

**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, 2015**



**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, 2015

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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, 2015, 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, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Restatement***

As described in Note N to the financial statements, the CRA has restated its previously issued financial statements to correct an error in which amounts loaned to a company were recorded as an expenditure, rather than notes receivable. This restatement resulted in an increase to the beginning net position of the governmental activities and General Fund fund balance of \$278,599, as well as an increase in the notes receivable balance. The impact on the prior year's change in net position and change in fund balance would have been to increase each by \$278,599. Our opinion is not modified with respect to that matter.

## ***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 14, 2016, on our consideration of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of

our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Delray Beach Community Redevelopment Agency's internal control over financial reporting and compliance.

West Palm Beach, Florida  
March 14, 2016

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

## 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, 2015.

### Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$32,290,256 (*net position*).
- The CRA's total net position increased \$4,672,300. Substantially all of this increase is attributable to tax increment revenue in excess of redevelopment expenses due to the timing of CRA projects.
- As of the close of the current fiscal year, the CRA's General Fund reported ending fund balance of \$10,563,526, a decrease of \$29,695. Fund balance of \$3,006,141 or 28% is nonspendable for long-term receivables; and \$7,555,536 or 72% was assigned to the subsequent year's budget.
- The CRA's total noncurrent liabilities decreased by \$2,985,451 during the current fiscal year due to scheduled debt repayments.

### Overview of the Financial Statements

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

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

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

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

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 \$32,290,256 at the close of the most recent fiscal year.

Approximately 78% 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, 2015 and 2014, are summarized below:

**Net Position  
September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current and other assets	\$ 11,205,123	\$ 11,634,687
Capital assets	<u>33,215,216</u>	<u>31,542,812</u>
Total assets	<u>\$ 44,420,339</u>	<u>\$ 43,177,499</u>
<b>Liabilities</b>		
Noncurrent liabilities	\$ 11,410,745	\$ 4,396,196
Other liabilities	<u>719,338</u>	<u>1,685,800</u>
Total liabilities	<u>\$ 12,130,083</u>	<u>\$ 16,081,996</u>
<b>Net position</b>		
Net investment in capital assets	\$ 25,057,242	\$ 20,760,806
Unrestricted	<u>7,233,014</u>	<u>6,578,551</u>
Total net position	<u>\$ 32,290,256</u>	<u>\$ 27,339,357</u>

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 78% of the CRA's net position reflects its investment in capital assets (e.g., land, improvements and equipment). The remaining balance of net position of \$7,233,014 may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net position increased by \$4,672,300 during the current fiscal year, which represents the degree to which tax increment revenues exceeded current year expenses. There was an increase of \$544 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 \$4,762,300. Key elements of this increase are as follows.

**Changes in Net Position  
Years Ended September 30, 2015 and 2014**

<b>Revenue</b>	<u>2015</u>	<u>2014</u>
Program revenue		
Charges for services	\$ 233,733	\$ 201,102
Operating contributions and grants	172,002	211,443
General revenue		
Tax increment revenue	12,885,095	11,575,821
Interest and other income	<u>67,381</u>	<u>24,779</u>
Total revenue	13,358,211	12,013,145

	<u>2015</u>	<u>2014</u>
<b>Expenses</b>		
General government	\$ 1,197,365	\$ 1,157,664
Property management	112,662	112,662
Economic development	<u>7,375,884</u>	<u>7,976,771</u>
Total expenses	<u>8,685,911</u>	<u>9,247,097</u>
Increase in net position	4,672,300	2,766,048
Net position – beginning of year, as restated	<u>27,617,956</u>	<u>24,851,908</u>
Net position – end of year	<u>\$ 32,290,256</u>	<u>\$ 27,617,956</u>

Tax increment revenues increased by \$1,309,274 or approximately 11% for the year. Property values in the CRA's development area increased by approximately \$114 million (9%) in 2015 accounting for the majority of the increase in tax increment revenue.

General government expenses increased \$39,701 (approximately 3%) resulting from an increase in office building and office equipment expenses. Property management expense was the same as the prior year, and economic development expense decreased approximately \$601,000 (8%) primarily due to the completion of the Economic Development Incentive for the Fairfield Inn located in the West Atlantic area. The CRA's economic development expense includes interest of approximately \$409,000 on long-term debt incurred to finance various redevelopment projects located predominantly in the West Atlantic Avenue and downtown corridor.

