant to two ground leases and two property leases. The lease agreements commenced at various dates beginning February 2012 and ending September 30, 2061. The CRA had the following lease commitments as lessor at September 30, 2022 that meet the criteria of a lease receivable pursuant to GASB 87.

Prime Delray Hotel, LLC

On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40-year term. The Company developed, constructed and operates a 4-story business class hotel on the property. The lease agreement provides for the Company to pay the CRA an annual base rent of \$1 for years 1 through 5 and thereafter a contingent rental of 2% of gross room sales for years 6 through 10 and increasing by 1% for each five-year period thereafter until reaching 5% for years 21 to 40. The lease expires on April 1, 2052. For years 5 through 25, the Company has the right to purchase the property from the CRA at a price based on the average of two independent appraisals; one obtained by the CRA and the second by the Company. The carrying value of the leased property at September 30, 2022 was approximately \$2,418,000. The lease receivable is \$1,411,899 at September 30, 2022.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 – LEASES RECEIVABLE (CONTINUED)

Hatcher Construction & Development, Inc.

On July 18, 2019, the CRA entered into a Ground Lease Agreement with Hatcher Construction & Development, Inc. (“Hatcher”) for a 40-year term. Hatcher intends to develop the property, occupy 2,000 square feet, and utilize the remaining 4,000 square feet as rental space. The lease agreement provides for an annual base rent of \$1 for years 1 through 5, \$26,000 per year for years 6-10, \$39,000 for year 11, with the base rent increasing annually by 2.5% for years 12 through 15, and \$52,000 for year 16, increasing annually by 2.5% through year 40. Hatcher may purchase the property for \$200,000 during the first seven years. On the eighth anniversary of the agreement, the purchase price increases to \$650,000. The first amendment to the agreement executed in November 2020 extends the site analysis period to July 18, 2021, during which time Hatcher may ascertain whether the property is acceptable and obtain all necessary approvals, permits and licenses for development of the property in substantial conformance with the conceptual plan. If the property is determined to be unacceptable, Hatcher can provide a written termination notice and neither party shall have any further rights or obligations. The lease is currently operating as a month-to-month agreement under the same terms while a new lease is being negotiated. The ground lease was recorded pursuant to GASB 87. The carrying value of the property at September 30, 2022 was approximately \$365,000. The lease receivable is \$1,162,810 at September 30, 2022.

Upper Cutz Barbershop and Salon, Inc.

On August 24, 2017, the CRA entered into an agreement to lease the property located at 135 NW 5th Avenue, Unit C5, to Upper Cutz Barbershop and Salon, Inc. The lease term is for a three-year period, commencing on October 1, 2017 with a monthly base rent amount of \$1,000 with an increase of 6% to the monthly base rent on each anniversary. The lease was amended to extend the lease period until September 30, 2025. The carrying value of the leased property at September 30, 2022 was approximately \$100,000. The lease receivable is \$43,412 at September 30, 2022.

Jerk & Lime at Nicole’s House, LLC

On December 9, 2021, the CRA entered into an agreement to lease the property located at 182 NW 5th Avenue, to Jerk & Lime at Nicole’s House, LLC. The lease term is for a four-year period, commencing on December 1, 2021 with a monthly base rent amount of \$1,933 with an increase of 6.25% to the monthly base rent on third year anniversary of the lease term through expiration on December 1, 2025. The carrying value of the leased property at September 30, 2022 was approximately \$382,000. The lease receivable is \$72,825 at September 30, 2022.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 – LEASES RECEIVABLE (CONTINUED)

During the fiscal year ended September 30, 2022, the CRA recognized the following related to these lease agreements:

| | |
|-----------------|--------------------------|
| Lease revenue | \$ 59,641 |
| Interest income | <u>49,265</u> |
| Total | <u>\$ 108,906</u> |

Future principal and interest payment requirements related to the CRA’s leases receivable at September 30, 2022 are as follows:

| Fiscal Year Ending September 30 | Principal Receipt | Interest Revenue | Future Minimum Rent |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| 2023 | \$ 60,254 | \$ 47,939 | \$ 108,193 |
| 2024 | 64,118 | 46,189 | 110,307 |
| 2025 | 67,395 | 44,229 | 111,624 |
| 2026 | 32,606 | 42,383 | 74,989 |
| 2027 | 23,169 | 73,827 | 96,996 |
| 2028-2032 | 142,997 | 357,602 | 500,599 |
| 2033-2037 | 253,936 | 328,056 | 581,992 |
| 2038-2042 | 362,329 | 281,813 | 644,142 |
| 2043-2047 | 460,491 | 220,463 | 680,954 |
| 2048-2052 | 555,986 | 142,889 | 698,875 |
| 2053-2057 | 328,864 | 76,862 | 405,726 |
| 2058-2061 | <u>338,801</u> | <u>21,343</u> | <u>360,144</u> |
| Total | <u>\$ 2,690,946</u> | <u>\$ 1,683,595</u> | <u>\$ 4,374,541</u> |

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 – LEASES RECEIVABLE (CONTINUED)

The following leases did not meet the criteria for GASB 87 implementation.

Delray Beach Housing Group

On September 11, 2011, the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the CLT on September 22, 2011 for the Palm Manor apartments and on June 27, 2013 for the SW 12th Avenue Duplexes. Each agreement provides for an annual rental payment to the CRA of \$1 and that the lessees will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the properties. The term of each agreement is for five years with one renewal option for an additional five-year period. The original three leases were renewed through September 22, 2021 and the SW 12th Avenue Duplexes lease was renewed through June 27, 2023. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$4,345,000 at September 30, 2022.

Factual Multi Services, LLC

The CRA entered into an agreement to lease the property located at 135 NW 5th Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment commencing January 10, 2014 and extending through January 9, 2018. The lease was further extended from January 10, 2018 through January 10, 2023 for \$800 monthly base rent plus \$402 monthly condominium assessment. The lease was extended through from January 10, 2023 through July 11, 2023 for a monthly base rental amount of \$1,496. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$98,000 at September 30, 2022.

Fristner Botex

On April 26, 2018, the CRA entered into an agreement to lease the property located at 47 SW 8th Ave. to Fristner Botex. The lease term is for a one-year period, commencing April 26, 2018 with a monthly base rent amount of \$1,000. The lease was subsequently extended through April 30, 2021. The lease is currently operating as a month-to-month agreement under the same terms while a new lease is being negotiated. The carrying value of the leased property at September 30, 2022 was approximately \$250,000.

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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 3 – LEASES RECEIVABLE (CONTINUED)

Fristner Botex (continued)

The CRA also leases space in the Arts Warehouse at 313 NW 3rd Street to various artists with monthly base rents of \$379 to \$976, which are month-to-month leases. The net carrying value of leased property at September 30, 2022 was \$1,763,577 (cost of \$2,065,699 less accumulated depreciation of \$310,122). Rental income for all leased properties for 2022 totaled \$133,571.

NOTE 4 – NOTE RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

The CRA provides advances to the Delray Beach Community Land Trust, Inc. (“CLT”) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA’s mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2022, total advances receivable from the CLT were \$352,249, all of which is considered collectible by the CRA.

