

**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, 2018



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

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

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY FINANCIAL INFORMATION

September 30, 2018

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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, 2018, 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, 2018, 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 March 20, 2019 on our consideration of the Delray Beach Community Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Delray Beach Community

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

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

West Palm Beach, Florida
March 20, 2019

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, 2018.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$43,724,186 (*net position*).
- The CRA's total net position increased \$6,788,117. 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 \$15,021,307, an increase of \$4,767,675. Fund balance of \$3,656,121 or 24% is nonspendable for prepaid items and long-term receivables; \$6,977,412 or 47% was assigned to the subsequent year's budget; and, \$4,387,774 or 29% is unassigned.
- The CRA's total noncurrent liabilities decreased by \$251,419 during the current fiscal year due to scheduled debt repayments in excess of draws on the Series 2012 Revenue Bond.

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 \$43,724,186 at the close of the most recent fiscal year.

Approximately 71% 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, 2018 and 2017 is summarized below:

**Net Position
September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	\$ 16,843,411	\$ 14,292,116
Capital assets	<u>36,083,254</u>	<u>34,318,438</u>
Total assets	<u>\$ 52,926,665</u>	<u>\$ 48,610,554</u>
Liabilities		
Noncurrent liabilities	\$ 7,327,739	\$ 7,579,158
Other liabilities	<u>1,874,740</u>	<u>4,095,327</u>
Total liabilities	<u>\$ 9,202,479</u>	<u>\$ 11,674,485</u>
Net position		
Net investment in capital assets	\$ 30,924,029	\$ 29,269,213
Unrestricted	<u>12,800,157</u>	<u>7,666,856</u>
Total net position	<u>\$ 43,724,186</u>	<u>\$ 36,936,069</u>

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 71% 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 \$12,800,157 or 29% may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net position increased by \$6,788,117 during the current fiscal year, which primarily represents the degree to which tax increment revenues exceeded current year expenses. There was an increase of \$541 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 \$6,788,117. Key elements of this increase are as follows.

**Changes in Net Position
Years Ended September 30, 2018 and 2017**

Revenue	<u>2018</u>	<u>2017</u>
Program revenue		
Charges for services	\$ 429,176	\$ 158,154
Operating contributions and grants	260,589	338,886
General revenue		
Tax increment revenue	19,899,355	17,030,686
Gain on sale of capital assets	-	207,712
Interest and other income	<u>48,080</u>	<u>52,752</u>
Total revenue	20,637,200	17,788,190

	<u>2018</u>	<u>2017</u>
Expenses		
General government	\$ 1,558,132	\$ 1,471,762
Property management	112,662	112,662
Economic development	<u>12,178,289</u>	<u>12,626,555</u>
Total expenses	<u>13,849,083</u>	<u>14,210,979</u>
Increase in net position	6,788,117	3,577,211
Net position - beginning of year	<u>36,936,069</u>	<u>33,358,858</u>
Net position - end of year	<u>\$ 43,724,186</u>	<u>\$ 36,936,069</u>

Tax increment revenues increased by \$2,868,669 or approximately 17% for the year. Property values in the CRA's development area increased by approximately \$272 million (18%) in 2018, accounting for the majority of the increase in tax increment revenue.

General government expenses increased approximately \$86,000 (6%) resulting from an increase in personnel expenses. Property management expenses were the same as the prior year, and economic development expenses decreased approximately \$448,000 (4%). The CRA's economic development expenses include interest of approximately \$216,000 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 \$15,021,307, an increase of \$4,767,675 for the year. A total of \$3,656,121 or 24% 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 \$6,977,412 of fund balance *assigned* for the 2018/2019 budget and unassigned fund balance of \$4,387,774 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, 2018, represented 76% of total General Fund expenditures for 2018.

The approximately \$4,768,000 increase in fund balance for the General Fund in 2018 was primarily related to the increase in tax increment revenues of approximately \$2,869,000 and other financing sources of approximately \$1,250,000 from the additional draw on the Series 2012 Revenue Bond.

General Fund Budgetary Highlights

During 2018, total revenues and other financing sources were approximately \$31,000 less than the final budgetary estimates. Overall, total expenditures were approximately \$710,000 less than the final budgeted appropriations for the year ended September 30, 2018. This was largely due to expenditures being under budget for Areawide and Neighborhood Plans – West Atlantic Avenue Redevelopment and Redevelopment Projects - Affordable/Workforce Housing Program. There was a decrease of approximately \$10.9 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, 2018, amounts to \$36,083,254 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in process, buildings, equipment, furniture and fixtures. The net increase in the CRA’s investment in capital assets for the current fiscal year was \$1,654,816. Major capital asset transactions during 2018 consisted of capital outlay expenditures of approximately \$2.7 million net of sales and disposals of various properties of approximately \$700,000 and depreciation of approximately \$180,000. Capital assets at September 30, 2018 and 2017 are summarized as follows:

Capital Assets		
(net of accumulated depreciation)		
	2018	2017
Land and improvements	\$ 31,649,471	\$ 29,703,986
Construction in proces	-	2,081,853
Buildings, improvements and equipment	4,433,783	2,532,599
Total assets	\$ 36,083,254	\$ 34,318,438

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

Noncurrent Liabilities. At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$5,159,225, which were secured by a pledge of the tax increment revenues received by the CRA. The CRA also had a note payable to the City of Delray Beach totaling \$2,168,514 for the U.S. Highway 1 project. Noncurrent liabilities at September 30, 2018 and 2017 are summarized as follows:

Noncurrent Liabilities		
	2018	2017
Revenue bonds	\$ 5,159,225	\$ 5,049,225
Notes payable to the City of Delray Beach	2,168,514	2,529,933
Total noncurrent liabilities	\$ 7,327,739	\$ 7,579,158

The CRA’s total noncurrent liabilities decreased by \$251,419 (3%) during the current fiscal year due to scheduled payments on the bonds and note, net of an additional draw on the Series 2012 Revenue Bond of \$1,250,000. 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 I 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 2018/2019 fiscal year.