### **Financial Analysis of the Governmental Fund**

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

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

As of the end of the current fiscal year, the CRA's governmental fund reported ending fund balance of \$10,563,526, a decrease of \$29,695 for the year. A total of \$3,006,141 or 28% of the total fund balance is *nonspendable* to indicate that it is not available for new spending because it represents long-term receivables. In addition, there is \$7,555,536 of fund balance *assigned* for the 2015/2016 budget.

As a measure of the General Fund's liquidity, it may be useful to compare assigned fund balance to total fund expenditures. Assigned fund balance at September 30, 2015, represented 56% of total General Fund expenditures for 2015.

The decrease in fund balance for the General Fund in 2015 was primarily related to the combination of an increase in debt service expenditures related to loans payable to the City of Delray Beach for the library project and an increase in tax increment revenue.

## General Fund Budgetary Highlights

During 2015, revenues and other financing sources were less than final budgetary estimates by approximately \$1.3 million, which was primarily the result of the amount of prior year fund balance carried forward. Excluding the fund balance carryforward, the actual revenues and other financing sources were approximately \$138,000 greater than the final budgeted amount of approximately \$14.8 million. 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 certain economic development projects that did not take place in 2015 as originally anticipated. Overall, total expenditures were approximately \$58,000 more than the final budgeted appropriations for the year ended September 30, 2015. This was largely due to certain Downtown Master Plan expenditures exceeding the budget.

## Capital Asset and Debt Administration

**Capital assets.** The CRA's investment in capital assets as of September 30, 2015, amounts to \$33,215,216 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, furniture and fixtures. The net increase in the CRA's investment in capital assets for the current fiscal year was \$1,672,404. Major capital asset transactions during 2015 consisted of capital outlay expenditures of approximately \$1.7 million for acquisition of property in the West Atlantic Avenue area and \$400,000 for acquisition of property in the Southwest neighborhood area and reductions of approximately \$400,000 related to sales and disposals of various properties and depreciation of approximately \$134,000. Capital assets at September 30, 2015 and 2014, are summarized as follows:

	<b>Capital Assets</b> (net of accumulated depreciation)	
	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 30,456,081	\$ 28,663,731
Buildings, improvements and equipment	<u>2,759,135</u>	<u>2,879,081</u>
Total assets	<u>\$ 33,215,216</u>	<u>\$ 31,542,812</u>

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 \$7,289,225, which were secured by a pledge of the tax increment revenues received by the CRA. The CRA also had loans payable to the City of Delray Beach totaling \$4,121,520 for the U.S. Highway 1 project and acquisition of property rights for the former library site. Noncurrent liabilities at September 30, 2015 and 2014, are summarized as follows:

	<b>Noncurrent Liabilities</b>	
	<u>2015</u>	<u>2014</u>
Revenue bonds	\$ 7,289,225	\$ 8,709,225
Notes payable to the City of Delray Beach	<u>4,121,520</u>	<u>5,686,971</u>
Total noncurrent liabilities	<u>\$ 11,410,745</u>	<u>\$ 14,396,196</u>

The CRA's total noncurrent liabilities decreased by \$2,985,451 (21%) during the current fiscal year due to scheduled payments on the bonds and notes. There are no legal or statutory debt limitations for the CRA.

Additional information on the CRA's long-term debt can be found in Note I to the audited financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The following economic factors were considered in establishing the CRA's budget for the 2015/2016 fiscal year.

- The property valuations in the CRA district increased approximately \$114 million in 2015, which is an increase of approximately 9 percent. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2015 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund decreased in 2015 by approximately \$1,428,000 due primarily to acquisitions of property in the West Atlantic Avenue area and the Southwest neighborhood. The CRA has assigned approximately \$7.6 million of the fund balance at September 30, 2015, to the 2015-2016 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 2015/2016 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, 2015