NOTE 5 – NOTE RECEIVABLE FROM DELRAY BEACH CHAMBER OF COMMERCE

In February 2013, the CRA entered into an agreement with The Greater Delray Beach Chamber of Commerce, Inc. (the “Chamber”) to provide funding for the relocation of the Chamber’s offices to the Old School Square Parking Garage retail office space in order to facilitate redevelopment by the CRA of the property then occupied by the Chamber (the “Chamber Property”). The agreement provided that the CRA would fund up to \$459,675 of the cost to build out the Chamber’s new office space, of which the Chamber agreed to repay \$250,000 to the CRA over 15 years. The Chamber executed a promissory note to the CRA for \$250,000 payable in 180 equal monthly installments of \$1,849, including interest at 4.0%, beginning April 1, 2014, through maturity. The Chamber also executed a release and termination of its existing lease on the Chamber Property, thereby allowing the CRA to redevelop the property. The agreement was amended in October 2020, and no payments of principal or interest were due for the months of June 2020 through December 2021, with payments resuming January 1, 2022, and with a revised maturity date that was extended to October 1, 2030. Interest was waived through November 30, 2021 and began accruing on December 1, 2021. At September 30, 2022, the balance of the note receivable from the Chamber was \$153,048.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 6 – NOTE RECEIVABLE FROM VILLAGE SQUARE ELDERLY, LTD.

On July 17, 2014, the CRA entered into a funding agreement with Village Square Elderly, Ltd. for \$2.7 million, with a 20 year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse (the “Property”). In accordance with the promissory note, the loan is non-interest bearing during the construction period and for the first ten years, and for years eleven through twenty, the loan will accrue interest at 3.0%. Payments of principal only commenced on the first anniversary date of the closing date of the loan (March 2020) and are due annually thereafter until the 10th anniversary of the loan. Commencing on the tenth anniversary date and annually thereafter, principal and interest will be payable annually on the outstanding principal. Payments due are equal to the remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan is collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The loan matures 20 years from the closing date (July 16, 2034) at which time all outstanding principal and accrued interest will be due to the CRA. At September 30, 2022, the note receivable balance was \$2,625,000.

NOTE 7 – NOTE RECEIVABLE FROM HATCHER CONSTRUCTION & DEVELOPMENT, INC.

On February 9, 2022, the CRA entered into a promissory note with Hatcher Construction & Development, Inc. (“borrower”) for \$1,400,000. Disbursements of the loan shall be made once the borrower has expended 20% of the total cost of the project. On May 24, 2022, an amended and restated promissory note was executed. Commencing May 1, 2022 and each consecutive month thereafter, the borrower shall make interest only payments of 3.0% on the total draw amounts received by the borrower until such time as the borrower receives a Certificate of Occupancy and provides a Final Release of Lien and Contractors Affidavit to the CRA. Commencing on the first day of each month subsequent to the borrower’s receipt of the Certificate of Occupancy, and each consecutive month thereafter, the borrower shall make consecutive monthly for 83 months until the 84th month at which all outstanding principal and interest shall be due. Principal and interest is due the first day of each month. The note is collateralized by first leasehold mortgage and security agreement on the property. The outstanding draws on the note and the outstanding balance of the note receivable at September 30, 2022 was \$553,115.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 8 – SECOND MORTGAGE LOANS RECEIVABLE

The CRA provided home mortgage loan assistance to eligible low income individuals who qualified under the CLT or CRA home subsidy program for the purchase of a home or the rehabilitation of an existing home within the City. The home purchase or rehabilitation subsidy provided by the CRA is secured by a second mortgage on the property. The second mortgage is non-interest bearing and requires no principal payments to the CRA until the occurrence of a specified event, generally related to the sale of the property, a default on the first mortgage on the property or a default on the obligations of the second mortgage to maintain the property, provide insurance, pay all taxes and generally not permit any impairment or deterioration of the property. The CRA expects the full amount of the mortgage to be recoverable at some future, undetermined date when the property is sold or transferred to a new owner. At September 30, 2022, the amount of the individual second mortgages originated in 2008 through 2021, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. Second mortgage loans receivable totaled \$935,634 at September 30, 2022.

NOTE 9 – CAPITAL ASSETS

The capital asset activity for the fiscal year ended September 30, 2022, was as follows:

| | Balance at Beginning of Year | Increase | Decreases | Balance at End of Year |
|--|------------------------------------|---------------------|-----------------------|------------------------------|
| Capital Assets not Being Depreciated | | | | |
| Land and improvements | \$ 28,888,093 | \$ 904,546 | \$ (1,803,903) | \$ 27,988,736 |
| Construction in progress | 495,712 | 2,599,866 | -- | 3,095,578 |
| Total Capital Assets not Being Depreciated | <u>29,383,805</u> | <u>3,504,412</u> | <u>(1,803,903)</u> | <u>31,084,314</u> |
| Depreciable Capital Assets | | | | |
| Buildings and improvements | 8,852,925 | 14,280 | -- | 8,867,205 |
| Equipment | 167,556 | 21,310 | (101,816) | 87,050 |
| Vehicles | -- | 26,266 | -- | 26,266 |
| Furniture and fixtures | 83,729 | 39,675 | -- | 123,404 |
| Total Depreciable Capital Assets | 9,104,210 | 101,531 | (101,816) | 9,103,925 |
| Less: accumulated depreciation | <u>(2,508,232)</u> | <u>(308,607)</u> | <u>--</u> | <u>(2,816,839)</u> |
| Depreciable Capital Assets, Net of Accumulated Depreciation | <u>6,595,978</u> | <u>(207,076)</u> | <u>(101,816)</u> | <u>6,287,086</u> |
| Total Capital Assets | <u>\$ 35,979,783</u> | <u>\$ 3,297,336</u> | <u>\$ (1,905,719)</u> | <u>\$ 37,371,400</u> |

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 9 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental activities functions as follows:

| | |
|-----------------------------------|--------------------------|
| General government | \$ 195,945 |
| Property management | <u>112,662</u> |
| Total Depreciation Expense | <u>\$ 308,607</u> |

NOTE 10 – NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the fiscal year ended September 30, 2022, are summarized as follows:

| | Balance at Beginning of Year | Additions | Retirements | Balance at End of Year | Amounts Due Within One Year |
|---|------------------------------------|--------------|-----------------------|------------------------------|-----------------------------------|
| Revenue Bonds | | | | | |
| Series 2015 | \$ 1,024,548 | \$ -- | \$ (405,162) | \$ 619,386 | \$ 416,662 |
| Series 2012 | <u>2,020,183</u> | <u>--</u> | <u>(791,822)</u> | <u>1,228,361</u> | <u>811,071</u> |
| Total Revenue Bonds | 3,044,731 | -- | (1,196,984) | 1,847,747 | 1,227,733 |
| Loan Payable to the City of Delray Beach | | | | | |
| U.S. Highway 1 project | <u>1,084,257</u> | <u>--</u> | <u>(361,419)</u> | <u>722,838</u> | <u>361,419</u> |
| Total Noncurrent Liabilities | 4,128,988 | <u>\$ --</u> | <u>\$ (1,558,403)</u> | 2,570,585 | <u>\$ 1,589,152</u> |
| Current Maturities | <u>(1,558,403)</u> | | | <u>(1,589,152)</u> | |
| Net Noncurrent Liabilities | <u>\$ 2,570,585</u> | | | <u>\$ 981,433</u> | |

