

**Audited Financial Statements  
and Supplementary Financial Information**

**Delray Beach Community  
Redevelopment Agency**

**A Component Unit of the  
City of Delray Beach, Florida**

**Fiscal Year Ended September 30, 2017**



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

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CERTIFIED PUBLIC ACCOUNTANTS

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY -  
A COMPONENT UNIT OF THE CITY OF DELRAY BEACH, FLORIDA

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY FINANCIAL INFORMATION

September 30, 2017

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Independent Auditor's Report

To the Board of Commissioners  
Delray Beach Community Redevelopment Agency  
Delray Beach, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 4 through 9 and the *budgetary comparison schedule* on pages 34 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delray Beach Community Redevelopment Agency's basic financial statements. The *other supplementary information* on pages 41 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *other supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic 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 May 7, 2018 on our consideration of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Delray Beach Community Redevelopment Agency's internal control over financial reporting and compliance.

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

West Palm Beach, Florida  
May 7, 2018

## Management's Discussion and Analysis

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, 2017.

### Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$36,936,069 (*net position*).
- The CRA's total net position increased \$3,577,211. Substantially all of this increase is attributable to tax increment revenue in excess of redevelopment expenses due to the timing of CRA projects.
- As of the close of the current fiscal year, the CRA's General Fund reported ending fund balance of \$10,253,632, an increase of \$1,678,850. Fund balance of \$3,031,070 or 30% is nonspendable for prepaid items and long-term receivables; \$5,856,807 or 57% was assigned to the subsequent year's budget; and, \$1,365,755 or 13% is unassigned.
- The CRA's total noncurrent liabilities decreased by \$2,080,015 during the current fiscal year 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 basic financial statements. The basic 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 other supplementary information in addition to the basic 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 and liabilities, 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.

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 (known as a *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 10 and 11 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*.

The basic governmental fund financial statements can be found on pages 12 and 13 of this report. The reconciliation between the governmental fund change in fund balance and the governmental activities change in net position can be found on page 14.

**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 15 to 33 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's budget to actual results for the General Fund for the current year. The CRA adopts an annual appropriated budget for its General Fund, for which a budgetary comparison schedule has been provided on pages 34 to 40 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 other supplementary information on pages 41 to 44.

## **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 \$36,936,069 at the close of the most recent fiscal year.

Approximately 79% 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.

The CRA's net position at September 30, 2017 and 2016 are summarized below:

**Net Position**  
**September 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current and other assets	\$ 14,292,116	\$ 10,492,719
Capital assets	<u>34,318,438</u>	<u>34,513,530</u>
Total assets	<u>\$ 48,610,554</u>	<u>\$ 45,006,249</u>
<b>Liabilities</b>		
Noncurrent liabilities	\$ 7,579,158	\$ 9,659,173
Other liabilities	<u>4,095,327</u>	<u>1,988,218</u>
Total liabilities	<u>\$ 11,674,485</u>	<u>\$ 11,647,391</u>
<b>Net position</b>		
Net investment in capital assets	\$ 29,269,213	\$ 27,745,709
Unrestricted	<u>7,666,856</u>	<u>5,613,149</u>
Total net position	<u>\$ 36,936,069</u>	<u>\$ 33,358,858</u>

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 79% 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 \$7,666,856 or 21% may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net position increased by \$3,577,211 during the current fiscal year, which primarily represents the degree to which tax increment revenues exceeded current year expenses. There was a decrease of \$3,174 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 \$3,577,211. Key elements of this increase are as follows.

**Changes in Net Position**  
**Years Ended September 30, 2017 and 2016**

<b>Revenue</b>	<u>2017</u>	<u>2016</u>
Program revenue		
Charges for services	\$ 158,154	\$ 178,009
Operating contributions and grants	338,886	226,723
General revenue		
Tax increment revenue	17,030,686	14,735,740
Gain on sale of capital assets	207,712	-
Interest and other income	<u>52,752</u>	<u>71,582</u>
Total revenue	17,788,190	15,212,054



	<u>2017</u>	<u>2016</u>
<b>Expenses</b>		
General government	\$ 1,471,762	\$ 1,364,788
Property management	112,662	112,662
Economic development	<u>12,626,555</u>	<u>12,666,002</u>
Total expenses	<u>14,210,979</u>	<u>14,143,452</u>
Increase in net position	3,577,211	1,068,602
Net position – beginning of year	<u>33,358,858</u>	<u>32,290,256</u>
Net position – end of year	<u>\$ 36,936,069</u>	<u>\$ 33,358,858</u>

Tax increment revenues increased by \$2,294,946 or approximately 16% for the year. Property values in the CRA's development area increased by approximately \$217 million (14%) in 2017, accounting for the majority of the increase in tax increment revenue.

General government expenses increased approximately \$107,000 (8%) resulting from an increase in personnel expenses. Property management expenses were the same as the prior year, and economic development expenses had a small decrease of approximately \$39,000 (0.3%). The CRA's economic development expenses include interest of approximately \$276,000 on long-term debt incurred to finance various redevelopment projects located predominantly in the West Atlantic Avenue and downtown corridor.

### **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 \$10,253,632, an increase of \$1,678,850 for the year. A total of \$3,031,070 or 30% of the total fund balance is *nonspendable* to indicate that it is not available for new spending because it represents prepaid items and long-term receivables. In addition, there is \$5,856,807 of fund balance *assigned* for the 2017/2018 budget and unassigned fund balance of \$1,365,755 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, 2017, represented 38% of total General Fund expenditures for 2017.

The approximately \$1,600,000 increase in fund balance for the General Fund in 2017 was primarily related to other financing sources of approximately \$3,600,000 from the sale of the former Delray Beach Public Library site, net of approximately \$2,000,000 of expenditures related to the development of the Arts Warehouse.

## General Fund Budgetary Highlights

During 2017, revenues exceeded budget by approximately \$3,000 and other financing sources were equal to final budgetary estimates. Overall, total expenditures were approximately \$126,000 less than the final budgeted appropriations for the year ended September 30, 2017. This was largely due to expenditures being under budget for West Atlantic Avenue redevelopment. There was a decrease of approximately \$8.3 million from the original budgeted expenditures to the final amended budget for the 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, 2017, amounts to \$34,318,438 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in process, buildings, equipment, furniture and fixtures. The net decrease in the CRA's investment in capital assets for the current fiscal year was \$195,092. Major capital asset transactions during 2017 consisted of capital outlay expenditures of approximately \$3.3 million net of sales and disposals of various properties of approximately \$3.4 million and depreciation of approximately \$141,000. Capital assets at September 30, 2017 and 2016 are summarized as follows:

	<b>Capital Assets</b> (net of accumulated depreciation)	
	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 29,703,986	\$ 31,883,097
Construction in process	2,081,853	-
Buildings, improvements and equipment	<u>2,532,599</u>	<u>2,630,433</u>
Total assets	<u>\$ 34,318,438</u>	<u>\$ 34,513,530</u>

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

**Noncurrent Liabilities.** At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$5,049,225, which were secured by a pledge of the tax increment revenues received by the CRA. The CRA also had notes payable to the City of Delray Beach totaling \$2,529,933 for the U.S. Highway 1 project. Noncurrent liabilities at September 30, 2017 and 2016 are summarized as follows:

	<b>Noncurrent Liabilities</b>	
	<u>2017</u>	<u>2016</u>
Revenue bonds	\$ 5,049,225	\$ 6,139,225
Notes payable to the City of Delray Beach	<u>2,529,933</u>	<u>3,519,948</u>
Total noncurrent liabilities	<u>\$ 7,579,158</u>	<u>\$ 9,659,173</u>

The CRA's total noncurrent liabilities decreased by \$2,080,015 (22%) during the current fiscal year due to scheduled payments on the bonds and notes. 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 J to the audited financial statements.