	<u>Primary Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,112,580	\$ 40,074
Accounts receivable		
City of Delray Beach	48,652	-
Grants and other	18,259	-
Notes receivable		
City of Delray Beach	145,841	-
Delray Beach Community Land Trust	576,609	-
Delray Beach Chamber of Commerce	231,187	-
Prime Delray Hotel, LLC	1,500,000	-
Second mortgage loans	552,504	-
Other assets	19,491	-
Capital assets		
Capital assets not being depreciated	30,456,081	-
Depreciable capital assets, net	2,759,135	-
Total Assets	<u>44,420,339</u>	<u>40,074</u>
<b>LIABILITIES</b>		
Accounts payable	409,844	150
Accrued expenses	118,199	-
Due to the City of Delray Beach	151,331	-
Contract retainage payable	14,579	-
Unearned revenue	18,041	-
Refundable tenant and bid deposits	7,344	-
Noncurrent liabilities		
Due within one year	1,851,572	-
Due in more than one year	9,559,173	-
Total Liabilities	<u>12,130,083</u>	<u>150</u>
<b>NET POSITION</b>		
Net investment in capital assets	25,057,242	-
Unrestricted	7,233,014	39,924
Total Net Position	<u><u>\$ 32,290,256</u></u>	<u><u>\$ 39,924</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expenses) and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Primary Governmental Activities	Component Unit
<b>Primary Government</b>					
<b>Governmental activities</b>					
General government	\$ 1,197,365	\$ -	\$ -	\$ (1,197,365)	\$
Property management	112,662	170,751	-	58,089	
Economic development	7,375,884	62,982	172,002	(7,140,900)	
Total Primary Government	<u>\$ 8,685,911</u>	<u>\$ 233,733</u>	<u>\$ 172,002</u>	(8,280,176)	
<b>Component Unit</b>					
Block 60 Parking Condominium	<u>\$ 12,949</u>	<u>\$ 13,493</u>	<u>\$ -</u>	-	544
<b>General Revenue</b>					
Tax increment revenue				12,885,095	-
Interest and other income				67,381	-
Total General Revenue				<u>12,952,476</u>	<u>-</u>
Change in Net Position				4,672,300	544
Net position at October 1, 2014, as originally reported				27,339,357	39,380
Restatement for correction of error				278,599	-
Net position at October 1, 2014, as restated				<u>27,617,956</u>	<u>39,380</u>
Net position at September 30, 2015				<u>\$ 32,290,256</u>	<u>\$ 39,924</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2015

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,112,580
Accounts receivable	
City of Delray Beach	48,652
Grants and other	18,259
Notes receivable	
City of Delray Beach	145,841
Delray Beach Community Land Trust	576,609
Delray Beach Chamber of Commerce	231,187
Prime Delray Hotel, LLC	1,500,000
Second mortgage loans	552,504
Other assets	19,491
	<u>19,491</u>
Total Assets	<u>\$ 11,205,123</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 409,844
Accrued items	40,458
Due to the City of Delray Beach	151,331
Contract retainage payable	14,579
Unearned grant revenue	18,041
Refundable tenant and bid deposits	7,344
	<u>7,344</u>
Total Liabilities	641,597
<b>FUND BALANCE</b>	
Nonspendable	
Long-term notes receivable	3,006,141
Assigned to	
Subsequent year's budget	7,555,536
	<u>7,555,536</u>
Total Fund Balance	10,563,526
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	33,215,216
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(77,741)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(11,410,745)</u>
Net position of governmental activities	<u>\$ 32,290,256</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, 2015

		<u>General Fund</u>
<b>REVENUES</b>		
Tax increment revenue	\$	12,885,095
Reimbursements		172,002
Rental property income		170,751
Green Market revenue		62,982
Interest and other income		<u>67,381</u>
Total Revenues		<u>13,358,211</u>
<b>EXPENDITURES</b>		
Current		
General government		1,175,669
Economic development		6,704,037
Capital outlay		2,205,174
Debt service		
Principal		2,985,451
Interest		<u>452,955</u>
Total Expenditures		<u>13,523,286</u>
Expenditures in Excess of Revenues		(165,075)
<b>OTHER FINANCING SOURCES</b>		
Proceeds from sales of purchased properties		<u>135,380</u>
Net Change in Fund Balance		(29,695)
Fund Balance at October 1, 2014, as originally reported		10,314,622
Restatement for correction of error		<u>278,599</u>
Fund Balance at October 1, 2014, as restated		<u>10,593,221</u>
Fund Balance at September 30, 2015	\$	<u><u>10,563,526</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2015