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 10 – NONCURRENT LIABILITIES (CONTINUED)

REVENUE BONDS

The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2022, consisted of the following:

Series 2015

On January 29, 2016, the CRA issued the Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2015, (the “Series 2015 Bond”) in the amount of \$2,000,000. The Series 2015 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2015 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2015 Bond outstanding at any one time did not exceed an aggregate principal amount of \$2,000,000. The Series 2015 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The CRA was able to draw down funds until January 29, 2019, the 3rd anniversary of the Closing Date. Interest is payable semi-annually on April 1st and October 1st at 2.78% on the outstanding principal balance, through October 1, 2023, the maturity date of the Series 2015 Bond. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal is payable in equal installments each April 1st and October 1st, through maturity on October 1, 2023. The Series 2015 Bond contains a provision that in the event of default, the interest rate on the Bond will be equal to the Default Rate, which is equal to the interest rate on the Bond plus 200 basis points. At September 30, 2022, the outstanding balance on the Series 2015 Bond was \$619,386.

| For the Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|-------------------|------------------|-------------------|
| 2023 | \$ 416,662 | \$ 14,551 | \$ 431,213 |
| 2024 | <u>202,724</u> | <u>3,209</u> | <u>205,933</u> |
| Total | <u>\$ 619,386</u> | <u>\$ 17,760</u> | <u>\$ 637,146</u> |

Series 2012

On March 30, 2012, the CRA issued the \$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2012 (the “Series 2012 Bond”). The Series 2012 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the Series 2012 Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2012 Bond outstanding at any one time did not exceed an aggregate principal amount of \$4,000,000.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 10 – NONCURRENT LIABILITIES (CONTINUED)

REVENUE BONDS (CONTINUED)

Series 2012 (continued)

The Series 2012 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The original final draw date was March 30, 2015 with interest payable semi-annually on April 1st and October 1st at 2.10% on the outstanding principal balance. In December 2015, the draw-down period and interest only period were modified and extended through October 1, 2018, allowing the CRA to draw the remaining \$1,300,000 balance on the 2012 Bonds at the revised rate of 2.78%. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal and interest under the modified agreement are payable in equal installments each April 1st and October 1st, through maturity on October 1, 2023. The Series 2012 Bond contains a provision that in the event of default, the interest rate on the Bond will be equal to the Default Rate, which is equal to the interest rate on the Bond plus 200 basis points. At September 30, 2022, the outstanding balance on the Series 2012 Bond was \$1,228,361 and is due as follows:

| For the Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|---------------------|------------------|---------------------|
| 2023 | \$ 811,071 | \$ 23,788 | \$ 834,859 |
| 2024 | <u>417,290</u> | <u>4,803</u> | <u>422,093</u> |
| Total | <u>\$ 1,228,361</u> | <u>\$ 28,591</u> | <u>\$ 1,256,952</u> |

LOAN PAYABLE TO THE CITY OF DELRAY BEACH

The outstanding loan payable to the City of Delray Beach by the CRA at September 30, 2022, consisted of the following:

U.S. Highway 1 Project

The CRA entered into an interlocal agreement with the City in November 2011 to provide a portion of the funding for the U.S. Highway 1 project planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. Thereafter, the CRA pays the City an amount equal to the principal and interest on the CRA’s share of the funding for a period of twelve years. Principal on the loan is payable by the CRA semi-annually on June 1st and December 1st in the amount of \$180,709, through maturity on June 1, 2024. Interest is payable semi-annually on June 1st and December 1st at 3.25% on the outstanding principal balance. At September 30, 2022, the outstanding balance on this loan was \$722,838.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 10 – NONCURRENT LIABILITIES (CONTINUED)

LOAN PAYABLE TO THE CITY OF DELRAY BEACH (CONTINUED)

U.S. Highway 1 Project (continued)

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

| For the Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|-------------------|-------------------|-------------------|
| 2023 | \$ 361,419 | \$ 58,730 | \$ 420,149 |
| 2024 | <u>361,419</u> | <u>58,730</u> | <u>420,149</u> |
| Total | <u>\$ 722,838</u> | <u>\$ 117,460</u> | <u>\$ 840,298</u> |

PLEGGED REVENUES

The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 2012 and 2015 to finance various redevelopment projects. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district as described in more detail in Note I and investment earnings thereon. Tax increment revenues were projected to produce more than 650 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2022, was \$1,894,098, payable through October 1, 2023. For the current year, principal and interest paid on the revenue bonds and the total tax increment revenues were \$1,266,073 and \$27,584,441, respectively.

ANNUAL DEBT SERVICE

The aggregate, annual debt service requirements at September 30, 2022, for the outstanding noncurrent liabilities with scheduled maturities are as follows:

| For the Fiscal Year Ending September 30, | Principal | Interest | Total |
|---|---------------------|-------------------|---------------------|
| 2023 | \$ 1,589,152 | \$ 97,069 | \$ 1,686,221 |
| 2024 | <u>981,433</u> | <u>66,742</u> | <u>1,048,175</u> |
| Total | <u>\$ 2,570,585</u> | <u>\$ 163,811</u> | <u>\$ 2,734,396</u> |

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 10 – NONCURRENT LIABILITIES (CONTINUED)

INTEREST EXPENSE

Total interest costs incurred on all CRA debt for the fiscal year ended September 30, 2022, was \$127,819. All interest costs were expensed as a direct expense of redevelopment projects.

NOTE 11 – TAX INCREMENT REVENUES

Tax increment revenues are the primary source of revenue for the CRA. Tax increment revenue is collected from the two governmental entities that levy property taxes within the legally defined redevelopment area of the CRA, the City of Delray Beach and Palm Beach County. The tax increment revenue is calculated by applying the adopted millage rate of each governmental entity to the increase in current year taxable assessed valuations over the 1985 base year assessed valuations for all properties located within the CRA boundaries.

Each governmental entity is required to pay 95% of these incremental property taxes to the CRA. The increase in assessed valuations of property within the CRA boundaries over the 1985 base year valuations is presumed to be the result of the redevelopment efforts of the CRA. The tax base of the CRA is the layer of assessed valuations of properties over the 1985 base year assessed valuations, but does not include any portion of the base. The assessed value of properties subject to incremental property taxes for the fiscal year ended September 30, 2022, was as follows:

| | |
|--|---------------------------------------|
| Assessed property value as of January 1, 2021 | \$ 2,784,029,583 |
| Assessed property value for 1985 base year | <u>(245,631,067)</u> |
| Assessed Property Value Subject to Incremental Property Tax | <u><u>\$ 2,538,398,516</u></u> |

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 12 – RELATED PARTY TRANSACTIONS

CITY OF DELRAY BEACH

The CRA is a component unit of the City of Delray Beach, Florida. For the fiscal year ended September 30, 2022, the CRA's tax increment revenues include \$16,063,100 received from the City. CRA expenditures for the fiscal year ended September 30, 2022, include charges of \$3,628,764 for contractual and other services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$4,398,400 for construction services related to redevelopment projects, and \$905,000 for sponsorship of City tennis tournaments.