## **Economic Factors and Next Year's Budget**

The following economic factors were considered in establishing the CRA's budget for the 2017/2018 fiscal year.

- The property valuations in the CRA district increased approximately \$217 million in 2017, which is an increase of approximately 14 percent. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2017 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund increased in 2017 by approximately \$1,700,000 due primarily to the sale of the former site of the Delray Beach Public Library. The CRA has assigned approximately \$5.9 million of the fund balance at September 30, 2017, to the 2017-2018 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 2017/2018 fiscal year.

## **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.

## **BASIC FINANCIAL STATEMENTS**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET POSITION

September 30, 2017

	Primary Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,106,819	\$ 43,209
Accounts receivable		
City of Delray Beach	98,599	-
Grants and other	20,742	440
Prepaid expenses	28,059	-
Notes receivable		
City of Delray Beach	100,000	-
Delray Beach Community Land Trust	641,249	-
Delray Beach Chamber of Commerce	204,237	-
Village Square Elderly, Ltd.	1,463,641	-
Second mortgage loans	593,884	-
Other assets	34,886	-
Capital assets		
Capital assets not being depreciated	31,785,839	-
Depreciable capital assets, net	2,532,599	-
Total Assets	48,610,554	43,649
<b>LIABILITIES</b>		
Accounts payable	663,731	3,636
Accrued expenses	156,429	-
Due to the City of Delray Beach	3,148,298	-
Contract retainage payable	109,233	-
Unearned grant revenue	13,359	-
Refundable tenant and bid deposits	4,277	-
Noncurrent liabilities		
Due within one year	1,501,419	-
Due in more than one year	6,077,739	-
Total Liabilities	11,674,485	3,636
<b>NET POSITION</b>		
Net investment in capital assets	29,269,213	-
Unrestricted	7,666,856	40,013
Total Net Position	\$ 36,936,069	\$ 40,013

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expenses) and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Primary Governmental Activities	Component Unit
<b>Primary Government</b>					
<b>Governmental activities</b>					
General government	\$ 1,471,762	\$ -	\$ -	\$ (1,471,762)	\$ -
Property management	112,662	112,703	-	41	-
Economic development	12,626,555	45,451	338,886	(12,242,218)	-
Total Primary Government	<u>\$ 14,210,979</u>	<u>\$ 158,154</u>	<u>\$ 338,886</u>	(13,713,939)	-
<b>Component Unit</b>					
Block 60 Parking Condominium	<u>\$ 16,667</u>	<u>\$ 13,493</u>	<u>\$ -</u>	-	(3,174)
<b>General Revenue</b>					
				17,030,686	-
Tax increment revenue				207,712	-
Gain on sale of capital assets				52,752	-
Interest and other income					-
Total General Revenue				<u>17,291,150</u>	-
Change in Net Position				3,577,211	(3,174)
Net position at October 1, 2016				<u>33,358,858</u>	<u>43,187</u>
Net Position at September 30, 2017				<u>\$ 36,936,069</u>	<u>\$ 40,013</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2017

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,106,819
Accounts receivable	
City of Delray Beach	98,599
Grants and other	20,742
Prepaid items	28,059
Notes receivable	
City of Delray Beach	100,000
Delray Beach Community Land Trust	641,249
Delray Beach Chamber of Commerce	204,237
Village Square Elderly, Ltd.	1,463,641
Second mortgage loans	593,884
Other assets	34,886
Total Assets	<u>\$ 14,292,116</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 663,731
Accrued items	99,586
Due to the City of Delray Beach	3,148,298
Contract retainage payable	109,233
Unavailable grant revenue	13,359
Refundable tenant and bid deposits	4,277
Total Liabilities	<u>4,038,484</u>
<b>FUND BALANCE</b>	
Nonspendable	
Prepaid items	28,059
Long-term notes receivable	3,003,011
Assigned to	
Subsequent year's budget	5,856,807
Unassigned	1,365,755
Total Fund Balance	<u>10,253,632</u>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	34,318,438
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(56,843)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(7,579,158)</u>
Net position of governmental activities	<u>\$ 36,936,069</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2017

	General Fund
<b>REVENUES</b>	
Tax increment revenue	\$ 17,030,686
Reimbursements	338,886
Rental property income	112,703
Green Market revenue	45,451
Interest and other income	52,752
Total Revenues	<u>17,580,478</u>
<b>EXPENDITURES</b>	
Current	
General government	1,443,870
Economic development	12,350,813
Capital outlay	3,309,720
Debt service	
Principal	2,080,015
Interest	289,180
Total Expenditures	<u>19,473,598</u>
Expenditures in Excess of Revenues	(1,893,120)
<b>OTHER FINANCING SOURCES</b>	
Proceeds from sales of purchased properties	<u>3,571,970</u>
Revenues in Excess of Expenditures and Other Financing Sources	1,678,850
Fund Balance at October 1, 2016	<u>8,574,782</u>
Fund Balance at September 30, 2017	<u><u>\$ 10,253,632</u></u>

See notes to financial statements.



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2017

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

Net change in fund balance - governmental fund	\$ 1,678,850
--	--------------

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

Expenditures for capital assets	\$ 3,309,720	
Net book value of disposals	(3,364,258)	
Current year depreciation	<u>(140,554)</u>	(195,092)

Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayments exceed debt additions.	2,080,015
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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 expense.	<u>13,438</u>
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Change in net position of governmental activities	<u><u>\$ 3,577,211</u></u>
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See notes to financial statements.

## DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

### NOTES TO FINANCIAL STATEMENTS

September 30, 2017

#### NOTE A - 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 on June 18, 1985. The CRA was governed by a seven member Board of Commissioners appointed by the Delray Beach City Commission through April 3, 2018. Subsequent to that date, the Delray Beach City Commission became the governing body of the CRA.

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 was evaluated and determined to be a component unit of the City of Delray Beach, Florida. The City Commission of Delray Beach appoints the governing board of the CRA and the tax increment financing received by the CRA is considered evidence of the City's obligation to provide financial support to the CRA.

#### **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.

#### **Jointly Governed Organization**

The CRA is a party to an agreement with the City and the Greater Delray Beach Chamber of Commerce to fund economic development programs for downtown Delray Beach through a 501(c)(6) not-for-profit organization known as the Delray Beach Marketing Cooperative (the "DBMC"). The CRA has no ongoing financial interest or financial responsibility for the DBMC. For the year ended September 30, 2017, the CRA contributed approximately \$356,000 to the joint venture.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - 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 intergovernmental 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 is 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 revenue*. 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 separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are 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.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment revenues, intergovernmental 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.

Cash and Cash Equivalents: Cash and cash equivalents 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.