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

Net change in fund balance - governmental fund \$ (29,695)

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

Expenditures for capital assets	2,205,174	
Net book value of disposals	(398,412)	
Current year depreciation	(134,358)	1,672,404

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. 2,985,451

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. 44,140

Change in net position of governmental activities \$ 4,672,300

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity: The Delray Beach Community Redevelopment Agency (the "CRA") is a dependent special district established by the City of Delray Beach, Florida, (the "City") under authority granted by Florida Statute 163, Section III. The purpose of the CRA is to promote and guide the physical and economic redevelopment of approximately 1,900 acres in the center of the City of Delray Beach. The CRA is a legally separate entity established by Ordinance number 46-85 of the Delray Beach City Commission on June 18, 1985. The CRA is governed by a seven member Board of Commissioners appointed by the Delray Beach 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 City Commission of Delray Beach appoints the governing board of the CRA and the tax increment financing received by the CRA is considered evidence of the City's obligation to provide financial support to the CRA.

**Discretely Presented Component Unit**

**Block 60 Parking Condominium Association, Inc.** - The CRA, as owner and developer of a 92 space parking lot in Block 60 of the City of Delray Beach, transferred control of the parking lot to a legally separate condominium association 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, 2015, the CRA contributed approximately \$327,000 to the joint venture.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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 which the fund liability is incurred, except for principal and interest on general long-term debt, which is

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 checking accounts and money market mutual fund accounts.

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, 2015, management considers all receivables to be fully collectible.

Prepaid Items/Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items/expenses under the consumption method. Reported amounts in the governmental fund is 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, fair 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 Revenues: Unearned revenues in the Governmental Activities and General Fund include grant amounts received in advance of meeting grant eligibility requirements.

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

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*

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

*outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until that time. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The CRA has no amounts reported as deferred inflows/outflows of resources on the government-wide Statement of Net Position or the governmental fund Balance Sheet.

Net Position/Fund Balance: The government-wide financial statements utilize a net position presentation, while the governmental fund financial statements report fund balance.

**Net Position** - Net position of the government-wide statements is categorized as net investment in capital assets, restricted or unrestricted. *Net investment in capital assets* is that portion of net position that relates to the CRA's capital assets reduced by the portion of the assets that has been acquired through the use of long-term debt. This amount is offset by any unspent proceeds that are outstanding at fiscal year-end. *Restricted net position* is that portion of net position that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or 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, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the CRA is legally bound to honor the specific purposes for which amounts in fund balance may be spent. The fund balance classifications are summarized as follows:

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

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

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

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

*Unassigned* - Unassigned fund balance includes amounts that are not assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the General Fund.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, the CRA made contributions of \$45,721 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 Governmental Accounting Standards Board (GASB) 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. 72, *Fair Value Measurements and Application*, provides guidance for determining fair value measurements for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2016.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governments in conformity with GAAP and the framework for selecting those principles. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2016.
- GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about the reporting government's own tax abatement agreements and agreements that are entered into by other governments that reduce the reporting government's tax revenues. The

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

requirements of this statement will be effective for the fiscal year ending September 30, 2017.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The majority of the requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2016, while certain provisions are not effective until the fiscal year ended September 30, 2017.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units*, requires not-for-profit organizations in which the sole corporate member is the primary government to be presented as a blended component unit. The requirements of this Statement will be effective for the fiscal year ended September 30, 2017.

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, 2015, includes deposits with financial institutions with a bank balance of \$8,112,342 and a book balance of \$8,112,330 and \$250 of petty cash. 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 Statement No. 3. Cash balances of the component unit at September 30, 2015, are deposits with financial institutions that are fully covered by federal depository insurance. For financial statement purposes cash equivalents include an investment of \$6,719 with Florida Prime, a 2a7-like external investment pool administered by the State of Florida pursuant to statutory requirements.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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

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.

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. The CRA had no material 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 are limited to Florida Prime and time deposits with financial institutions meeting the requirements of a Florida qualified public depository.