At September 30, 2022, the CRA had accounts payable to the City of \$2,216,433 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$722,838.

COMPONENT UNIT

The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the fiscal year ended September 30, 2022, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$9,350 and \$1,760, respectively. At September 30, 2022 the CRA had accounts receivable from the Block 60 Parking Condominium Association, Inc. of \$4,870.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

LOAN COMMITMENT

On September 9, 2020, the CRA entered into an agreement to loan the Delray Beach Community Land Trust, Inc. \$2,454,350 for the development and disposition of properties in the SW Neighborhood for a workforce housing project known as Corey Isle. The project includes construction of ten single-family homes. The loan is secured by mortgages encumbering the properties. Completed homes, evidenced by a certificate of occupancy issued to the borrower by the City of Delray Beach, can be released from the mortgage upon payment of a release price in the amount of \$215,163 for a one story single-family house and \$272,961 for a two story single-family house. The release price will be applied to pay down the outstanding principal of the construction loan. The release price is due at closing on each of the ten single-family homes with any remaining outstanding principal due with the sale of the final home.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

TRANSPORTATION AGREEMENTS

The CRA entered into an agreement for point-to-point transportation services for the period September 1, 2019 through August 30, 2020 with an option to renew for two additional one-year terms. Under the contract, the CRA will pay the provider \$401,560, payable in monthly installments of \$33,463. The provider will sell advertising space on the vehicles and retain 100% of the first \$180,000 of gross advertising revenue. Gross advertising revenue in excess of the first \$180,000 will be shared equally between the CRA and the provider. The extension options have been exercised and the contract was extended through November 30, 2022. For the fiscal year ended September 30, 2022, the CRA incurred cost of approximately \$402,000 related to this agreement.

CONSTRUCTION CONTRACT COMMITMENTS

At September 30, 2022, the CRA had outstanding contract commitments consisting of the following:

| Project | Total Project Authorization | Expended Through September 30, 2022 | Retainage Payable at September 30, 2022 | Remaining Commitment at September 30, 2022 |
|--------------------------------------|-----------------------------------|--|--|---|
| SW 14th Ave. Streetscape | \$ 148,657 | \$ 138,929 | \$ -- | \$ 9,728 |
| Carver Square Housing | 156,446 | 130,193 | -- | 26,253 |
| NE 3rd Street & NE 3rd Avenue Design | 22,794 | 20,013 | -- | 2,781 |
| Artists Alley | 29,998 | 27,335 | -- | 2,663 |
| 98 NW 5th Avenue Renovation | 243,060 | 169,768 | -- | 73,292 |
| 98 NW 5th Avenue Project | 2,380,538 | 850,499 | -- | 1,530,039 |
| Wayfinding Signage | 147,850 | 128,290 | -- | 19,560 |
| NW 6th Ave Site Plan Analysis | 14,000 | 4,495 | -- | 9,505 |
| Historic House Renovation | 2,400 | 788 | -- | 1,612 |
| 95 SW 5th Avenue Design | <u>173,044</u> | <u>110,576</u> | <u>--</u> | <u>62,468</u> |
| Total Contract Commitments | <u>\$ 3,318,787</u> | <u>\$ 1,580,886</u> | <u>\$ --</u> | <u>\$ 1,737,901</u> |

In November 2020, the CRA also entered into an interlocal agreement with the City of Delray Beach to provide funding for certain construction projects and related professional services totaling \$10,015,641. As of September 30, 2022, approximately \$7,730,746 of the commitment was still outstanding.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

TAX INCREMENT INCENTIVE AGREEMENTS

The CRA reimbursed \$43,162 to qualified, private for-profit organizations under the CRA’s Development Infrastructure Assistance Program, pursuant to State statutory authority for public-private partnerships to rehabilitate and develop properties within the Community Redevelopment Area. The Development Infrastructure Assistance Program is a CRA incentive program in which the CRA reimburses 50% of the costs of eligible site improvements for an approved commercial project, up to an amount not to exceed 50% of the projected Tax Increment Funds generated by the improvements over a 5 or 10-year period following project completion. The projects must be located in CRA Sub-Areas #3, #4, #5, #6, #7, or #8. The following agreements were in effect as of September 30, 2022:

KCMCL Pineapple Grove, LLC

Development Infrastructure Assistance for the development and construction of a 134-room Hyatt Place Hotel in the Pineapple Grove Arts District. The grant is for eligible project costs up to \$431,619. The CRA will reimburse the developer in equal annual installments over a ten-year period, provided that the annual payment shall not exceed 50% of the actual tax increment revenues attributable to the project for that year. Payments are made by the CRA on February 1st of each year. Payments of \$43,162 were made each year under the grant for 2014 through 2022. At September 30, 2022, the outstanding amount under this grant agreement was \$43,162.

GRANT COMMITMENTS

The CRA also entered into grant agreements with the following organizations to provide funding for their operations during the fiscal year ended September 30, 2022:

| | |
|---|-----------------------------------|
| EPOCH dba Spady Cultural | \$ 106,000 |
| Delray Beach Community Land Trust | 192,815 |
| Creative City Collaborative / Arts Garage | 275,000 |
| Delray Beach Public Library | 443,000 |
| Delray Beach Historical Society | 75,000 |
| Delray Beach Chamber of Commerce | <u>40,000</u> |
| Total Grant Commitments | <u><u>\$ 1,131,815</u></u> |

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

GRANTS

Amounts received by the CRA from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the CRA for return of those funds.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

DESCRIPTION OF THE PLAN

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

PLAN MEMBERSHIP

At September 30, 2022, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | -- |
| Inactive employees entitled to but not yet receiving benefit payments | -- |
| Active employees | <u>15</u> |
| Total | <u><u>15</u></u> |

TOTAL OPEB LIABILITY

The CRA’s allocation of the total OPEB liability of \$255,260 was measured as of September 30, 2022 as determined by an actuarial valuation as of October 1, 2020.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida))**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

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

| | |
|-----------------------------|---|
| Valuation Date | October 1, 2020 |
| Measurement Date | September 30, 2022 |
| Actual Cost Method | Entry Age Normal |
| Projected Salary Increase* | 4.00% |
| Discount Rate | 4.59% |
| Healthcare Cost Trend Rates | 6.75% per year initially, reduced annually by 0.25% to an ultimate rate of 4.5% in 2032 |
| Mortality Rate | Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality using Scale MP-2021 |

* Includes inflation rate

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following represents the total OPEB liability of the CRA, as well as what the CRA’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rate:

| | Sensitivity Testing to change in discount rate assumption | | |
|--------------------------|---|-----------------------------------|------------------------|
| | 1% Decrease (3.59%) | Selected Trend rate (4.59%) | 1% Increase (2.59%) |
| Discount rate assumption | | | |
| Total OPEB liability | \$ 305,709 | \$ 255,260 | \$ 217,511 |

The following represents the total OPEB liability of the CRA, as well as what the CRA’s total OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rate:

| | Sensitivity Testing to Change in Medical Costs Trend Assumption | | |
|--------------------------------|---|-----------------------------------|------------------------|
| | 1% Decrease (5.75%) | Selected Trend rate (6.75%) | 1% Increase (7.75%) |
| Medical costs trend assumption | | | |
| Total OPEB liability | \$ 212,372 | \$ 255,260 | \$ 313,480 |

OPEB EXPENSE, DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the fiscal year ended September 30, 2022, based on a measurement date of September 30, 2022, the CRA recognized OPEB expense of \$357,035. This amount is included as an increase to general government expenses within the functional program activities.