Grants and Other Receivables: Grants and other receivables include amounts due from other governments for reimbursement basis grants and rental income. The CRA does not require collateral for accounts receivable. An allowance for doubtful 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, 2017, management considers all receivables to be fully collectible.

Prepaid Items/Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items/expenses under the consumption method. Reported amounts in the governmental fund are equally offset by nonspendable fund balance in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

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.

Unearned/Unavailable Revenue: Unearned revenue in the Governmental Activities and unavailable revenue in the General Fund include grant amounts received in advance of meeting grant eligibility requirements.

Compensated Absences: Unpaid annual leave amounts and related employer payroll taxes are accrued when incurred. Unpaid annual leave expires at the end of each calendar year. Accordingly, the liability for unpaid annual leave is considered a current liability which is expected to be liquidated with expendable available financial resources and is included in accrued expenses in both the governmental fund and the government-wide financial statements. Sick leave benefits are paid only when taken.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - 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 has no amounts reported as deferred inflows/outflows of resources on the government-wide Statement of Net Position or the governmental fund Balance Sheet.

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 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 portion of the assets that has been acquired through the use of long-term debt. This amount is offset by any unspent proceeds that are outstanding 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.

**Fund Balance** - In the fund financial statements, the governmental 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:

*Non-spendable* - Non-spendable 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.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

*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 fund balance to provide liquidity in the event of a budget shortfall or natural disaster.

Retirement Plan: The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code 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. For the year ended September 30, 2017, the CRA made contributions of \$83,964 to the employees' accounts. The CRA is not obligated to provide other postemployment benefits to employees upon termination of employment, except for federally mandated COBRA health insurance.

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.

Recent Accounting Pronouncements: The CRA implemented the following Governmental Accounting Standards Board (GASB) Statement during the fiscal year ended September 30, 2017:

- GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of information about the reporting government's own tax abatement agreements and agreements that are entered into by other governments that reduce the reporting government's tax revenues.

The implementation of this standard had no effect on the CRA's financial statements, other than additional disclosures in the notes to the financial statements.

The Governmental Accounting Standards Board has issued new Statements effective in future years that may impact the CRA. Management has not completed its analysis of the effects, if any, of the following GASB Statements that may impact the financial statements of the CRA:

- GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- postemployment benefits arrangements that are fiduciary activities. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2020.
- GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements including topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2018.
- GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2021.

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 B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash: Cash at September 30, 2017, includes deposits with financial institutions with a bank balance of \$11,177,852 and a book balance of \$11,099,741 and \$250 of petty cash. For financial statement purposes cash includes an investment of \$6,828 with Florida Prime, a 2a7-like external investment pool administered by the State of Florida pursuant to statutory requirements. 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 in accordance with the provisions of GASB Statements. Cash balances of the component unit at September 30, 2017, are deposits with financial institutions that are fully covered by federal depository insurance.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

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, 2017, Florida Prime was rated AAAM by Standard and Poors. The CRA had no other investments subject to credit risk.

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 and time deposits with financial institutions meeting the requirements of a Florida qualified public depository.

NOTE C - NOTES RECEIVABLE FROM CITY OF DELRAY BEACH

The CRA entered into two interlocal and multi-party agreements with the City of Delray Beach and the School Board of Palm Beach County which provide for the construction of a single family residence through construction projects of the Career Academy Program at Atlantic High School in Delray Beach, known as the Eagle Nest Program. The CRA committed to provide the initial funding for the projects in the form of a loan to the City of Delray Beach that will be repaid at the time of sale. The Eagle Nest Project 3 agreement provides for a loan to the City of Delray Beach in an amount not to exceed \$150,000 to be disbursed by the City of Delray Beach to the School District. At the time of the closing on the sale of the Eagle Nest Project 3 house, the CRA will be repaid without interest. The amount loaned to the City of Delray Beach for Eagle Nest Project 3 at September 30, 2017 was \$100,000.



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE D - NOTES RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

Construction Mortgages: The CRA provides advances to the Delray Beach Community Land Trust, Inc. (CLT) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2017, total advances receivable from the CLT were \$325,249, all of which is considered collectible by the CRA.

Land Acquisition Mortgages: In April 2013, the CRA loaned \$116,000 to the CLT for the purchase of designated property in the City for the CLT's affordable housing program. Interest only payments are due quarterly on the loan at 2.1% commencing April 1, 2014 and continuing through maturity of the loan on April 12, 2018, at which time the outstanding principal is due and payable to the CRA. In March 2017, the CRA loaned \$200,000 to the CLT for the purchase of designated property in the City for the CLT's affordable housing program. Interest only payments of \$1,472 are due quarterly beginning April 3, 2017 and quarterly thereafter. The principal is due January 3, 2019. In the event the CLT's interest in the properties is sold or otherwise transferred prior to the maturity date of the loans, all outstanding principal and accrued interest is immediately due. The loans are collateralized by a first purchase money mortgage on the properties acquired by the CLT.

NOTE E - 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. At September 30, 2017 the balance of the note receivable from the Chamber was \$204,237.

NOTE F - NOTE RECEIVABLE FROM PRIME DELRAY HOTEL, LLC

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE F - NOTE RECEIVABLE FROM PRIME DELRAY HOTEL, LLC

security interest in the Hotel Property and all improvements, fixtures, and appurtenances thereto. On December 21, 2016 the \$1,500,000 loan balance was repaid in full.

NOTE G - 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 will be non-interest bearing during the construction period and for the first ten years and for years eleven through twenty, the loan will accrue interest at 3.0%. Payments of principal only shall commence on the first anniversary date of the closing date of the loan and are due annually thereafter until the 10th anniversary of the loan. Commencing on the tenth anniversary date and annually thereafter, principal and interest will be payable in an amount equal to the remaining cash flow from Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan is collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The loan matures 20 years from the closing date at which time all outstanding principal and accrued interest will be due to the CRA. The first construction draw was on March 15, 2017 and the total receivable at September 30, 2017 was \$1,463,641.

NOTE H - 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, 2017, the amount of the individual second mortgages originated in 2008 through 2017, 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 \$593,884 at September 30, 2017.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE I - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2017, was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 31,883,097	\$ 1,185,147	\$ (3,364,258)	\$ 29,703,986
Construction in progress	<u>-</u>	<u>2,081,853</u>	<u>-</u>	<u>2,081,853</u>
Total capital assets not being depreciated	31,883,097	3,267,000	(3,364,258)	31,785,839
<b>Depreciable capital assets</b>				
Buildings and improvements	3,808,566	-	-	3,808,566
Equipment	112,346	7,694	-	120,040
Furniture and fixtures	<u>35,223</u>	<u>35,026</u>	<u>-</u>	<u>70,249</u>
Total depreciable capital assets	3,956,135	42,720	-	3,998,855
Less accumulated depreciation	<u>(1,325,702)</u>	<u>(140,554)</u>	<u>-</u>	<u>(1,466,256)</u>
Depreciable capital assets, net of accumulated depreciation	<u>2,630,433</u>	<u>(97,834)</u>	<u>-</u>	<u>2,532,599</u>
Total capital assets	<u>\$ 34,513,530</u>	<u>\$ 3,169,166</u>	<u>\$ (3,364,258)</u>	<u>\$ 34,318,438</u>