- The property valuations in the CRA district increased approximately \$272 million in 2018, which is an increase of approximately 18 percent. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2018 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund increased in 2018 by approximately \$4,143,000 due primarily to the increase in tax increment revenues and the additional draw on the Series 2012 Bonds. The CRA has assigned approximately \$7.0 million of the fund balance at September 30, 2018, to the 2018-2019 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 2018/2019 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, 2018

	Primary Government <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
ASSETS		
Cash and cash equivalents	\$ 13,114,629	\$ 42,806
Accounts receivable		
City of Delray Beach	30,582	-
Grants and other	7,193	-
Prepaid expenses	29,314	-
Notes receivable		
City of Delray Beach	150,000	-
Delray Beach Community Land Trust	325,249	-
Delray Beach Chamber of Commerce	189,957	-
Village Square Elderly, Ltd.	2,327,717	-
Second mortgage loans	633,884	-
Other assets	34,886	-
Capital assets		
Capital assets not being depreciated	31,649,471	-
Depreciable capital assets, net	4,433,783	-
Total Assets	<u>52,926,665</u>	<u>42,806</u>
LIABILITIES		
Accounts payable	408,919	2,032
Accrued expenses	135,202	-
Due to the City of Delray Beach	1,319,976	-
Unearned income	-	220
Refundable tenant and bid deposits	10,643	-
Noncurrent liabilities		
Due within one year	1,923,277	-
Due in more than one year	5,404,462	-
Total Liabilities	<u>9,202,479</u>	<u>2,252</u>
NET POSITION		
Net investment in capital assets	30,924,029	-
Unrestricted	12,800,157	40,554
Total Net Position	<u>\$ 43,724,186</u>	<u>\$ 40,554</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expenses) and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Primary Government Governmental Activities	Component Unit
Primary Government					
Governmental activities					
General government	\$ 1,558,132	\$ -	\$ -	\$ (1,558,132)	\$ -
Property management	112,662	377,051	-	264,389	-
Economic development	12,178,289	52,125	260,589	(11,865,575)	-
Total Primary Government	<u>\$ 13,849,083</u>	<u>\$ 429,176</u>	<u>\$ 260,589</u>	(13,159,318)	-
Component Unit					
Block 60 Parking Condominium	<u>\$ 12,952</u>	<u>\$ 13,493</u>	<u>\$ -</u>	-	541
General Revenue					
Tax increment revenue				19,899,355	-
Interest and other income				48,080	-
Total General Revenue				<u>19,947,435</u>	-
Change in Net Position				6,788,117	541
Net position at October 1, 2017				<u>36,936,069</u>	<u>40,013</u>
Net Position at September 30, 2018				<u>\$ 43,724,186</u>	<u>\$ 40,554</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2018

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 13,114,629
Accounts receivable	
City of Delray Beach	30,582
Grants and other	7,193
Prepaid items	29,314
Notes receivable	
City of Delray Beach	150,000
Delray Beach Community Land Trust	325,249
Delray Beach Chamber of Commerce	189,957
Village Square Elderly, Ltd.	2,327,717
Second mortgage loans	633,884
Other assets	34,886
	<u>16,843,411</u>
Total Assets	<u>\$ 16,843,411</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 408,919
Accrued items	82,566
Due to the City of Delray Beach	1,319,976
Refundable tenant and bid deposits	10,643
	<u>1,822,104</u>
Total Liabilities	1,822,104
FUND BALANCE	
Nonspendable	
Prepaid items	29,314
Long-term notes receivable	3,626,807
Assigned to	
Subsequent year's budget	6,977,412
Unassigned	4,387,774
	<u>15,021,307</u>
Total Fund Balance	15,021,307
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	36,083,254
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(52,636)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(7,327,739)</u>
Net position of governmental activities	<u>\$ 43,724,186</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, 2018

		General Fund
REVENUES		
Tax increment revenue	\$	19,899,355
Reimbursements		260,589
Rental property income		318,820
Green Market revenue		52,125
Arts Warehouse revenue		58,231
Interest and other income		48,080
Total Revenues		20,637,200
EXPENDITURES		
Current		
General government		1,468,079
Economic development		11,250,755
Capital outlay		2,689,639
Debt service		
Principal		1,501,419
Interest		220,500
Total Expenditures		17,130,392
Revenues in Excess of Expenditures		3,506,808
OTHER FINANCING SOURCES		
Proceeds from sales of purchased properties		10,867
Issuance of revenue bonds		1,250,000
Total Other Financing Sources		1,260,867
Net Change in Fund Balance		4,767,675
Fund Balance at October 1, 2017		10,253,632
Fund Balance at September 30, 2018		\$ 15,021,307

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, 2018

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

Net change in fund balance - governmental fund \$ 4,767,675

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	\$ 2,689,639	
Net book value of disposals	(744,757)	
Current year depreciation	<u>(180,066)</u>	1,764,816

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.