NOTE C - NOTES RECEIVABLE FROM CITY OF DELRAY BEACH

The CRA entered into two interlocal and multiparty agreements with the City of Delray Beach and the School Board of Palm Beach County which provide for the construction of a single family residence through the construction projects of the Career Academy Program at Atlantic High School in Delray Beach, known as the Eagle Nest Program. The CRA committed to provide the initial funding for the projects in the form of a loan to the City of Delray Beach that will be repaid at the time of sale. The Eagle Nest Project 2 agreement provides for a loan to the City of Delray Beach in an amount not to exceed \$130,000 to be disbursed by the City of Delray Beach to the School District. 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 2 and Eagle Nest Project 3 houses, the CRA will be repaid without interest. The amount loaned to the City of Delray Beach for Eagle Nest Project 2 and Eagle Nest Project 3 at September 30, 2015 was \$95,841 and \$50,000, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE D - NOTES RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

Construction Mortgages: The CRA provides advances to the Delray Beach Community Land Trust, Inc. (CLT) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2015, total advances receivable from the CLT were \$325,249, all of which is considered collectible by the CRA.

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

Property Transfers: In 2015, the CRA transferred a single-family residence to the CLT with the provision that the CLT make the residence available for immediate purchase or a lease/purchase not to exceed two years, at the appraised value for the property of \$144,000. The CLT is required to maintain and insure the property. If the property is sold, all proceeds, less closing costs and a 6% developer fee will be paid to the CRA. If the unit is not sold within two years, the CLT will purchase the property from the CRA at an agreed upon sale price of \$144,000. The CRA has recorded a receivable from the CLT for the sale price less the 6% developer fee, or \$135,360.

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, 2015 the balance of the note receivable from the Chamber was \$231,187.

NOTE F - NOTE RECEIVABLE FROM PRIME DELRAY HOTEL, LLC

On June 20, 2014, the CRA entered into an agreement to loan Prime Delray Hotel, LLC, \$1.5 million for development and construction of a 4-story business class hotel on Atlantic Avenue (the "Hotel

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE F - NOTE RECEIVABLE FROM PRIME DELRAY HOTEL, LLC (Continued)

Property”). The loan accrues interest at a rate of 3% per annum. Payments of interest only on the outstanding loan balance are payable to the CRA on the first day of each month for 60 months beginning August 1, 2014 and continuing through July 1, 2019, at which time all outstanding principal and accrued interest will be due to the CRA. The loan is collateralized by a second mortgage lien and security interest in the Hotel Property and all improvements, fixtures, and appurtenances thereto.

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, 2015, the amount of the individual second mortgages originated in 2008 through 2015, 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 \$552,504 at September 30, 2015.

NOTE H - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2015, was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 28,663,731	\$ 2,190,762	\$ (398,412)	\$ 30,456,081
Total capital assets not being depreciated	28,663,731	2,190,762	(398,412)	30,456,081
<b>Depreciable capital assets</b>				
Buildings and improvements	3,808,566	-	-	3,808,566
Equipment	96,941	11,058	-	107,999
Furniture and fixtures	28,868	3,354	-	32,222
Total depreciable capital assets	3,934,375	14,412	-	3,948,787
Less accumulated depreciation	(1,055,294)	(134,358)	-	(1,189,652)
Depreciable capital assets, net of accumulated depreciation	2,879,081	(119,946)	-	2,759,135
Total capital assets	\$ 31,542,812	\$ 2,070,816	\$ (398,412)	\$ 33,215,216

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE H - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 112,662
Property management	<u>21,696</u>
Total depreciation expense	<u>\$ 134,358</u>

NOTE I - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2015, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
<b>Revenue Bonds</b>					
Series 2012	\$ 2,619,225	\$ -	\$ -	\$ 2,619,225	\$ -
Series 2004A	4,060,000	-	(745,000)	3,315,000	780,000
Series 2004B	390,000	-	(190,000)	200,000	200,000
Series 1999A	<u>1,640,000</u>	-	<u>(485,000)</u>	<u>1,155,000</u>	<u>270,000</u>
Total revenue bonds	8,709,225	-	(1,420,000)	7,289,225	1,250,000
<b>Loans Payable to the City of Delray Beach</b>					
U.S. Highway 1 project	3,614,190	-	(361,419)	3,252,771	361,419
Library property acquisition	<u>2,072,781</u>	-	<u>(1,204,032)</u>	<u>868,749</u>	<u>240,153</u>
Total loans payable	<u>5,686,971</u>	-	<u>(1,565,451)</u>	<u>4,121,520</u>	<u>601,572</u>
Total noncurrent liabilities	<u>\$ 14,396,196</u>	<u>\$ -</u>	<u>\$ (2,985,451)</u>	<u>\$ 11,410,745</u>	<u>\$ 1,851,572</u>