**(DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

***OPEB EXPENSE, DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES
RELATED TO OPEB (CONTINUED)***

At September 30, 2022, the Agency reports deferred outflows and inflows of resources related to the Plan as follows:

| | OPEB | |
|------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions | \$ 94,067 | \$ 195,842 |

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

| For the Fiscal Year Ending September 30, | Net Deferred Inflows of Resources |
|---|---|
| 2022 | \$ (1,469) |
| 2023 | 387 |
| 2024 | 851 |
| 2025 | 851 |
| 2026 | (4,690) |
| Thereafter | (97,705) |
| Total | \$ (101,775) |

The schedule of changes in the CRA’s proportionate share of total OPEB liability and related ratios presented as Required Supplementary Information (RSI) following the notes to the financial statements, provides additional information about the total OPEB liability.

NOTE 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended September 30, 2022, expenditures exceeded budgeted appropriations in the General Government cost center by \$2,010.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Tax increment revenue | | | | |
| City of Delray Beach | \$ 16,074,222 | \$ 16,063,100 | \$ 16,063,100 | \$ -- |
| Palm Beach County | 11,538,468 | 11,521,341 | 11,521,341 | -- |
| Total Tax Increment Revenue | <u>27,612,690</u> | <u>27,584,441</u> | <u>27,584,441</u> | <u>--</u> |
| Reimbursements | | | | |
| Other reimbursements | -- | 142,406 | 129,675 | (12,731) |
| Total Reimbursements | <u>--</u> | <u>142,406</u> | <u>129,675</u> | <u>(12,731)</u> |
| Rental Income | | | | |
| Rental property income | 60,000 | 90,791 | 82,377 | (8,414) |
| Land lease revenue | 25,000 | 130,010 | 80,744 | (49,266) |
| Other rent revenue | 16,680 | -- | 16,680 | 16,680 |
| Total Rental Income | <u>101,680</u> | <u>220,801</u> | <u>179,801</u> | <u>(41,000)</u> |
| Interest and Other Income | | | | |
| Interest income | 35,000 | 58,451 | 58,453 | 2 |
| Loan interest | -- | 9,252 | 9,298 | 46 |
| Other income | -- | 1,360 | 2,020 | 660 |
| Total Interest and Other Income | <u>35,000</u> | <u>69,063</u> | <u>69,771</u> | <u>708</u> |
| Green Market revenue | 60,000 | 43,526 | 43,526 | -- |
| Arts Warehouse revenue | 80,000 | 137,638 | 133,571 | (4,067) |
| Total Revenues | <u>27,889,370</u> | <u>28,197,875</u> | <u>28,140,785</u> | <u>(57,090)</u> |
| Other Financing Sources | | | | |
| Affordable housing sales | -- | 719,306 | 458,892 | (260,414) |
| General Fund carryforward fund balance | 22,679,957 | -- | -- | -- |
| Land sales | -- | 194,087 | 194,087 | -- |
| Total Other Financing Sources | <u>22,679,957</u> | <u>913,393</u> | <u>652,979</u> | <u>(260,414)</u> |
| Total Revenues and Other Financing Sources | <u>50,569,327</u> | <u>29,111,268</u> | <u>28,793,764</u> | <u>(317,504)</u> |
| Expenditures | | | | |
| General government: | | | | |
| Personnel | | | | |
| Salaries | 1,500,000 | 1,162,220 | 1,162,216 | 4 |
| Payroll taxes | 130,000 | 90,419 | 90,419 | -- |
| Health, dental and life insurance | 150,000 | 93,068 | 93,068 | -- |
| Retirement contribution | 150,000 | 95,042 | 95,042 | -- |
| Travel allowance | 10,000 | 5,158 | 5,158 | -- |
| Cell allowance | 10,000 | 5,800 | 5,800 | -- |
| Total personnel | <u>1,950,000</u> | <u>1,451,707</u> | <u>1,451,703</u> | <u>4</u> |
| Supplies and materials: | | | | |
| Office supplies | 30,000 | 16,795 | 16,794 | 1 |
| Postage/express mail | 6,000 | 2,261 | 2,261 | -- |
| Total supplies and materials | <u>36,000</u> | <u>19,056</u> | <u>19,055</u> | <u>1</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| General government (continued) | | | | |
| Office space: | | | | |
| Storage | \$ 20,000 | \$ 5,072 | 5,072 | \$ -- |
| Maintenance | 250,000 | 37,873 | 37,873 | -- |
| Telephone | 25,000 | 9,407 | 9,407 | -- |
| Utilities | 25,000 | 9,496 | 9,496 | -- |
| Security | <u>25,000</u> | <u>2,990</u> | <u>2,990</u> | <u>--</u> |
| Total office space | <u>345,000</u> | <u>64,838</u> | <u>64,838</u> | <u>--</u> |
| Administration/operations: | | | | |
| Accounting | 45,000 | 28,275 | 28,275 | -- |
| Board administration | 60,000 | 35,796 | 35,796 | -- |
| Legal | 50,000 | 1,986 | 1,986 | -- |
| Capital outlay | 800,000 | 618,196 | 611,449 | 6,747 |
| Contractual services | 500,000 | 42,865 | 42,865 | -- |
| Printing | 10,000 | 2,767 | 2,767 | -- |
| Publications/subscriptions | 9,000 | 4,216 | 4,232 | (16) |
| Advertising | 7,000 | 4,837 | 11,584 | (6,747) |
| Bank services | 5,000 | 1,525 | 1,524 | 1 |
| Organization/member dues | 9,000 | 5,328 | 5,328 | -- |
| Public relations and communication | 250,000 | 35,712 | 35,712 | -- |
| Insurance: commercial, D&O | 50,000 | 24,197 | 24,197 | -- |
| Meetings | 14,133 | 1,378 | 1,378 | -- |
| Seminars and workshops | 25,000 | 21,367 | 21,367 | -- |
| Travel | <u>10,000</u> | <u>9,068</u> | <u>9,068</u> | <u>--</u> |
| Total administrative operations | <u>1,844,133</u> | <u>837,513</u> | <u>837,528</u> | <u>(15)</u> |
| Equipment, property and maintenance: | | | | |
| Computer equipment and supplies | 6,500 | 5,948 | 5,948 | -- |
| Equipment rentals | 15,000 | 8,586 | 10,586 | (2,000) |