Debt proceeds	\$ (1,250,000)	
Debt repayments	<u>1,501,419</u>	251,419

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.

4,207

Change in net position of governmental activities \$ 6,788,117

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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 (the "City Commission") on June 18, 1985. The CRA is governed by a seven member Board of Commissioners consisting of the five members of the City Commission plus two additional members appointed by the City Commission.

As defined by U.S. generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the CRA was evaluated and determined to be a component unit of the City of Delray Beach, Florida. The majority of the governing board of the CRA consists of the City Commission 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, 2018, the CRA contributed approximately \$356,000 to the joint venture.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018

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, 2018, 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 general 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 Income: Unearned income of the Component Unit includes assessment amounts received in advance.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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 financial statements is categorized as net investment in capital assets, restricted or unrestricted. *Net investment in capital assets* is that portion of net position that relates to the CRA's capital assets reduced by the outstanding balance of long-term debt used to acquire the capital assets. This amount is offset by any unspent debt proceeds that are held at fiscal year-end. *Restricted net position* is that portion of net position that has constraints placed on its use by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. *Unrestricted net position* consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

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

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

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

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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, 2018, the CRA made contributions of \$92,558 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) Statements during the fiscal year ended September 30, 2018:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Specifically, Statement No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period.
- 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.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

which only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance on accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in-substance

The adoption of these standards had no effect on the CRA's 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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2019.
- GASB Statement No. 84, *Fiduciary Activities*, establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2020.
- GASB Statement No. 87, *Leases*, addresses 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.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the disclosure of information in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2019.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2021.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement No. 14 and No. 61*, establishes guidance regarding the reporting of a government's majority equity interest in a legally separate organization and the disclosure of financial statement information for certain component units. 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, 2018, includes deposits with financial institutions with a bank balance of \$14,768,140 and a book balance of \$13,107,419 and \$250 of petty cash. For financial statement purposes cash includes an investment of \$6,960 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, 2018, 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 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.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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, 2018, 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.

NOTE C - NOTES RECEIVABLE FROM CITY OF DELRAY BEACH

The CRA entered into an interlocal and multi-party agreement with the City of Delray Beach and the School Board of Palm Beach County which provides 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 project 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, 2018 was \$150,000.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE D - NOTES RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST (Continued)

September 30, 2018, 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 were 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 was due and payable to the CRA. On March 9, 2018 the \$116,000 loan balance was repaid in full. 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 were due quarterly beginning April 3, 2017. The principal was due January 3, 2019. In the event the CLT's interest in the properties was sold or otherwise transferred prior to the maturity date of the loans, all outstanding principal and accrued interest was immediately due. The loans were collateralized by a first purchase money mortgage on the properties acquired by the CLT. On October 24, 2017 the \$200,000 loan balance was repaid in full.

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, 2018 the balance of the note receivable from the Chamber was \$189,957.

NOTE F - 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,

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE F - NOTE RECEIVABLE FROM VILLAGE SQUARE ELDERLY, LTD. (Continued)

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 made in 2017 and the total receivable at September 30, 2018 was \$2,327,717.

NOTE G - 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, 2018, the amount of the individual second mortgages originated in 2008 through 2018, 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 \$633,884 at September 30, 2018.

NOTE H - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2018, was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land and improvements	\$ 29,703,986	\$ 2,667,593	\$ (722,108)	\$ 31,649,471
Construction in progress	<u>2,081,853</u>	<u>-</u>	<u>(2,081,853)</u>	<u>-</u>
Total capital assets not being depreciated	31,785,839	2,667,593	(2,803,961)	31,649,471
Depreciable capital assets				
Buildings and improvements	3,808,566	2,065,699	-	5,874,265
Equipment	120,040	15,551	-	135,591
Furniture and fixtures	<u>70,249</u>	<u>-</u>	<u>-</u>	<u>70,249</u>
Total depreciable capital assets	3,998,855	2,081,250	-	6,080,105
Less accumulated depreciation	<u>(1,466,256)</u>	<u>(180,066)</u>	<u>-</u>	<u>(1,646,322)</u>
Depreciable capital assets, net of accumulated depreciation	<u>2,532,599</u>	<u>1,901,184</u>	<u>-</u>	<u>4,433,783</u>
Total capital assets	<u>\$ 34,318,438</u>	<u>\$ 4,568,777</u>	<u>\$ (2,803,961)</u>	<u>\$ 36,083,254</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE H - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 67,404
Property management	<u>112,662</u>
Total depreciation expense	<u>\$ 180,066</u>

NOTE I - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2018, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Revenue Bonds					
Series 2015	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ -
Series 2012	2,669,225	1,250,000	-	3,919,225	371,858
Series 2004A	1,725,000	-	(845,000)	880,000	880,000
Series 1999A	<u>605,000</u>	<u>-</u>	<u>(295,000)</u>	<u>310,000</u>	<u>310,000</u>
Total revenue bonds	5,049,225	1,250,000	(1,140,000)	5,159,225	1,561,858
Loan Payable to the City of Delray Beach					
U.S. Highway 1 project	<u>2,529,933</u>	<u>-</u>	<u>(361,419)</u>	<u>2,168,514</u>	<u>361,419</u>
Total noncurrent liabilities	7,579,158	<u>\$ 1,250,000</u>	<u>\$ (1,501,419)</u>	7,327,739	<u>\$ 1,923,277</u>
Current maturities	<u>(1,501,419)</u>			<u>(1,923,277)</u>	
Net long-term debt	<u>\$ 6,077,739</u>			<u>\$ 5,404,462</u>	

Revenue Bonds: The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2018, 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 3rd anniversary of the Closing Date (January 29, 2016). Interest is payable semi-annually on April 1st and October 1st at

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE I - NONCURRENT LIABILITIES (Continued)

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 1st and October 1st, commencing with the first April 1st or October 1st occurring after the final draw date. At September 30, 2018, the outstanding balance on the Series 2015 Bond was \$50,000. The remaining \$1,950,000 available under the Series 2015 Bond was drawn in December 2018.