Revenue Bonds: The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2015, consisted of the following:

**Series 2012:** \$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2012, dated March 30, 2012. The Series 2012 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2012 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2012 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$4,000,000. The Series 2012 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The original final draw date was the third anniversary of the closing date of the Series 2012 Bond (March 30, 2015). Interest was payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> at 2.10% on the outstanding principal balance, beginning October 1, 2012, through October 1, 2015. 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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I - NONCURRENT LIABILITIES (Continued)

bondholder for federal income tax purposes. Interest under the modified agreement is due on April 1<sup>st</sup> and October 1<sup>st</sup> through October 1, 2018. Principal will be payable in equal installments each April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with the first April 1<sup>st</sup> or October 1<sup>st</sup> occurring after the final draw date. At September 30, 2015, the outstanding balance on the Series 2012 Bond was \$2,619,225.

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

**Series 2004B:** \$1,925,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Refunding Bond, Series 2004B, dated May 19, 2004. The Series 2004B Bond was issued to a financial institution for an aggregate principal amount of \$1,925,000 for the purpose of redeeming \$1,925,000 of outstanding Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1999B. Interest is payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> at 5.9095% on the outstanding principal balance. Interest is taxable to the bondholder for federal income tax purposes. Principal is payable each September 1<sup>st</sup>, through September 1, 2016, the maturity date of the Series 2004B Bond.

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I - NONCURRENT LIABILITIES (Continued)

<u>Year Ending September 30,</u>	<u>Revenue Bond, Series 2004A</u>	<u>Revenue Bond, Series 2004B</u>	<u>Revenue Bond, Series 1999A</u>
2016	\$ 780,000	\$ 200,000	\$ 270,000
2017	810,000	-	280,000
2018	845,000	-	295,000
2019	<u>880,000</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 3,315,000</u>	<u>\$ 200,000</u>	<u>\$ 1,155,000</u>

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City of Delray Beach by the CRA at September 30, 2015, 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 City initially financed the project with a line of credit and plans to obtain permanent financing after the project is completed. 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 1<sup>st</sup> and December 1<sup>st</sup> in the amount of \$180,709, commencing December 1, 2014. Interest is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at 3.25% on the outstanding principal balance, commencing December 1, 2014.

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE I - NONCURRENT LIABILITIES (Continued)

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 601,572	\$ 84,792	\$ 686,364
2017	608,776	77,588	686,364
2018	616,197	70,167	686,364
2019	487,880	62,524	550,404
2020	361,419	58,730	420,149
2021-2025	<u>1,445,676</u>	<u>234,920</u>	<u>1,680,596</u>
	<u>\$ 4,121,520</u>	<u>\$ 588,721</u>	<u>\$ 4,710,241</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, and 2012 to finance various redevelopment projects. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district as described in more detail in Note I and investment earnings thereon. Tax increment revenues were projected to produce more than 500 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2015, was \$7,806,299, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$1,752,042 and \$12,885,095, respectively.

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

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,851,572	\$ 294,538	\$ 2,146,110
2017	1,698,776	229,028	1,927,804
2018	1,756,197	173,351	1,929,548
2019	1,677,880	115,228	1,793,108
2020	361,419	58,730	420,149
2021-2025	<u>1,445,676</u>	<u>234,920</u>	<u>1,680,596</u>
	<u>\$ 8,791,520</u>	<u>\$ 1,105,795</u>	<u>\$ 9,897,315</u>

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2015, were \$408,815 and \$452,955, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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, 2015, was as follows:

Assessed property value as of January 1, 2014	\$ 1,381,847,087
Assessed property value for 1985 base year	<u>(245,631,067)</u>
Assessed property value subject to incremental property tax	<u>\$ 1,136,216,020</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, 2015, the CRA's tax increment revenues include \$7,732,003 received from the City. CRA expenditures for the year ended September 30, 2015, include charges of \$2,326,650 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$943,920 for construction services related to redevelopment projects, \$218,423 for the downtown shuttle, and \$550,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$132,000 in reimbursements from the City for various projects.