| Repairs and maintenance | 2,000 | -- | -- | -- |
| Vehicles | 125,000 | 26,266 | 26,266 | -- |
| Furniture and fixtures | 75,000 | 3,475 | 3,475 | -- |
| Capital outlay - office equipment | <u>150,000</u> | <u>38,757</u> | <u>38,757</u> | <u>--</u> |
| Total equipment, property and maintenance | <u>373,500</u> | <u>83,032</u> | <u>85,032</u> | <u>(2,000)</u> |
| Total General Government | <u>4,548,633</u> | <u>2,456,146</u> | <u>2,458,156</u> | <u>(2,010)</u> |
| Economic Development | | | | |
| Areawide and neighborhood plans: | | | | |
| Osceola Park Neighborhood Plan: | | | | |
| Osceola Park neighborhood | 642,052 | 642,052 | 642,052 | -- |
| Project development/implementation | <u>5,000</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total Osceola Park Neighborhood Plan | <u>647,052</u> | <u>642,052</u> | <u>642,052</u> | <u>--</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|--------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| Economic Development (continued) | | | | |
| Areawide and neighborhood plans (continued): | | | | |
| West Atlantic Avenue Redevelopment: | | | | |
| Craft on the Avenue | \$ -- | \$ 55,711 | \$ 60,173 | \$ (4,462) |
| Project development/implementation | 100,000 | 10,831 | 10,831 | -- |
| Other build-out/rent | 16,680 | -- | -- | -- |
| NW 600 and NW 800 Block redevelopment | 3,400,000 | 627,418 | 74,303 | 553,115 |
| Legal fees | <u>400,000</u> | <u>139,421</u> | <u>139,421</u> | <u>--</u> |
| Total West Atlantic Avenue Redevelopment | <u>3,916,680</u> | <u>833,381</u> | <u>284,728</u> | <u>548,653</u> |
| Downtown Master Plan: | | | | |
| Transportation services | 402,000 | 401,560 | 401,560 | -- |
| Wayfinding signage | 1,100,000 | 95,783 | 95,783 | -- |
| Project development/implementation | 10,000 | -- | -- | -- |
| Legal fees | <u>5,000</u> | <u>98</u> | <u>98</u> | <u>--</u> |
| Total Downtown Master Plan | <u>1,517,000</u> | <u>497,441</u> | <u>497,441</u> | <u>--</u> |
| Southwest Neighborhood Plan: | | | | |
| Personnel and staff | 259,929 | -- | -- | -- |
| Project development/implementation | 25,000 | 4,800 | 4,800 | -- |
| SW neighborhood alleys | 930,000 | -- | -- | -- |
| Dr. Reverend Thomas park playground | 250,000 | 156,529 | 156,529 | -- |
| Legal fees | <u>5,000</u> | <u>2,885</u> | <u>2,885</u> | <u>--</u> |
| Total Southwest Neighborhood Plan | <u>1,469,929</u> | <u>164,214</u> | <u>164,214</u> | <u>--</u> |
| Other: | | | | |
| Land acquisitions | 1,000,000 | 907,546 | 907,546 | -- |
| NW neighborhood design | 1,600,000 | 1,600,000 | 1,600,000 | -- |
| City disparity study | 60,000 | -- | -- | -- |
| Pompey Park master plan | 8,300,000 | -- | -- | -- |
| Seacrest Hilltopper Stadium | 350,000 | 350,000 | 350,000 | -- |
| Legal fees | <u>--</u> | <u>121</u> | <u>121</u> | <u>--</u> |
| Total Other | <u>11,310,000</u> | <u>2,857,667</u> | <u>2,857,667</u> | <u>--</u> |
| Total Areawide and Neighborhood Plans | <u>18,860,661</u> | <u>4,994,755</u> | <u>4,446,102</u> | <u>548,653</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|------------------|-------------------|---|
| | Original | Final | | |
| Economic Development (continued) | | | | |
| Redevelopment projects: | | | | |
| NW/SW 5th Avenue Beautification | | | | |
| 98 NW 5th Ave renovation | \$ 2,250,000 | \$ 1,957,157 | \$ 1,957,157 | \$ -- |
| Muse & Harvel | 250,000 | -- | -- | -- |
| Project development/implementation | 255,000 | 40,375 | 40,375 | -- |
| 95 SW 5th Avenue construction | 3,350,000 | 46,967 | 46,967 | -- |
| Legal fees | <u>30,000</u> | <u>5,806</u> | <u>5,806</u> | <u>--</u> |
| Total Redevelopment Projects | <u>6,135,000</u> | <u>2,050,305</u> | <u>2,050,305</u> | <u>--</u> |
| Affordable/Workforce Housing Program | | | | |
| Project development/implementation | 10,000 | 6,465 | 6,465 | -- |
| Support for Affordable Housing Initiative | 2,377,350 | 1,596,900 | 1,596,900 | -- |
| Community Land Trust (CLT) | 192,815 | 192,815 | 192,815 | -- |
| Legal fees | <u>--</u> | <u>8,170</u> | <u>8,170</u> | <u>--</u> |
| Total Affordable/Workforce Housing Program | <u>2,580,165</u> | <u>1,804,350</u> | <u>1,804,350</u> | <u>--</u> |
| Redevelopment Sites | | | | |
| Maintenance | 600,000 | 243,536 | 243,536 | -- |
| Project development/implementation | 100,000 | 17,248 | 17,248 | -- |
| IPIC Parking Facility maintenance | 300,000 | 56,802 | 56,802 | -- |
| Property insurance | 200,000 | 114,002 | 114,002 | -- |
| Property taxes | 80,000 | 44,937 | 44,937 | -- |
| Legal fees | 5,000 | -- | -- | -- |
| West Settlers Condo Association | 14,000 | 9,648 | 9,648 | -- |
| Utilities | 60,000 | 36,135 | 36,135 | -- |
| Block 60 parking lots | <u>8,000</u> | <u>9,350</u> | <u>9,350</u> | <u>--</u> |
| Total Redevelopment Sites | <u>1,367,000</u> | <u>531,658</u> | <u>531,658</u> | <u>--</u> |
| Carver Square Neighborhood | | | | |
| Carver Square workforce housing construction | 6,000,000 | -- | -- | -- |
| Tenant improvements | 1,000,000 | -- | -- | -- |
| Legal fees | <u>25,000</u> | <u>12,087</u> | <u>12,087</u> | <u>--</u> |
| Total Carver Square Neighborhood | <u>7,025,000</u> | <u>12,087</u> | <u>12,087</u> | <u>--</u> |
| Total Redevelopment Projects | <u>17,107,165</u> | <u>4,398,400</u> | <u>4,398,400</u> | <u>--</u> |