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 Series 2012 Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2012 Bond outstanding at any one time 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 1st and October 1st at 2.10% on the outstanding principal balance. In December 2015, the draw-down period and interest only period were modified and extended through October 1, 2018, allowing the CRA to draw the remaining \$1,300,000 balance on the 2012 Bonds at the revised rate of 2.78%. Interest is tax-exempt to the bondholder for federal income tax purposes. Interest under the modified agreement is also due on April 1st and October 1st through October 1, 2018. Principal and interest is payable in equal installments each April 1st and October 1st, commencing April 1, 2019 and through maturity on October 1, 2023. At September 30, 2018, the outstanding balance on the Series 2012 Bond was \$3,919,225 and is due as follows:

Year Ending September 30,	Principal	Interest	Total
2019	\$ 371,858	\$ 45,572	\$ 417,430
2020	756,725	78,134	834,859
2021	774,416	60,443	834,859
2022	792,528	42,331	834,859
2023	811,071	23,788	834,859
2024	<u>412,627</u>	<u>4,803</u>	<u>417,430</u>
	<u>\$ 3,919,225</u>	<u>\$ 255,071</u>	<u>\$ 4,174,296</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE I - NONCURRENT LIABILITIES (Continued)

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 1st and September 1st 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 1st, through September 1, 2019, the maturity date of the Series 2004A Bond. At September 30, 2018, the outstanding balance on the Series 2004A Bond was \$880,000. Principal and interest payments of \$880,000 and \$37,824, respectively, are due during the fiscal year ending September 30, 2019.

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 1st and September 1st 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 1st, through September 1, 2019, the maturity date of the Series 1999A Bond. At September 30, 2018, the outstanding balance on the Series 1999A Bond was \$310,000. Principal and interest payments of \$310,000 and \$14,880, respectively, are due during the fiscal year ending September 30, 2019.

Loan Payable to the City of Delray Beach: The outstanding loan payable to the City of Delray Beach by the CRA at September 30, 2018, 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, 2018, the outstanding balance on this loan was \$2,168,514.

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, 2018

NOTE I - NONCURRENT LIABILITIES (Continued)

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	361,419	58,730	420,149
Thereafter	<u>361,419</u>	<u>58,730</u>	<u>420,149</u>
	<u>\$ 2,168,514</u>	<u>\$ 352,380</u>	<u>\$ 2,520,894</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 J 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, 2018, was \$5,467,000, payable through October 1, 2028. For the current year, principal and interest paid and the total tax increment revenues were \$1,301,770 and \$19,899,355, respectively.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2018, for the outstanding noncurrent liabilities with scheduled maturities (excluding the Series 2015 Bonds) are as follows:

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,923,277	\$ 157,006	\$ 2,080,283
2020	1,118,144	136,864	1,255,008
2021	1,135,835	119,173	1,255,008
2022	1,153,947	101,061	1,255,008
2023	1,172,490	82,518	1,255,008
Thereafter	<u>774,046</u>	<u>63,533</u>	<u>837,579</u>
	<u>\$ 7,277,739</u>	<u>\$ 660,155</u>	<u>\$ 7,937,894</u>

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2018, were \$216,293 and \$220,500, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE J - 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, 2018, was as follows:

Assessed property value as of January 1, 2017	\$ 2,043,678,404
Assessed property value for 1985 base year	<u>(245,631,067)</u>
Assessed property value subject to incremental property tax	<u>\$ 1,798,047,337</u>

NOTE K - 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, 2018, the CRA's tax increment revenues include \$11,731,860 received from the City. CRA expenditures for the year ended September 30, 2018, include charges of \$3,090,777 for contractual and other services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$2,982,616 for construction services related to redevelopment projects, \$475,000 for the downtown shuttle, and \$1,000,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$177,000 in reimbursements from the City for various projects.

At September 30, 2018, the CRA had accounts receivable due from the City of \$30,582, notes receivable of \$150,000, accounts payable to the City of \$1,319,976 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$2,168,514.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2018, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE L - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessor: The CRA had the following lease commitments as lessor at September 30, 2018:

Factual Multi Services, LLC: The CRA entered into an agreement to lease the property located at 135 NW 5th Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment commencing January 10, 2014 and extending through January 9, 2018. The lease was further extended from January 10, 2018 through January 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, 2018.

Delray Beach Housing Group: On September 11, 2011 the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the CLT on September 22, 2011 for the Palm Manor apartments and on June 27, 2013 for the SW 12th Avenue Duplexes. Each agreement provides for an annual rental payment to the CRA of \$1 and that the lessees will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the properties. The term of each agreement is for five years with one renewal option for an additional five year period. The original three leases were renewed through September 22, 2021 and the SW 12th Avenue Duplexes lease was renewed through June 27, 2023. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,017,000 at September 30, 2018.