At September 30, 2015, the CRA had accounts receivable due from the City of \$48,652, accounts payable to the City of \$151,331 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$4,121,520.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2015, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

NOTE L - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessee: The CRA entered into a lease agreement with the City on January 11, 2010, for approximately 10,600 square feet of commercial space at the Old School Square parking garage. The term of the lease is 5 years from February 1, 2010, through January 31, 2015, with rent of \$150,000 payable annually in

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

arrears on each January 11<sup>th</sup>. The lease expired January 31, 2015 and was not renewed. Rent expense for 2015 was \$50,000.

Lease Commitment as Lessor: The CRA had the following lease commitments as lessor at September 30, 2015:

**Schuler's Memorial Chapel:** The CRA entered into an agreement to lease the property located at 606 West Atlantic Avenue to Schuler's Memorial Chapel for \$500 per month for a two year period commencing December 15, 2010. The lease was extended through December 15, 2015, after which it became a month to month lease through March 1, 2016, at which time the property was vacated. The carrying value of the leased property was \$1,895,000 at September 30, 2015.

**Factual Multi Services, LLC:** The CRA entered into an agreement to lease the property located at 135 NW 5<sup>th</sup> Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment for a three year period commencing January 10, 2014. The lease was extended through December 31, 2015. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$98,000 at September 30, 2015.

**Delray Beach Housing Group:** On September 11, 2011 the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the CLT on September 22, 2011 for the Palm Manor apartments and on June 27, 2013 for the SW 12<sup>th</sup> Avenue Duplexes. Each agreement provides for an annual rental payment to the CRA of \$1 and that the lessees will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the properties. The term of each agreement is for five years with one renewal option for an additional five year period. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,355,000 at September 30, 2015.

**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 will develop, construct and operate 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, 2015 was approximately \$2,418,000.

**BRP Senior Housing, LLC:** On December 4, 2014, the CRA entered into an agreement to lease the property located at 186 NW 5<sup>th</sup> Avenue to BRP Senior Housing, LLC for \$1,833 per month for a two year period commencing on December 5, 2014. Parties may extend the term of the lease for

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

three additional one year terms upon the execution of an amendment. The carrying value of the leased property at September 30, 2015 was approximately \$250,000.

**Monogram Closet:** On April 23, 2015, the CRA entered into an agreement to lease the property located at 182 NW 5<sup>th</sup> Ave to Monogram Closet Incorporated. The lease term is for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 with an increase of \$1 per square foot each year thereafter for years two through four, respectively. 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, 2015 was approximately \$382,000.

The total carrying value of leased property listed above was approximately \$10,398,000 at September 30, 2015. Depreciation expense is not recorded on redevelopment properties that are currently held for sale. At September 30, 2015, all properties were held for sale, except for that leased to the Delray Beach Housing Group. Rental income for 2015 totaled \$170,751. Future annual minimum rental income is as follows: 2016 - \$86,209; 2017 - \$33,167; 2018 - \$26,464; and 2019 - \$20,663.

Contract Commitments: At September 30, 2015, the CRA had outstanding contract commitments consisting of the following:

<u>Project</u>	<u>Total Project Authorization</u>	<u>Expended Through September 30, 2015</u>	<u>Retainage Payable at September 30, 2015</u>	<u>Remaining Commitment at September 30, 2015</u>
Arts Warehouse Project	\$ 232,500	\$ 168,730	\$ -	\$ 63,770
Pineapple Grove Entrance	145,791	131,212	14,579	-
Downtown Core Parking Study	21,730	-	-	21,730
Total contract commitments	<u>\$ 400,021</u>	<u>\$ 299,942</u>	<u>\$ 14,579</u>	<u>\$ 85,500</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 \$8,240,000 for the year ending September 30, 2015.

Funding Commitments: The CRA entered into grant agreements to provide future funding for various economic redevelopment purposes. The grant funding commitments of the CRA totaled \$2,927,844, at September 30, 2015, and are summarized as follows:

**Prime Delray Hotel, LLC:** Development Infrastructure Assistance Grant 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.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

**KCMCL Pineapple Grove, LLC:** Development Infrastructure Assistance Grant 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 will be made by the CRA on February 1<sup>st</sup> of each year. Payments of \$43,162 were made under the grant for 2014 and 2015.