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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| Economic Development (continued) | | | | |
| Community Improvement and Economic Development: | | | | |
| Grant Programs: | | | | |
| Curb Appeal Assistance Grants | \$ 300,000 | \$ 76,480 | \$ 144,101 | \$ (67,621) |
| CRA Grant Programs | <u>850,000</u> | <u>233,804</u> | <u>233,804</u> | <u>--</u> |
| Total Grant Programs | <u>1,150,000</u> | <u>310,284</u> | <u>377,905</u> | <u>(67,621)</u> |
| City Contractual Services: | | | | |
| Personnel and staff | -- | 217,121 | 217,121 | -- |
| Streetscape maintenance | 100,000 | 41,271 | 41,271 | -- |
| Housing Rehab Inspector | 47,719 | 47,719 | 47,719 | -- |
| Clean & Safe program | 3,130,571 | 2,869,109 | 2,852,024 | 17,085 |
| Project Engineer | 128,821 | 125,741 | 125,741 | -- |
| Fire Prevention and Life Safety Captain | 207,735 | 171,014 | 171,014 | -- |
| Engineering Inspector | 63,874 | 63,874 | 63,874 | -- |
| IT Services | <u>110,000</u> | <u>110,000</u> | <u>110,000</u> | <u>--</u> |
| Total City Contractual Services | <u>3,788,720</u> | <u>3,645,849</u> | <u>3,628,764</u> | <u>17,085</u> |
| Community Resource Enhancement: | | | | |
| Community resource enhancement | 150,000 | 67,802 | 67,802 | -- |
| A-Guide funding | <u>939,000</u> | <u>357,750</u> | <u>376,500</u> | <u>(18,750)</u> |
| Total Community Resource Enhancement | <u>1,089,000</u> | <u>425,552</u> | <u>444,302</u> | <u>(18,750)</u> |
| Economic Development Initiative: | | | | |
| Incentives | 500,000 | 120,662 | 120,662 | -- |
| Outreach/communication | 250,000 | 76,756 | 80,956 | (4,200) |
| Arts Warehouse program | 260,000 | 223,377 | 223,178 | 199 |
| Tennis Tournament sponsorship | 905,000 | 905,000 | 905,000 | -- |
| Legal fees | <u>25,000</u> | <u>645</u> | <u>645</u> | <u>--</u> |
| Total Economic Development Initiative | <u>1,940,000</u> | <u>1,326,440</u> | <u>1,330,441</u> | <u>(4,001)</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Economic Development (continued) | | | | |
| Community Improvement and Economic Development: | | | | |
| Green Market: | | | | |
| Personnel and staff | \$ 165,000 | \$ 164,783 | \$ 107,781 | \$ 57,002 |
| Entertainment/vendors | -- | -- | 11,925 | (11,925) |
| Program operations | -- | 4,020 | 24,329 | (20,309) |
| Administration and operations | -- | -- | 15,559 | (15,559) |
| Signs, banners and advertising | -- | -- | 9,209 | (9,209) |
| Total Green Market | <u>165,000</u> | <u>168,803</u> | <u>168,803</u> | <u>--</u> |
| Total Community Improvement and Economic Development | <u>8,132,720</u> | <u>5,876,928</u> | <u>5,950,215</u> | <u>(73,287)</u> |
| Total Economic Development | 44,100,546 | 15,270,083 | 14,794,717 | 475,366 |
| Debt Service | | | | |
| Principal and interest - US1 Improvements | 420,148 | 420,149 | 420,149 | -- |
| City National line of credit (Series 2012 and 2015 bonds) | <u>1,500,000</u> | <u>1,266,069</u> | <u>1,266,073</u> | <u>(4)</u> |
| Total Debt Service | <u>1,920,148</u> | <u>1,686,218</u> | <u>1,686,222</u> | <u>(4)</u> |
| Total Expenditures | <u>50,569,327</u> | <u>19,412,447</u> | <u>18,939,095</u> | <u>473,352</u> |
| Net Change in Fund Balance | <u>\$ --</u> | <u>\$ 9,698,821</u> | <u>\$ 9,854,669</u> | <u>\$ 155,848</u> |

**DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

NOTE TO BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – BUDGETARY ACCOUNTING

The General Fund adopted budget is prepared on the modified accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), except that non-cash exchange transactions are not budgeted and loans to various entities are recorded as expenditures. The CRA Board of Commissioners must approve changes or amendments at the cost center level and to the total budgeted expenditures of the CRA. Expenditures may not legally exceed budgeted appropriations for the CRA for each cost center or in total.

The General Fund budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budget during the year. Unexpended appropriations lapse at year-end. The CRA made amendments of approximately \$24.6 million to reduce the budgeted appropriations during the fiscal year related primarily to construction and redevelopment projects that were not started.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as assigned fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year-end. There were no encumbrances outstanding at September 30, 2022.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

REQUIRED SUPPLEMENTARY INFORMATION

OPEB - SCHEDULE OF OPEB COST-SHARING ALLOCATION

| Measurement Date September 30, | 2022 | 2021 |
|--|--------------|--------------|
| CRA's proportionate share of the total OPEB liability | 1.79% | 1.79% |
| CRA's proportionate share of the total OPEB liability | \$ 255,260 | \$ 390,522 |
| CRA's covered employee payroll | \$ 1,252,635 | \$ 1,146,612 |
| CRA's proportionate share of the total OPEB liability as a percentage of its covered employee payroll | 20.4% | 34.1% |

Note: The amounts presented above were determined as of September 30th. The OPEB Plan is funded on a pay-as-you-go basis and has no assets as of September 30, 2022.

Note 2: The schedule is intended to show information for the last ten (10) fiscal years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION – COMPONENT UNIT

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

STATEMENT OF NET POSITION
COMPONENT UNIT
BLOCK 60 PARKING CONDOMINIUM ASSOCIATION, INC.

SEPTEMBER 30, 2022

| | |
|--------------------------|-------------------------|
| Assets | |
| Cash | \$ 18,201 |
| Accounts receivable | <u>8,213</u> |
| Total Assets | <u>26,414</u> |
| Liabilities | |
| Accounts payable | <u>5,280</u> |
| Total Liabilities | <u>5,280</u> |
| Net Position | |
| Unrestricted | <u><u>\$ 21,134</u></u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

STATEMENT OF ACTIVITIES
COMPONENT UNIT
BLOCK 60 PARKING CONDOMINIUM ASSOCIATION, INC.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | |
|---------------------------------|-------------------------|
| Revenues | |
| Assessments | \$ 16,023 |
| Interest income | <u>14</u> |
| Total revenues | 16,037 |
| Expenses | |
| Condominium properties | <u>8,005</u> |
| Change in Net Position | 8,032 |
| Net Position - Beginning | <u>13,102</u> |
| Net Position - Ending | <u><u>\$ 21,134</u></u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

STATEMENT OF CASH FLOWS
COMPONENT UNIT
BLOCK 60 PARKING CONDOMINIUM ASSOCIATION, INC.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | |
|---|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 12,996 |
| Payments to suppliers | <u>(12,798)</u> |
| Net Cash Provided by Operating Activities | <u>198</u> |
| Net Increase in Cash | 198 |
| Cash - Beginning | <u>18,003</u> |
| Cash - Ending | <u><u>\$ 18,201</u></u> |
| | |
| Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities | |
| Change in net position | \$ 8,032 |
| Adjustments to reconcile change in net position to net cash provided by operating activities: | |
| Increase in accounts receivable | (4,034) |
| Decrease in prepaids | 993 |
| Increase in accounts payable | 3,519 |
| Decrease in due to CRA | <u>(8,312)</u> |
| Net Cash Provided By Operating Activities | <u><u>\$ 198</u></u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
COMPONENT UNIT

BLOCK 60 PARKING CONDOMINIUM ASSOCIATION, INC.