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, 2018 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 5th Ave. to Monogram Closet Incorporated. The lease term is for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 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, 2018 was approximately \$190,000.

Hatcher Construction & Development, Inc.: On June 22, 2017, the CRA entered into an agreement to lease the property located at 710-714 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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

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 may be extended for an additional one year term. The carrying value of the leased property at September 30, 2018 was approximately \$739,000.

CareerSource Palm Beach County, Inc.: On August 24, 2017, the CRA entered into an agreement to lease the property located at 186 NW 5th 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, 2018 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 5th 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, 2018 was approximately \$100,000.

Emanuel Jackson Sr. Project, Inc.: On November 9, 2017, the CRA entered into an agreement to lease Unit 700 of the property at 700 West Atlantic Avenue, to Emanuel Jackson Sr. Project, Inc. The lease term is for a twenty-five month period, commencing December 20, 2017 with a total rent amount of \$2 which was due on commencement of the lease. The carrying value of the leased property at September 30, 2018 was approximately \$246,000.

Fristner Botex: On April 26, 2018, the CRA entered into an agreement to lease the property located at 47 SW 8th Ave. to Fristner Botex. The lease term is for a one year period, commencing April 26, 2018 with a monthly base rent amount of \$1,000. The carrying value of the leased property at September 30, 2018 was \$250,000.

The total carrying value of leased property listed above was approximately \$9,252,000 at September 30, 2018. Depreciation expense is not recorded on redevelopment properties that are currently held for sale.

The CRA also leases space in the Arts Warehouse at 313 NW 3rd Street to various artists with leases extending through November 30, 2019 with monthly base rents ranging from \$379-\$760, as well as other month-to-month leases. The net carrying value of leased property at September 30, 2018 was \$2,031,271 (cost of \$2,065,699 less accumulated depreciation of \$34,428). Rental income for all leased properties for 2018 totaled \$318,820. Future annual minimum rental income is as follows: 2019 - \$120,903; 2020 - \$30,741; and, 2021 - \$4,812.

Contract Commitments: At September 30, 2018, the CRA had outstanding contract commitments consisting of the following:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

Project	Total Project Authorization	Expended Through September 30, 2018	Retainage Payable at September 30, 2018	Remaining Commitment at September 30, 2018
Carver Square Housing Design	\$ 156,446	\$ 32,058	\$ -	\$ 124,388
SW 14 th Ave Streetscape	148,657	133,390	-	15,267
Andella Housing Design	73,600	26,300	-	47,300
NE 3 rd St & 3 rd Ave Design Services	<u>22,794</u>	<u>14,722</u>	<u>-</u>	<u>8,072</u>
Total contract commitments	<u>\$ 401,497</u>	<u>\$ 206,470</u>	<u>\$ -</u>	<u>\$ 195,027</u>

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 \$16,235,000 for the year ending September 30, 2019.

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. The following agreements were in effect as of September 30, 2018:

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. Payments of \$66,470 were made each year under the grant for 2017 and 2018.

KCMCL Pineapple Grove, LLC: Development Infrastructure Assistance for the development and construction of a 134-room Hyatt Place Hotel in the Pineapple Grove Arts District. The grant is for eligible project costs up to \$431,619. The CRA will reimburse the developer in equal annual installments over a ten year period, provided that the annual payment shall not exceed 50% of the actual tax increment revenues attributable to the project for that year. Payments are made by the CRA on February 1st of each year. Payments of \$43,162 were made each year under the grant for 2014 through 2018.

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, 2019:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

City of Delray Beach - International Tennis Championships	\$	905,000
City of Delray Beach - Fire Prevention and Life Safety Captain		184,061
City of Delray Beach - Demolition & Alleyway Clearance		75,000
City of Delray Beach - Purchasing Agent		67,728
City of Delray Beach - Osceola Park Redevelopment Plan		65,000
City of Delray Beach - Housing Needs Assessment		15,000
Delray Beach Community Land Trust, Inc.		261,550
Delray Beach Public Library Association, Inc.		458,000
Delray Beach Historical Society		125,000
Delray Beach Center for the Arts, Inc.		750,000
Delray Beach Creative City Collaborative, Inc.		275,000
Delray Beach Chamber of Commerce		25,000
EPOCH, Inc.		<u>111,000</u>
Total grant commitments	\$	<u>3,317,339</u>

Job Creation Bonus Program Grant: A Job Creation 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 through 2018.

Property Acquisition: At September 30, 2018, the CRA had entered into contracts for the purchase of redevelopment properties for a total of \$136,000.

Contracts for Sale of Properties: At September 30, 2018, the CRA had entered into contracts for the sale of property with a carrying value of \$82,512.

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 M - EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2018, expenditures exceeded budgeted appropriations in the General Government cost center by \$7,066.