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 27,892
Property management	<u>112,662</u>
Total depreciation expense	<u>\$ 140,554</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2017, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
<b>Revenue Bonds</b>					
Series 2015	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Series 2012	2,669,225	-	-	2,669,225	-
Series 2004A	2,535,000	-	(810,000)	1,725,000	845,000
Series 1999A	<u>885,000</u>	<u>-</u>	<u>(280,000)</u>	<u>605,000</u>	<u>295,000</u>
Total revenue bonds	6,139,225	-	(1,090,000)	5,049,225	1,140,000
<b>Loans Payable to the City of Delray Beach</b>					
U.S. Highway 1 project	2,891,352	-	(361,419)	2,529,933	361,419
Library property acquisition	<u>628,596</u>	<u>-</u>	<u>(628,596)</u>	<u>-</u>	<u>-</u>
Total loans payable	<u>3,519,948</u>	<u>-</u>	<u>(990,015)</u>	<u>2,529,933</u>	<u>361,419</u>
Total noncurrent liabilities	9,659,173	\$ -	\$ (2,080,015)	7,579,158	\$ 1,501,419
Current maturities	<u>(1,698,776)</u>			<u>(1,501,419)</u>	
Net long-term debt	\$ <u>7,960,397</u>			\$ <u>6,077,739</u>	

**Revenue Bonds:** The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2017, consisted of the following:

**Series 2015:** In January 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 shall not exceed an aggregate principal amount of \$2,000,000. The Series 2015 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The CRA will be able to draw down funds until the 3<sup>rd</sup> anniversary of the Closing Date (January 29, 2016). Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> at 2.78% on the outstanding principal balance, beginning April 1, 2016, 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 will be payable in equal installments each April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with the first April 1<sup>st</sup> or October 1<sup>st</sup> occurring after the final draw date. At September 30, 2017, the outstanding balance on the Series 2015 Bond was \$50,000.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - NONCURRENT LIABILITIES (Continued)

**Series 2012:** \$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2012, dated March 30, 2012. 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 2012 Series 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 shall not exceed an aggregate principal amount of \$4,000,000.

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 1<sup>st</sup> and October 1<sup>st</sup> 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. Interest under the modified agreement is also due on April 1<sup>st</sup> and October 1<sup>st</sup> through October 1, 2018. Principal will be payable in equal installments each April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with the first April 1<sup>st</sup> or October 1<sup>st</sup> occurring after the final draw date. At September 30, 2017, the outstanding balance on the Series 2012 Bond was \$2,669,225.

**Series 2004A:** \$10,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2004A, dated May 19, 2004. The Series 2004A Bond was issued to a financial institution for an aggregate principal amount of \$10,000,000 for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> at 4.2982% on the outstanding principal balance. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal is payable each September 1<sup>st</sup>, through September 1, 2019, the maturity date of the Series 2004A Bond. At September 30, 2017, the outstanding balance on the Series 2004A Bond was \$1,725,000.

**Series 1999A:** \$9,715,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1999A, dated June 25, 1999. The Series 1999A Bond was issued to a financial institution for an aggregate principal amount of \$9,715,000 for the purpose of financing the costs of acquisition and construction of certain redevelopment projects and to refund the outstanding balance of \$6,015,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1997A. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> at 4.80% on the outstanding principal balance. Interest on the bond is tax-exempt to the holder of the bond for federal income tax purposes. Principal is payable each September 1<sup>st</sup>, through September 1, 2019, the maturity date of the Series 1999A Bond. At September 30, 2017, the outstanding balance on the Series 1999A Bond was \$605,000.

Principal Maturities: Principal maturities of the outstanding tax increment redevelopment revenue bonds with scheduled maturities at September 30, 2017 (excluding the Series 2012 and 2015 Bonds on which the principal repayment schedule will not be determined until after the final draw date), were as follows:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - NONCURRENT LIABILITIES (Continued)

Year Ending September 30,	Revenue Bond, Series 2004A		Revenue Bond, Series 1999A	
	Principal	Interest	Principal	Interest
2018	\$ 845,000	\$ 74,144	\$ 295,000	\$ 29,040
2019	880,000	37,824	310,000	14,880
	<u>\$ 1,725,000</u>	<u>\$ 111,968</u>	<u>\$ 605,000</u>	<u>\$ 43,920</u>

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City of Delray Beach by the CRA at September 30, 2017, consisted of the following:

**U.S. Highway 1 Project:** The CRA entered into an interlocal agreement with the City in October 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, commencing December 1, 2014 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, commencing December 1, 2014. At September 30, 2017, the outstanding balance on this loan was \$2,529,933.

**Library Property Acquisition:** In connection with the planned redevelopment by the CRA of the former site of the Delray Beach Public Library, the CRA entered into a triparty interlocal agreement in March 2013, with the City and the Chamber to relocate the Chamber's offices (see Note E) and purchase the City's reversionary rights in the property. The CRA agreed to purchase the City's property rights for a total of \$2,270,870, payable to the City in equal annual installments of \$266,215, including interest at 3.0%, commencing March 8, 2014 through maturity on March 8, 2019. During 2015, the CRA made an additional principal payment on this loan in the amount of \$1 million. In the event the CRA sells or conveys any portion of the property during the term of the loan, the CRA agreed to pay the City a lump sum principal payment on the loan equal to 50% of the sales proceeds received by the CRA, in addition to the annual installment payments due on the loan, but not in excess of the total loan amount. In addition, the CRA granted a reservation of rights to the City to maintain 50 public parking spaces on the property in perpetuity. The loan was paid in full in May 2017.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE J - NONCURRENT LIABILITIES (Continued)

Year Ending September 30,	Principal	Interest	Total
2018	\$ 361,419	\$ 58,730	\$ 420,149
2019	361,419	58,730	420,149
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022	361,419	58,730	420,149
2023-2024	<u>722,838</u>	<u>117,460</u>	<u>840,298</u>
	<u>\$ 2,529,933</u>	<u>\$ 411,110</u>	<u>\$ 2,941,043</u>

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 1999, 2004, 2012 and 2015 to finance various redevelopment projects. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district as described in more detail in Note K 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, 2017, was \$5,205,113, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$1,300,027 and \$17,030,686, respectively.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2017, for the outstanding noncurrent liabilities with scheduled maturities (excluding the Series 2012 and 2015 Bonds) are as follows:

Year Ending September 30,	Principal	Interest	Total
2018	\$ 1,501,419	\$ 161,914	\$ 1,663,333
2019	1,551,419	111,434	1,662,853
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022	361,419	58,730	420,149
2023-2024	<u>722,838</u>	<u>117,460</u>	<u>840,298</u>
	<u>\$ 4,859,933</u>	<u>\$ 566,998</u>	<u>\$ 5,426,931</u>

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2017, were \$275,742 and \$289,180, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE K - 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 year ended September 30, 2017, was as follows:

Assessed property value as of January 1, 2016	\$ 1,771,254,862
Assessed property value for 1985 base year	<u>(245,631,067)</u>
Assessed property value subject to incremental property tax	<u>\$ 1,525,623,795</u>

NOTE L - RELATED PARTY TRANSACTIONS

City of Delray Beach: The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2017, the CRA's tax increment revenues include \$10,100,654 received from the City. CRA expenditures for the year ended September 30, 2017, include charges of \$4,108,200 for contractual and other services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$3,140,286 for construction services related to redevelopment projects, \$450,000 for the downtown shuttle, and \$993,780 for sponsorship of City tennis tournaments. The CRA also received approximately \$232,000 in reimbursements from the City for various projects.