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Assessments | | | | |
| Delray Beach Community Redevelopment Agency | \$ 7,480 | \$ 7,480 | \$ 9,350 | \$ 1,870 |
| City of Delray Beach | 1,760 | 1,760 | 1,760 | -- |
| Delray New Wave, Inc. | 1,320 | 1,320 | 1,320 | -- |
| Manimal, Inc. | 1,320 | 1,320 | 330 | (990) |
| Dada 52 North Swinton | -- | -- | 330 | 330 |
| InterCard Resources | 880 | 880 | 880 | -- |
| Diamond Communications | -- | -- | 1,320 | 1,320 |
| 42 North Swinton, Inc. | 733 | 733 | 733 | -- |
| Assessment Revenues | 13,493 | 13,493 | 16,023 | 2,530 |
| Interest income | -- | -- | 14 | 14 |
| Total Revenues | 13,493 | 13,493 | 16,037 | 2,544 |
| Expenses | | | | |
| Current | | | | |
| Landscape maintenance | 5,700 | 5,700 | 1,425 | 4,275 |
| Maintenance | 500 | 500 | 995 | (495) |
| Licenses | 61 | 61 | 61 | -- |
| Water for irrigation system | 1,200 | 1,200 | 992 | 208 |
| Insurance | 3,500 | 3,500 | 2,455 | 1,045 |
| Property management fee | 700 | 700 | 700 | -- |
| Accounting | 1,500 | 1,500 | 1,210 | 290 |
| Utilities | 1,500 | 1,500 | -- | (1,500) |
| Subscriptions | -- | -- | 150 | (150) |
| Bank and filing fees | 50 | 50 | 17 | 33 |
| Misc. Expense | 500 | 500 | -- | 500 |
| Total Expenses | 15,211 | 15,211 | 8,005 | 4,206 |
| Change in Net Position | \$ (1,718) | \$ (1,718) | \$ 8,032 | \$ 6,750 |

REPORTING SECTION

DRAFT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners and CRA Director
Delray Beach Community Redevelopment Agency

We have audited, in accordance with the 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 Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the CRA's financial statements, and have issued our report thereon dated June XX, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item SD 2022-001 that we considered to be a significant deficiency.

Compliance and Other Matters

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

Management's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

West Palm Beach, FL
June XX, 2023

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

SD 2022-001 – LACK OF INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING

Criteria

The CRA should implement Accounting Policies and Procedures to ensure timely implementation of new Governmental Accounting Standards Boards (“GASB”) pronouncements and that transactions are recorded correctly and that timely reconciliations and closing procedures are sufficient to produce accurate and reliable financial information. Such policies and procedures should consider establishing proper controls which are designed and implemented to address the financial close and reporting process of the CRA.

Condition

Implementation of GASB Statement No. 87, *Leases*, (“GASB 87”) was applicable to the CRA for fiscal year 2022. GASB 87 requires lessees to recognize a right-to-use asset and lease liability and lessors to recognize a lease receivable and deferred inflow of resources for the present value of the underlying future lease payments. As a lessor, the CRA has various lease agreements that were not timely analyzed, nor initially recorded.

We noted that CRA’s accounting and reporting processes and year-end financial close was delayed for the fiscal year 2022 audit. The timely preparation and issuance of financial statements in accordance with generally accepted accounting principles (GAAP) requires the CRA to prepare information for the audit, including timely closing of the accounting records, preparation of workpapers to support the significant account balances and providing necessary documents needed for the auditors to perform their procedures.

During the audit, we proposed and the CRA recorded several auditor adjustments which aggregated to \$3,728,839. These adjustments were required to correct the original trial balance provided by management.

**DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Delray Beach, Florida)**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

FINANCIAL STATEMENT FINDING (CONTINUED)

SIGNIFICANT DEFICIENCY (CONTINUED)

**SD 2022-001 – LACK OF INTERNAL CONTROLS OVER FINANCIAL CLOSE AND REPORTING
(CONTINUED)**

Cause

There were no formal timetables for preparing account reconciliations, year-end closing procedures and proper implementation of GASB 87.

Effect

Lack of timely and complete financial reporting procedures increases the risk of inaccurate financial information and financial reporting errors that may not be identified in a timely manner, which ultimately delay completion of the audit.

Recommendation

We recommend that CRA reconciliations be prepared as required and in advance of the fiscal year end audit to address possible issues and to ensure timely issuance of the financial statements.

Views of Responsible Officials

Management of the CRA concurs with the auditor. The CRA Financial Policies Manual will be updated at an upcoming Board meeting to ensure adequate changes are made to address the above finding. The implementation of GASB Statement No. 87, *Leases*, was quite cumbersome as we had many leases receivable agreements to analyze during this initial year. Going forward, the system is in place to properly account and report any new lease agreements.

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR
GENERAL OF THE STATE OF FLORIDA**

To the Board of Commissioners and CRA Director
Delray Beach Community Redevelopment Agency

Report on the Financial Statements

We have audited the financial statements of the Delray Beach Community Redevelopment Agency (the “CRA”), a Component Unit of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June XX, 2023.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses, and Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June XX, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Our prior year finding (SD 2021-001 - Other Post Employment Benefit (OPEB) Valuation) and recommendation (MLC 2021-001 - Bank Reconciliations) were resolved by the CRA and require no further action.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The CRA was established by Florida Statute 163, Section III. Also, as discussed in Note 1, the CRA included Block 60 Parking Condominium Association, Inc. a not-for profit 501(c)(3) corporation, as a discretely presented component unit.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the CRA met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the CRA. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. This assessment was performed as of fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connect with our audit, we presented one finding SD 2022-001 (Financial Close) in the accompanying Schedule of Findings and Reponses.

Special District Component Units

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

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the CRA reported:

- a. The total number of CRA employees compensated in the last pay period of the CRA's fiscal year as 16.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year as 8.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$1,572,635.

- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$50,146.
- e. Each construction project with a total cost of at least \$65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as follows:
 - a. 98 N.W. 5th Avenue – Budget of \$2,250,000; Expenditures of \$1,860,091.
 - b. Wellbrock House at 22 N. Swinton Avenue – Budget of \$800,000; Expenditures of \$611,449.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as noted on pages 48-54 of the CRA financial statements.

Additional Matters

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

Purpose of this Letter

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

West Palm Beach, FL
June XX, 2023

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH FLORIDA STATUTES

To the Board of Commissioners and CRA Director
Delray Beach Community Redevelopment Agency

We have examined the Delray Beach Community Redevelopment Agency (the “CRA”), a component unit of the City of Delray Beach, Florida, compliance with Section 218.415, Florida Statutes, Local Government Investment Policies, for the fiscal year ended September 30, 2022. We also examined the CRA’s compliance with Sections 163.387(6) and 163.387(7), Florida Statutes for the fiscal year ended September 30, 2022. Management of the CRA is responsible for the CRA’s compliance with the specified requirements. Our responsibility is to express an opinion on the CRA’s compliance based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. Our examination does not provide a legal determination on the CRA’s compliance with the specified requirements.

In our opinion, the CRA complied, in all material respects, with Section 218.415, 163.387(6) and 163.387(7), Florida Statutes for the fiscal year ended September 30, 2022.

This report is intended solely to describe our testing of compliance with aforementioned sections of the Florida Statutes, and it is not suitable for any other purpose.

West Palm Beach, FL
June XX, 2023