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax increment revenue				
City of Delray Beach	\$ 11,305,105	\$ 11,731,860	\$ 11,731,860	\$ -
Palm Beach County	8,192,180	8,167,495	8,167,495	-
Total Tax Increment Revenue	19,497,285	19,899,355	19,899,355	-
Reimbursements				
Reimbursements from City of Delray Beach	96,518	225,099	176,845	(48,254)
Other reimbursements	-	65,755	83,744	17,989
Total Reimbursements	96,518	290,854	260,589	(30,265)
Rental property income	160,000	130,068	125,048	(5,020)
Green Market revenue	40,000	52,125	52,125	-
Land lease revenue	-	164,179	164,179	-
In-kind rent revenue	-	29,593	29,593	-
Interest income	15,000	36,035	36,035	-
Loan interest	9,987	7,657	10,685	3,028
Arts warehouse	-	60,840	58,231	(2,609)
Other income	-	1,360	1,360	-
Total Revenues	19,818,790	20,672,066	20,637,200	(34,866)
OTHER FINANCING SOURCES				
Issuance of revenue bonds	3,074,164	1,250,000	1,250,000	-
General Fund carryforward fund balance	5,856,807	-	-	-
Land sales	-	7,107	10,867	3,760
Total Other Financing Sources	8,930,971	1,257,107	1,260,867	3,760
Total Revenues and Other Financing Sources	28,749,761	21,929,173	21,898,067	(31,106)
EXPENDITURES				
General government				
Personnel				
Salaries	1,200,000	930,065	930,065	-
Payroll taxes	95,000	71,236	71,236	-
Health and dental insurance	135,000	91,745	91,745	-
Retirement contribution	100,000	92,558	92,558	-
Travel allowance	10,000	6,180	6,180	-
Cell allowance	8,000	5,430	5,430	-
	1,548,000	1,197,214	1,197,214	-
Supplies and materials				
Office supplies	8,000	12,880	12,288	592
Postage/express mail	3,500	1,835	1,835	-
	11,500	14,715	14,123	592