At September 30, 2017, the CRA had accounts receivable due from the City of \$98,599, notes receivable of \$100,000, accounts payable to the City of \$3,148,298 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$2,529,933.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2017, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

NOTE M - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessor: The CRA had the following lease commitments as lessor at September 30, 2017:



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

**Factual Multi Services, LLC:** The CRA entered into an agreement to lease the property located at 135 NW 5<sup>th</sup> 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 9, 2021 for \$800 monthly base rent plus \$402 monthly condominium assessment. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$100,000 at September 30, 2017.

**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 12<sup>th</sup> 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. All three leases were renewed through September 22, 2021. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,130,000 at September 30, 2017.

**Prime Delray Hotel:** 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. 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, 2017 was approximately \$2,420,000.

**Monogram Closet:** On April 23, 2015, the CRA entered into an agreement to lease the property located at 182 NW 5<sup>th</sup> Ave. to Monogram Closet Incorporated. The lease term is for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 with an increase of \$1 per square foot each year thereafter. The parties may extend the terms of the lease for three additional one year terms upon execution of an amendment. The carrying value of the leased property at September 30, 2017 was approximately \$190,000.

**Hatcher Construction & Development Inc.:** On June 22, 2017, the CRA entered into an agreement to lease the property located at 700 West Atlantic Ave to Hatcher Construction & Development, Inc. The lease term is for a two year period, commencing on the issuance of the building permit or sixty days from the Effective Date of the Lease (August 21, 2017) with a monthly base rent amount of \$1,500. As additional consideration, Hatcher Construction & Development, Inc. shall make required repairs valued at approximately \$59,000, as outlined in the agreement. The lease term maybe extended for an additional one year term. The carrying value of the leased property at September 30, 2017 was approximately \$1,970,000.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

**CareerSource Palm Beach County, Inc.:** On August 24, 2017, the CRA entered into an agreement to lease the property located at 186 NW 5<sup>th</sup> Ave to CareerSource Palm Beach County, Inc. The lease term is for a three year period, commencing on September 1, 2017 with a monthly base rent amount of \$1. An advance payment of \$36 was due for the full rental term. The parties may extend the terms of the lease for an additional one year term upon execution of an amendment. The carrying value of the leased property at September 30, 2017 was approximately \$190,000.

**Upper Cutz Barbershop and Salon, Inc.:** On August 24, 2017, the CRA entered into an agreement to lease the property located at 135 NW 5<sup>th</sup> Ave, 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 parties may extend the terms of the lease for two additional one year terms upon execution of a written amendment. The carrying value of the leased property at September 30, 2017 was approximately \$100,000.

The total carrying value of leased property listed above was approximately \$10,100,000 at September 30, 2017. Depreciation expense is not recorded on redevelopment properties that are currently held for sale. At September 30, 2017, all properties were held for sale, except for that leased to the Delray Beach Housing Group. Rental income for 2017 totaled \$112,703. Future annual minimum rental income is as follows: 2018 - \$71,772; 2019 - \$65,810; 2020 - \$27,910; and 2021 - \$4,811.

Contract Commitments: At September 30, 2017, the CRA had outstanding contract commitments consisting of the following:

Project	Total Project Authorization	Expended Through September 30, 2017	Retainage Payable at September 30, 2017	Remaining Commitment at September 30, 2017
Arts Warehouse Project	\$ 2,252,458	\$ 2,072,605	\$ 108,186	\$ 71,667
SW 14 <sup>th</sup> Ave Streetscape	148,657	128,005	-	20,652
700 and 708 West Atlantic	71,850	9,425	1,047	61,378
SW 10 <sup>th</sup> Ave Sidewalk & Blocks				
8 & 20 Alley Improvements	30,030	29,374	-	656
Office Expansion	44,710	34,520	-	10,190
SW 2 <sup>nd</sup> St Beautification Phase II	23,279	13,649	-	9,630
Tree removal	18,600	12,900	-	5,700
221 SW 12 <sup>th</sup> Ave Duplex	14,970	496	-	14,474
Workload analysis	13,150	2,250	-	10,900
NW 5 <sup>th</sup> Ave Entrance Feature	5,810	2,304	-	3,506
Gateway Maintenance & Planning	4,985	-	-	4,985
Total contract commitments	\$ 2,628,499	\$ 2,305,528	\$ 109,233	\$ 213,738

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

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 \$9,319,800 for the year ending September 30, 2018.

**Tax Increment Incentive Agreements:** The CRA reimbursed \$109,632 to qualified private for-profit organizations under the CRA's Development Infrastructure Assistance Program, pursuant to State statutory authority for public-private partnerships to rehabilitate and develop properties within a Community Redevelopment Area. The Development Infrastructure Assistance Program is a CRA incentive program in which the CRA reimburses 50% of the costs of eligible site improvements for an eligible commercial project, up to an amount not to exceed 50% of the projected Tax Increment Funds generated by the improvements over a 5 year period following project completion. The projects must be located in CRA Sub-Areas #3, #4, #5, #6, #7, or #8 and the final incentive agreement must be approved by the CRA Board.

**Prime Delray Hotel, LLC:** Development Infrastructure Assistance for the development and construction of a 4-story business class hotel on Atlantic Avenue. The grant is for an amount not to exceed \$332,349 and will be paid in five equal annual payments, not to exceed 50% of the actual tax increment revenues attributed to the project for any such year. The first payment of \$66,470 was made under the grant for 2017.

**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 1<sup>st</sup> of each year. Payments of \$43,162 were made each year under the grant for 2014 - 2017.

**Grant Funding Commitments:** The CRA also entered into grant agreements with the following organizations to provide funding for their operations during the year ending September 30, 2018:

City of Delray Beach - International Tennis Championships	\$ 1,000,000
City of Delray Beach - Trolley service	975,000
City of Delray Beach - Fire Prevention and Life Safety Captain	184,061
City of Delray Beach - Irrigation and landscape maintenance	100,000
City of Delray Beach - Transit Oriented Development	100,000
City of Delray Beach - Engineering Inspector	75,000
Delray Beach Community Land Trust, Inc.	194,700
Delray Beach Public Library Association, Inc.	453,000
Delray Beach Historical Society	125,000
Delray Beach Center for the Arts, Inc.	900,000
Delray Beach Creative City Collaborative, Inc.	275,000
EPOCH, Inc.	<u>111,000</u>
Total grant commitments	\$ <u>4,492,761</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

Job Creation Bonus Program Grant: A Job Creating Bonus Program grant was awarded to Cloud Computing Concepts, LLC for an amount equal to 5% of all certifiable annual wages for a minimum of 5 qualifying jobs up to a maximum of 13 qualifying jobs. Grant funds to be paid by the CRA will not exceed \$7,605 on an annual basis and \$38,024 over a five year period. Payments of \$7,605 were made each year for 2015-2017.

Contracts for Sale of Properties: At September 30, 2017, the CRA had entered into contracts for the sale of properties with a carrying value of \$410,171

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 N - EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2017, expenditures exceeded budgeted appropriations in the City Contractual Services cost center by \$1,852.