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Office space				
Storage	\$ 3,500	\$ 3,396	\$ 3,396	\$ -
Maintenance	30,000	10,566	10,566	-
Telephone	7,000	7,427	7,427	-
Utilities	7,000	4,865	4,865	-
Security	3,000	2,936	2,936	-
	<u>50,500</u>	<u>29,190</u>	<u>29,190</u>	<u>-</u>
Administration/Operations				
Accounting	25,500	25,500	25,500	-
Legal	70,000	94,291	93,477	814
Capital outlay	525,000	-	-	-
Contractual services	120,000	22,764	31,236	(8,472)
Printing	6,000	4,044	4,044	-
Publications/subscriptions	1,500	669	669	-
Advertising	7,000	3,048	3,048	-
Bank services	2,000	2,667	2,667	-
Organization/member dues	8,500	6,018	6,018	-
Public relations and communication	5,000	3,784	3,784	-
Insurance: commercial, D&O	25,000	19,818	19,818	-
Meetings	2,500	683	683	-
Seminars and workshops	9,000	14,865	14,865	-
Travel	9,000	2,520	2,520	-
	<u>816,000</u>	<u>200,671</u>	<u>208,329</u>	<u>(7,658)</u>
Equipment, property and maintenance				
Computer equipment and supplies	3,000	2,635	2,635	-
Equipment rentals	10,000	12,613	12,613	-
Repairs and maintenance	2,000	1,380	1,380	-
Furniture and fixtures	2,000	1,576	2,595	(1,019)
Office equipment	20,000	6,819	5,800	1,019
	<u>37,000</u>	<u>25,023</u>	<u>25,023</u>	<u>-</u>
Total General Government	2,463,000	1,466,813	1,473,879	(7,066)
Economic Development				
<i>Areawide and Neighborhood Plans</i>				
Osceola Park Neighborhood Plan				
Plan Update	75,000	64,750	64,750	-
Legal Fee - Osceola Plan	3,000	273	273	-
	<u>78,000</u>	<u>65,023</u>	<u>65,023</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans (continued)</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	\$ 2,225,125	\$ 2,946,709	\$ 2,750,202	\$ 196,507
West Atlantic Redevelopment Plan Update	75,000	-	-	-
Project development and implementation	50,000	94,260	94,260	-
Project development and implementation - inkind	-	29,593	29,593	-
Legal fees	50,000	70,068	70,068	-
Beautification - West Atlantic (6-12th)	53,000	44,101	44,101	-
	<u>2,453,125</u>	<u>3,184,731</u>	<u>2,988,224</u>	<u>196,507</u>
Downtown Master Plan				
OSS Facility	200,000	18,570	18,570	-
OSS Building Maintenance	463,300	372,574	372,574	-
Old Library Site Redevelopment	50,000	-	-	-
SE 1st Street Two Way Conversion Signal	250,000	-	-	-
Downtown Trolley	975,000	475,000	475,000	-
South Florida Transit Oriented Development	-	100,000	100,000	-
Parking Management - Crosswalks E Atlantic Ave	440,000	329,359	329,359	-
Parking Management - License Plate Software	200,000	-	-	-
Parking Management Level by Level System	200,000	-	-	-
Project Development/Implementation	35,000	3,885	(4,187)	8,072
NE 3rd St/ Ave Streetscape Improvements	-	22,794	22,794	-
Legal fees	50,000	7,954	7,954	-
	<u>2,863,300</u>	<u>1,330,136</u>	<u>1,322,064</u>	<u>8,072</u>
Southwest Neighborhood Plan				
Village Square Elderly	1,066,148	-	-	-
SW 3rd Ct, 4th St, 6th St, and 7th Ave	1,210,000	88,294	88,294	-
SW Neighborhood Alleys	1,700,000	805,455	805,191	264
Merritt Park	200,000	-	-	-
Catherine Strong Park	800,000	-	-	-
Block 63 Alley	265,000	-	-	-
Legal fees	30,000	17,194	17,194	-
	<u>5,271,148</u>	<u>910,943</u>	<u>910,679</u>	<u>264</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans (continued)</i>				
Other				
Roadway Reconstruction Design	\$ 1,000,000	\$ -	\$ -	\$ -
Reclaimed Water System Expansion Area 9	200,000	-	-	-
Storage Facility - 100ft Christmas Tree	250,000	-	-	-
Neighborhood Enhancement	40,000	2,500	2,500	-
Sidewalks - NW/SW Neighborhood	630,000	330,011	330,011	-
Pompey Park Master Plan	800,000	727,200	727,200	-
Hilltopper Stadium Rest Riins Concession Bldg	58,500	58,500	58,500	-
Legal fees	3,000	1,219	312	907
	<u>2,981,500</u>	<u>1,119,430</u>	<u>1,118,523</u>	<u>907</u>
<i>Total Areawide and Neighborhood Plans</i>	<u>13,647,073</u>	<u>6,610,263</u>	<u>6,404,513</u>	<u>205,750</u>
Redevelopment Projects				
NW/SW 5th Avenue Beautification				
EPOCH Project	-	29,710	29,710	-
NW 5th Ave Entrance Feature	100,000	-	-	-
NW 5th Ave	400,000	10,650	10,650	-
Project development	50,000	3,257	3,257	-
Legal fees	5,000	6,324	6,324	-
	<u>555,000</u>	<u>49,941</u>	<u>49,941</u>	<u>-</u>
Affordable/Workforce Housing Program				
Resident relocations	15,000	-	-	-
Subsidies - Affordable Housing	150,000	40,000	-	40,000
Land acquisitions - Affordable Housing	725,000	441,850	13,582	428,268
Community Land Trust (CLT)	194,700	194,700	194,700	-
Eagle Nest	50,000	50,000	-	50,000
Legal fees	10,000	7,581	6,587	994
	<u>1,144,700</u>	<u>734,131</u>	<u>214,869</u>	<u>519,262</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Redevelopment Projects</i> (continued)				
Redevelopment Sites				
Maintenance	\$ 150,000	\$ 192,478	\$ 203,591	\$ (11,113)
Business Relocation	30,000	-	-	-
Project Development / Implementation	10,000	11,346	11,346	-
Property insurance	125,000	85,270	85,270	-
Property taxes	100,000	58,456	58,456	-
Legal fees	5,000	1,463	1,463	-
West Settlers Condo Association	14,000	9,648	9,648	-
Utilities	30,000	24,361	24,361	-
Block 60 Parking Lots	8,000	7,479	7,480	(1)
	<u>472,000</u>	<u>390,501</u>	<u>401,615</u>	<u>(11,114)</u>
Carver Square Neighborhood				
Project Development / Implementation	800,000	64,422	64,980	(558)
Legal fees	10,000	975	975	-
	<u>810,000</u>	<u>65,397</u>	<u>65,955</u>	<u>(558)</u>
Total Redevelopment Projects	2,981,700	1,239,970	732,380	507,590
Community Improvement and Economic Development				
Grant Programs				
Curb Appeal Assistance Grants	35,000	-	-	-
Site Assistance Grants	170,000	78,105	78,105	-
Bus Assistance Startup	34,000	(3,623)	(3,623)	-
Paint-Up Assistance Grants	15,000	4,800	4,800	-
Community Activities	6,000	-	-	-
	<u>260,000</u>	<u>79,282</u>	<u>79,282</u>	<u>-</u>
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	355,910	355,910	355,910	-
	<u>355,910</u>	<u>355,910</u>	<u>355,910</u>	<u>-</u>
City Contractual Services				
City Demolition	75,000	-	-	-
Planning, IT and Parking manager	110,000	110,000	110,000	-
Code Officer (NW/SW Neighborhoods)	65,660	65,660	65,660	-
Streetscape Maintenance	100,000	11,267	9,066	2,201
Housing Rehab Inspector	49,980	40,829	40,829	-
Clean & Safe program	2,857,555	2,437,780	2,437,780	-
Project Engineer	100,000	97,864	97,864	-
Fire Prevention and Life Safety Captain	184,061	183,093	183,093	-
Engineering Inspector	75,000	17,387	17,387	-
	<u>3,617,256</u>	<u>2,963,880</u>	<u>2,961,679</u>	<u>2,201</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development</i> (continued)				
Community Resource Enhancement				
Community Resource Enhancement	\$ 50,000	\$ -	\$ -	\$ -
A-Guide Funding	1,884,000	1,864,000	1,864,000	-
	<u>1,934,000</u>	<u>1,864,000</u>	<u>1,864,000</u>	<u>-</u>
Economic Development Initiative				
Incentives	130,000	121,976	121,976	-
Marketing	75,000	18,159	18,159	-
Arts Warehouse / Incubator	350,000	272,062	272,062	-
Tennis Tournament Sponsorship	1,000,000	1,000,000	1,000,000	-
Legal fees	40,000	5,441	3,637	1,804
	<u>1,595,000</u>	<u>1,417,638</u>	<u>1,415,834</u>	<u>1,804</u>
Green Market				
Personnel and staff	90,000	86,788	86,788	-
Entertainment/vendors	11,100	9,520	9,520	-
Supplies and materials	3,495	3,230	3,230	-
Administration and operations	15,394	12,651	12,651	-
Signs, banners and advertising	12,500	8,807	8,807	-
	<u>132,489</u>	<u>120,996</u>	<u>120,996</u>	<u>-</u>
<i>Total Community Improvement and Economic Development</i>	<u>7,894,655</u>	<u>6,801,706</u>	<u>6,797,701</u>	<u>4,005</u>
Total Economic Development	24,523,428	14,651,939	13,934,594	717,345
Debt service				
Tax exempt bond principal and interest	1,243,184	1,243,184	1,243,184	-
Principal and interest - US1 Improvements	420,149	420,149	420,149	-
City National Line of Credit (Series 2012 bonds)	100,000	58,586	58,586	-
Total Debt Service	<u>1,763,333</u>	<u>1,721,919</u>	<u>1,721,919</u>	<u>-</u>
Total Expenditures	<u>28,749,761</u>	<u>17,840,671</u>	<u>17,130,392</u>	<u>710,279</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 4,088,502</u>	<u>\$ 4,767,675</u>	<u>\$ 679,173</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2018

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 \$10.9 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, 2018.

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, 2018.

**OTHER SUPPLEMENTARY INFORMATION -
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2018

ASSETS

Cash \$ 42,806

Total Assets \$ 42,806

LIABILITIES

Accounts payable \$ 2,032

Unearned income 220

Total Liabilities 2,252

NET POSITION

Unrestricted 40,554

Total Liabilities and Net Position \$ 42,806

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2018

REVENUES

Assessments \$ 13,493

EXPENSES

Condominium properties 12,952

Change in Net Position 541

Net position at October 1, 2017 40,013

Net position at September 30, 2018 \$ 40,554

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2018

OPERATING ACTIVITIES

Change in net position	\$	541
Adjustments to reconcile change in net position to net cash used in operating activities:		
Decrease in accounts receivable		440
Decrease in accounts payable		(1,604)
Increase in unearned income		220
		<hr/>
Net Cash Used In Operating Activities		(403)
		<hr/>
Decrease in Cash		(403)
Cash at October 1, 2017		<hr/>
		43,209
Cash at September 30, 2018	\$	<u><u>42,806</u></u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
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	<u>37,671</u>	<u>37,671</u>	<u>13,493</u>	<u>(24,178)</u>
EXPENSES				
Current				
Landscape maintenance	1,800	1,800	3,850	(2,050)
Maintenance	26,461	26,461	-	26,461
Licenses	100	100	61	39
Water for irrigation system	700	700	553	147
Electric for lights	2,100	2,100	2,027	73
Insurance	4,600	4,600	4,551	49
Property management fee	700	700	700	-
Accounting	1,210	1,210	1,210	-
Total Expenses	<u>37,671</u>	<u>37,671</u>	<u>12,952</u>	<u>24,719</u>
Revenues Over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 541</u>	<u>\$ 541</u>

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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

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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, 2018, and the related notes to the financial statements, which collectively comprise the Delray Beach Community Redevelopment Agency's basic financial statements, and have issued our report thereon dated March 20, 2019.

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 noted certain additional matters that we reported to those charged with governance in a separate management letter dated March 20, 2019.

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.

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

West Palm Beach, Florida
March 20, 2019



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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, 2018, and have issued our report thereon dated March 20, 2019.

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 March 20, 2019, 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 following recommendations made in the prior year management letter dated May 7, 2018 were addressed by the CRA and no longer apply: 2016-001 *Mathematical Accuracy of Budgets*, 2016-002 *Backdating of Checks*, 2017-001 *Unbilled Revenue*, and 2017-002 *Journal Entries*.

Finding 2017-003 *Annual Leave* reported in the prior year management letter requires further action as follows:

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 were not maintained documenting the time that 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 and that all timesheets be maintained as backup documentation.

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.b. 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, 2018. 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:

2018-001 Bank Reconciliations

Bank reconciliations reviewed during the audit did not tie to the general ledger balances for the associated months due to transactions that were posted subsequent to the original reconciliation. A second reconciliation was prepared by management to document the accuracy of the balances. We recommend that management lock each month in QuickBooks in order to prevent changes to the reconciled accounts. Any subsequent changes should be made via journal entry in the month identified.

2018-002 Check Signers

During 2018, the check signing procedures were changed such that a Board member is no longer a required signer on all checks, and no Board members are included as approved signers on the Bank signature cards. The CRA Financial Policies and Procedures require all checks to have a Board member as the second signer. We recommend that the CRA follow the procedures outlined in the policy or modify their current policy to reflect the procedures currently being followed.

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.

Special District Component Units

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

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

West Palm Beach, Florida
March 20, 2019



CALER, DONTEN, LEVINE,
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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, during the year ended September 30, 2018. Management of the CRA is responsible for the CRA's compliance with the specified requirements. Our responsibility is to express an opinion on the CRA's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the CRA's compliance with the specified requirements.

In our opinion, the CRA complied, in all material respects, with Section 218.415, Florida Statutes, during the year ended September 30, 2018.

This report is intended to describe our testing of compliance with Section 218.415, Florida Statutes, and is not suitable for any other purpose.

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

West Palm Beach, Florida
March 20, 2019



April 10, 2019

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

(2017-003) –

Controls have been instituted that ensure that the Oasis payroll system report is the official record for employee PTO and that all required documentation are scanned and stored online. Implementation did not become effective until October 1, 2018, due to logistics of the Oasis systems.

(2018-001) –

Systems have been instituted to ensure that QuickBooks is locked monthly and any changes are recorded by journal entries. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

(2018-002) –

Appropriate bank signature forms were updated and a Board member will be a required check signer. The CRA Accounting Policies and Procedures Manual will be evaluated and updated to improve efficiencies.

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