## **REQUIRED SUPPLEMENTARY INFORMATION**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Tax increment revenue				
City of Delray Beach	\$ 10,080,218	\$ 10,100,654	\$ 10,100,654	\$ -
Palm Beach County	6,923,987	6,930,032	6,930,032	-
Total Tax Increment Revenue	17,004,205	17,030,686	17,030,686	-
Reimbursements				
Reimbursements from City of Delray Beach	135,000	232,069	232,069	-
Other reimbursements	-	106,817	106,817	-
Total Reimbursements	135,000	338,886	338,886	-
Rental property income	80,000	112,703	112,703	-
Green Market revenue	55,000	45,451	45,451	-
Interest income	16,000	22,313	22,313	-
Loan interest	53,000	26,110	29,054	2,944
Arts warehouse	-	25	25	-
Other income	-	1,360	1,360	-
Total Revenues	17,343,205	17,577,534	17,580,478	2,944
<b>OTHER FINANCING SOURCES</b>				
Issuance of revenue bonds	1,567,785	-	-	-
General Fund carryforward fund balance	5,005,000	-	-	-
Land sales	3,900,000	3,571,970	3,571,970	-
Total Other Financing Sources	10,472,785	3,571,970	3,571,970	-
Total Revenues and Other Financing Sources	27,815,990	21,149,504	21,152,448	2,944
<b>EXPENDITURES</b>				
<b>General government</b>				
Personnel				
Salaries	1,200,000	984,475	984,475	-
Payroll taxes	90,000	73,553	73,553	-
Health and dental insurance	135,000	90,811	90,811	-
Retirement contribution	80,000	83,964	83,964	-
Travel allowance	9,000	6,600	6,600	-
Cell allowance	8,000	5,670	5,670	-
	1,522,000	1,245,073	1,245,073	-
Supplies and materials				
Office supplies	8,000	7,675	7,675	-
Postage/express mail	3,500	1,725	1,725	-
	11,500	9,400	9,400	-

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>General government (continued)</b>				
Office space				
Storage	\$ 3,500	\$ 2,923	\$ 2,923	\$ -
Maintenance	30,000	8,451	6,951	1,500
Telephone	7,000	6,437	6,437	-
Utilities	7,000	3,886	3,886	-
Security	3,000	1,294	1,294	-
	<u>50,500</u>	<u>22,991</u>	<u>21,491</u>	<u>1,500</u>
Administration/Operations				
Accounting	24,700	24,700	24,700	-
Legal	60,000	73,368	73,368	-
Capital outlay	500,000	22,649	22,649	-
Contractual services	61,400	26,543	15,643	10,900
Printing	6,000	3,458	3,458	-
Publications/subscriptions	1,500	1,029	1,029	-
Advertising	7,000	4,262	4,262	-
Bank services	2,000	717	717	-
Organization/member dues	8,500	6,774	6,774	-
Public relations and communication	5,000	585	585	-
Insurance: commercial, D&O	20,000	16,941	16,941	-
Meetings	2,500	1,866	1,866	-
Seminars and workshops	9,000	4,426	4,426	-
Travel	9,000	2,413	2,413	-
	<u>716,600</u>	<u>189,731</u>	<u>178,831</u>	<u>10,900</u>
Equipment, property and maintenance				
Computer equipment and supplies	3,000	-	-	-
Equipment rentals	10,000	9,084	9,084	-
Repairs and maintenance	2,000	468	468	-
Furniture and fixtures	2,000	-	-	-
Office equipment	20,000	9,167	9,167	-
	<u>37,000</u>	<u>18,719</u>	<u>18,719</u>	<u>-</u>
<b>Total General Government</b>	<b>2,337,600</b>	<b>1,485,914</b>	<b>1,473,514</b>	<b>12,400</b>
<b>Economic Development</b>				
<i>Areawide and Neighborhood Plans</i>				
Osceola Park Neighborhood Plan				
Residential Area Improvements	-	815,531	815,531	-
Business Area Revitalization	1,900,000	1,510,375	1,510,375	-
Legal Fee - Osceola Plan	3,000	214	214	-
	<u>1,903,000</u>	<u>2,326,120</u>	<u>2,326,120</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Economic Development (continued)</b>				
<i>Areawide and Neighborhood Plans (continued)</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	\$ 2,500,000	\$ 670,569	\$ 670,569	\$ -
West Atlantic Redevelopment Plan Update	100,000	72,113	72,113	-
Project development and implementation	25,000	84,190	19,039	65,151
Legal fees	50,000	63,738	63,738	-
SW 6th, 7th, 8th, & 9th Ave	100,000	-	-	-
Block 8 Alley	200,000	237,656	237,656	-
	<u>2,975,000</u>	<u>1,128,266</u>	<u>1,063,115</u>	<u>65,151</u>
Downtown Master Plan				
OSS Facility	500,000	268,695	268,695	-
OSS Building Maintenance	-	35,998	35,998	-
Old Library Site Redevelopment	50,000	11,854	11,854	-
SE 1st Street 2 Way Conversion	250,000	-	-	-
Gateway Feature (Signage)	100,000	-	-	-
Downtown Trolley	450,000	450,000	450,000	-
Parking Management - Crosswalks E Atlantic Ave	350,000	64,561	64,561	-
Parking Management - Wayfinder Signage	150,000	-	-	-
Project Development/Implementation	35,000	8,226	8,226	-
Veterans Park - Seawall and dock repair	-	585,179	585,179	-
NE 3rd St/ Ave Alley Improvements	-	13,444	13,444	-
Swinton and Atlantic Intersection	300,000	-	-	-
Legal fees	10,000	45,757	45,757	-
	<u>2,195,000</u>	<u>1,483,714</u>	<u>1,483,714</u>	<u>-</u>
Southwest Neighborhood Plan				
Village Square Elderly	2,700,000	-	-	-
SW 2nd Street Beautification	210,000	173,387	173,387	-
SW 4th St, 6th St, and 7th Ave	-	579,257	579,257	-
SW Neighborhood Alleys	800,000	99,714	99,714	-
Block 63 Alley	225,000	6,405	6,405	-
Legal fees	30,000	15,986	15,986	-
	<u>3,965,000</u>	<u>874,749</u>	<u>874,749</u>	<u>-</u>

(Continued)



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>Economic Development (continued)</b>				
<i>Areawide and Neighborhood Plans (continued)</i>				
N Federal Highway Redevelopment				
Project Development/ Implementation	\$ 25,000	\$ -	\$ -	\$ -
Legal Fees	1,000	-	-	-
	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other				
Land Acquisitions	-	4,500	4,500	-
Neighborhood Enhancement	30,000	496	496	-
Streets - other	630,000	-	-	-
Hilltopper Stadium Elevator	115,000	42,760	42,760	-
Legal fees	2,500	886	886	-
	<u>777,500</u>	<u>48,642</u>	<u>48,642</u>	<u>-</u>
<b>Total Areawide and Neighborhood Plans</b>	<b>11,841,500</b>	<b>5,861,491</b>	<b>5,796,340</b>	<b>65,151</b>
<i>Redevelopment Projects</i>				
NW/SW 5th Avenue Beautification				
NW 5th Ave Entrance Feature	100,000	2,304	2,304	-
NW 5th Ave	400,000	250	250	-
Block 20 Alley Improvements	75,000	97,135	97,134	1
Project development	50,000	1,200	1,200	-
Legal fees	10,000	2,249	2,249	-
	<u>635,000</u>	<u>103,138</u>	<u>103,137</u>	<u>1</u>
Affordable/Workforce Housing Program				
Resident relocations	15,000	-	-	-
Subsidies - Affordable Housing	150,000	-	-	-
Land acquisitions - CLT	600,000	588,980	588,980	-
Community Land Trust (CLT)	188,075	188,075	188,075	-
Eagle Nest	-	50,000	-	50,000
Legal fees	10,000	6,048	6,048	-
	<u>963,075</u>	<u>833,103</u>	<u>783,103</u>	<u>50,000</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Economic Development</b> (continued)				
<b>Redevelopment Projects</b> (continued)				
Redevelopment Sites				
Maintenance	\$ 150,000	\$ 122,258	\$ 122,258	\$ -
Business Relocation	30,000	-	-	-
Project Development / Implementation	2,500	-	-	-
Property insurance	125,000	65,002	65,002	-
Property taxes	90,000	72,272	72,272	-
Legal fees	5,000	293	293	-
West Settlers Condo Association	14,000	9,648	9,648	-
Utilities	30,000	20,315	20,315	-
Block 60 Parking Lots	8,000	7,480	7,480	-
	454,500	297,268	297,268	-
Carver Square Neighborhood				
Project Development / Implementation	60,000	-	-	-
Legal fees	6,000	215	215	-
	66,000	215	215	-
<b>Total Redevelopment Projects</b>	2,118,575	1,233,724	1,183,723	50,001
<b>Community Improvement and Economic Development</b>				
Grant Programs				
Curb Appeal Assistance Grants	35,000	-	-	-
Site Assistance Grants	250,000	89,920	89,920	-
Bus Assistance Startup	30,000	11,500	11,500	-
Paint-Up Assistance Grants	30,000	5,689	5,689	-
Community Activities	4,000	3,000	3,000	-
Historic Façade Grants	75,000	-	-	-
	424,000	110,109	110,109	-
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	351,510	355,910	355,910	-
	351,510	355,910	355,910	-
City Contractual Services				
City Demolition	50,000	-	-	-
Planning, IT and parking manager	110,000	110,000	110,000	-
Code Officer (NW/SW Neighborhoods)	42,000	71,380	71,380	-
Housing Rehab	38,470	38,470	38,470	-
Streetscape Maintenance	75,000	11,085	12,937	(1,852)
Clean & Safe program	2,512,905	2,695,905	2,695,905	-
Project Engineer	100,000	92,749	92,749	-
Community Improvement Liaison (Resource Center)	41,060	-	-	-
	2,969,435	3,019,589	3,021,441	(1,852)

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Economic Development</b> (continued)				
<i>Community Improvement and Economic Development (continued)</i>				
Community Resource Enhancement				
Community Resource Enhancement	\$ 25,000	\$ -	\$ -	\$ -
A-Guide Funding	1,615,750	1,615,750	1,615,750	-
	<u>1,640,750</u>	<u>1,615,750</u>	<u>1,615,750</u>	<u>-</u>
Economic Development Initiative				
Incentives	100,000	137,186	137,186	-
Marketing	50,000	2,042	2,042	-
Warehouse/ Arts Incubator	2,600,000	2,281,492	2,281,492	-
International Tennis Tournament	993,780	993,780	993,780	-
Tennis Stadium Study	75,000	-	-	-
Legal fees	15,000	16,954	16,954	-
	<u>3,833,780</u>	<u>3,431,454</u>	<u>3,431,454</u>	<u>-</u>
Green Market				
Personnel and staff	90,000	85,689	85,689	-
Entertainment/vendors	11,100	9,050	9,050	-
Supplies and materials	3,495	3,615	3,615	-
Administration and operations	18,000	11,635	11,635	-
Signs, banners and advertising	12,500	6,173	6,173	-
	<u>135,095</u>	<u>116,162</u>	<u>116,162</u>	<u>-</u>
<i>Total Community Improvement and Economic Development</i>	<u>9,354,570</u>	<u>8,648,974</u>	<u>8,650,826</u>	<u>(1,852)</u>
<b>Total Economic Development</b>	<b>23,314,645</b>	<b>15,744,189</b>	<b>15,630,889</b>	<b>113,300</b>
<b>Debt service</b>				
Tax exempt bond principal and interest	1,090,000	1,241,439	1,241,439	-
Principal and interest - US1 Improvements	420,149	420,149	420,149	-
Principal and interest - Former Chamber Site	628,596	649,021	649,021	-
City National Line of Credit (Series 2012 bonds)	100,000	58,586	58,586	-
<b>Total Debt Service</b>	<u>2,238,745</u>	<u>2,369,195</u>	<u>2,369,195</u>	<u>-</u>
<b>Total Expenditures</b>	<u>27,890,990</u>	<u>19,599,298</u>	<u>19,473,598</u>	<u>125,700</u>
<b>Net Change in Fund Balance</b>	<u>\$ (75,000)</u>	<u>\$ 1,550,206</u>	<u>\$ 1,678,850</u>	<u>\$ 128,644</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2017

NOTE A - BUDGETARY ACCOUNTING

The General Fund adopted budget is prepared on the modified accrual basis 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 \$8.3 million to reduce the budgeted appropriations during the 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, 2017.

NOTE B - BUDGET AND ACTUAL COMPARISONS

The budgetary comparison schedule for the General Fund is prepared on the basis of accounting used in preparing the appropriated budget. There were no differences between budgetary basis expenditures and GAAP basis expenditures for the year ended September 30, 2017.

**OTHER SUPPLEMENTARY INFORMATION -  
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2017

**ASSETS**

Cash	\$	43,209
Accounts receivable		<u>440</u>

Total Assets	\$	<u><u>43,649</u></u>
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**LIABILITY**

Accounts payable	\$	3,636
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**NET POSITION**

Unrestricted		<u>40,013</u>
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Total Liabilities and Net Position	\$	<u><u>43,649</u></u>
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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2017

**REVENUES**

Assessments	\$	13,493
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**EXPENSES**

Condominium properties		<u>16,667</u>
------------------------	--	---------------

Change in Net Position		(3,174)
------------------------	--	---------

Net position at October 1, 2016		<u>43,187</u>
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Net position at September 30, 2017	\$	<u><u>40,013</u></u>
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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2017

**OPERATING ACTIVITIES**

Change in net position	\$	(3,174)
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Increase in accounts receivable		(440)
Increase in accounts payable		3,636
	Net Cash Provided By	
	Operating Activities	22
	Increase in Cash	22
Cash at October 1, 2016		43,187
Cash at September 30, 2017	\$	43,209



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL -  
COMPONENT UNIT - BLOCK 60 PARKING CONDOMINIUM ASSOCIATION, INC.

Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Assessments				
Delray Beach Community Redevelopment Agency	\$          7,480	\$          7,480	\$          7,480	\$              -
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	1,320	-
Intercard Resources	880	880	880	-
42 North Swinton, Inc.	733	733	733	-
Reserves	24,178	24,178	-	(24,178)
Assessment Revenues	37,671	37,671	13,493	(24,178)
EXPENSES				
Current				
Landscape maintenance	1,800	1,800	3,600	(1,800)
Maintenance	25,000	25,000	4,086	20,914
Licenses	61	61	61	-
Water for irrigation system	2,200	2,200	488	1,712
Electric for lights	2,100	2,100	1,999	101
Insurance	4,600	4,600	4,238	362
Property management fee	700	700	700	-
Accounting	1,210	1,210	1,210	-
Supplies	-	-	285	(285)
Total Expenses	37,671	37,671	16,667	21,004
Revenues Over Expenses	\$              -	\$              -	\$      (3,174)	\$      (3,174)

**COMPLIANCE REPORT AND  
MANAGEMENT LETTER**



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

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

To the Board of Commissioners  
Delray Beach Community Redevelopment Agency  
Delray Beach, Florida

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency, and have issued our report thereon dated May 7, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Delray Beach Community Redevelopment Agency'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to those charged with governance in a separate management letter dated May 7, 2018.

## **Purpose of this Report**

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

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

West Palm Beach, Florida  
May 7, 2018



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

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Management Letter

To the Board of Commissioners  
Delray Beach Community Redevelopment Agency  
Delray Beach, Florida

**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, 2017, and have issued our report thereon dated May 7, 2018.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on Investment Compliance on our 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, which are dated May 7, 2018, 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.

The uncorrected audit findings and recommendations reported in the preceding financial audit report are summarized in the table below.

Current Year Finding No.	2015-16 FY Finding No.	2014-15 FY Finding No.
2016-001	2016-001	None
2016-002	2016-002	None

Findings 2016-001 Mathematical Accuracy of Budgets and 2016-002 Postdating of Checks reported in the prior year management letter dated March 22, 2017, require further action as follows:

2016-001 Mathematical Accuracy of Budgets

The CRA's original approved budgets for the fiscal year ended September 30, 2016 and September 30, 2017 were not mathematically accurate due to errors in a formula used for calculating the total budgeted expenses. As a result of the error, the September 30, 2017 budget was out of balance by \$75,000 and the September 30, 2016 original budget was out of balance by \$35,000. Subsequent correction of the errors before the final budget was approved resulted in balanced budgets. We recommend that an added control be instituted whereby someone other than the preparer of the budget is responsible for approving and signing off on the mathematical accuracy of the budget prior to submission to the Board.

2016-002 Backdating of Checks

During our review of cash and accounts payable for the year ended September 30, 2017, we noted three checks and one e-payment that were dated September 30, 2017, but were issued or processed at a later date. During our review of cash and accounts payable for the year ended September 30, 2016, we noted three checks that were dated September 30, 2016, but were issued at a later date. We recommend that all checks be dated the date they are prepared and issued. This will ensure the accuracy and integrity of the cash disbursements process. If an expense needs to be posted to a prior period, it should be recorded as an accrued expense through an adjusting journal entry.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note A to the financial statements.

**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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the CRA as of and for the year ended September 30, 2017. 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. The results of our procedures disclosed no matters that are required to be reported.

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

2017-001 Unbilled Revenue

Rental income and a receivable of \$3,000 and interest income and a receivable of \$2,900 were not recorded or billed in a timely manner. Failure to bill and collect amounts due within a reasonable amount of time can lead to under reporting of revenues and can make collection more difficult. We recommend the CRA establish a schedule of amounts to be billed and ensure all portions of new contracts are added to the schedule to ensure timely billing, collection and recording.

2017-002 Journal Entries

We noted one journal entry that did not have any supporting documentation, several journal entries that were posted multiple times, a number of entries that were posted to correct prior entries or transactions and journal entries and transactions that had been entered and then deleted. We recommend that all journal entries include supporting documentation and be reviewed for accuracy prior to posting to the general ledger. We also recommend that all corrections be made by journal entry rather than deleting prior transactions.

2017-003 Annual Leave

Comparison of hours reported for vacation, sick, compensatory time and holiday pay indicated that there were differences in the distribution of hours between the PTO categories as reported on the approved time sheets, the manual PTO accrual spreadsheet and the Oasis payroll reports. We recommend that the Oasis payroll system be used as the official record for employee PTO accruals and that the manual PTO accrual spreadsheet be discontinued. We also noted instances where time sheets indicated the use of PTO without having an attached Vacation/Comp/Sick Time Request form showing that such time was authorized in accordance with CRA policies. We recommend that the CRA require consistent use of these forms by all employees or consider revising the existing policy on the use of the form.

Management's written responses to the above comments, included in the Response to Management Letter, have not been subjected to the audit procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. 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 the annual financial report for the CRA for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. The CRA is a dependent special district of the City of Delray Beach, Florida, and as such, the CRA will be included in the City's annual financial report.

**Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the CRA provided the necessary information to the City of Delray Beach, Florida, for proper reporting within the audited financial statements of the City in accordance with Section 218.39(3)(b), Florida Statutes.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not 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, the CRA Board of Commissioners and management of the CRA, and the City of Delray Beach, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida  
May 7, 2018





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COHEN, PORTER & VEIL, P.A.

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MEMBERS  
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Independent Accountant's Report on Investment Compliance

To the Board of Commissioners  
Delray Beach Community Redevelopment Agency  
Delray Beach, Florida

We have examined the Delray Beach Community Redevelopment Agency's (the "CRA", a component unit of the City of Delray Beach, Florida) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the CRA's compliance with those 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 and, accordingly, included examining, on a test basis, evidence about the CRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report 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, the CRA Board of Commissioners and management of the CRA, and the City of Delray Beach, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida  
May 7, 2018

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



May 21, 2018

Board of Commissioners  
Delray Beach Community Redevelopment Agency

We have reviewed the findings of Caler, Donten, Levine, Cohen, Porter & Veil, P.A., as addressed in their **Compliance Report** and **Management Letter**. We then examined these findings with our Treasurer and we submit the following course of action to resolve these deficiencies.

**Management Letter- Response**

**(2016-001) –**

Systems have been added to the excel budget to detect mathematical errors in the formula. An additional control has been instituted wherein the Assistant Director or designee will be responsible for approving and signing off on the mathematical accuracy of the budget, previously prepared and reviewed by the Finance & Operations Director and Finance Coordinator (or assigned staff).

**(2016-002) –**

An additional control has been instituted wherein if an expense needs to be posted to a prior fiscal year, it will be recorded as an accrued expense through an adjusting journal entry.

**(2017-001) –**

Controls have been instituted through Smartsheet program to ensure issuance of invoices in a timely manner based on terms of the associated agreements.

**(2017-002) –**

Controls have been instituted that ensure supporting documentation for journal entries are reviewed for accuracy prior to posting to the general ledger and corrections are made via journal entry.

**(2017-003) –**

At the March 22<sup>nd</sup> CRA Board meeting, the Board approved amendments to the CRA Human Resource Manual and Accounting Policies and Procedures Manual concerning approval requirements for leave requests, including the consistent use of leave forms. Further, the Oasis payroll reports are being utilized as the official record for employee PTO accruals.

The above listed procedures and responses are certainly reasonable and necessary for proper compliance with the State of Florida Auditor General's requirements. We will adhere to these recommendations as outlined.

Jeff Costello  
Executive Director

Lori Hayward  
Finance & Operations Director