The CRA also entered into grant agreements with the following organizations to provide funding for their operations during the year ending September 30, 2015:

City of Delray Beach - International Tennis Championships	\$	550,000
City of Delray Beach - Downtown Roundabout Trolleys		400,000
City of Delray Beach - Irrigation and landscape maintenance		75,000
City of Delray Beach - Microenterprise Program		100,000
Delray Beach Community Land Trust, Inc.		175,000
Delray Beach Public Library Association, Inc.		418,000
Delray Beach Historical Society		52,000
Delray Beach Center for the Arts, Inc.		412,500
EPOCH, Inc.		<u>67,700</u>

Total grant commitments \$ 2,250,200

Loan Commitment to Village Square Elderly, Ltd.: On November 8, 2011 the CRA issued a Loan Commitment to Village Square Elderly, Ltd. (Village Square) for a \$2.7 million, 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 dated July 17, 2014, the loan will be non-interest bearing 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 loan and are due annually thereafter until the tenth anniversary date of the loan. Commencing on the tenth anniversary date of the loan and annually thereafter, principal and interest will be payable to the CRA in an amount equal to the remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan will mature twenty years from the loan closing date, at which time all outstanding principal and accrued interest will be due to the CRA. The loan is collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The CRA will not disburse any funds under the agreement until Village Square has received all moneys from the Tax-Exempt Bonds and the Equity Account of the Project Fund for the acquisition and construction of the project. There were no draws on the loan as of September 30, 2015. The project is currently under construction.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

Contracts for Sale of Property: The CRA entered into two contracts for the sale of property at September 30, 2015, as follows:

**Delray Beach Holdings, LLC:** At September 30, 2014, the CRA had a contract with Delray Beach Holdings, LLC, a Florida limited liability company, for the sale of certain property for \$3,600,000 in accordance with their redevelopment proposal for a 5-story mixed use facility that will include an iPic Theater, Class A office space, retail space and a multi-level parking garage. The agreement is subject to certain conditions precedent to closing, including the documentation of financial commitment and a letter of credit or performance bond by the purchaser. The CRA also has the right to approve the architectural design and site plan for the project. Closing shall occur no later than thirty days after the permit date. The CRA has a right to repurchase the property for the same purchase price in the event the purchaser fails to commence construction of the project within sixty days of the closing or permit date or fails to commence the installation of the concrete foundation within one hundred eighty days following the later of the commencement of construction or the issuance of the building permits. The carrying value of the property under contract at September 30, 2015 is \$3,364,258.

**Equity Enterprises USA, Inc.:** At September 30, 2015, the CRA had a contract with Equity Delray, LLC, a Florida corporation, for the sale of certain property for \$1,200,000 in accordance with their redevelopment proposal which will include three mixed use buildings fronting West Atlantic Avenue with retail space, Class A office space and multifamily residential units. Earnest money of \$100,000 was paid upon approval of the agreement. At closing, an additional \$200,000 will be paid to the CRA, and the purchaser will pay the \$900,000 balance of the purchase price to the CRA by executing a promissory note and purchase money mortgage in favor of the CRA which will constitute a first mortgage lien on the property. The note and mortgage will provide for a term of 5 years with interest accruing at a fixed rate of four percent per annum with a maturity date of five years from the closing date. Interest will not accrue for the first twenty-four months subsequent to the closing date. Payments of principal and interest will commence on the twenty-fifth month anniversary of the closing date and will be payable every month thereafter until the maturity date. The carrying value of the property under the contract at September 30, 2015 is \$7,052,962.

Property Acquisition: At September 30, 2015, the CRA had contracts for the purchase of redevelopment property for a total of \$472,000.

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 - SUBSEQUENT EVENTS

In January 2016, the CRA issued the Delray Beach Community Redevelopment Agency Tax Incremental 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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE M - SUBSEQUENT EVENTS (Continued)

request submitted by the CRA, provided that the maximum amount of the Series 2015 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$2,000,000. The Series 2015 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The CRA will be able to draw down funds until the 3<sup>rd</sup> anniversary of the Closing Date (January 29, 2016). Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> at 2.78% on the outstanding principal balance, beginning April 1, 2016, through October 1, 2023, the maturity date of the Series 2015 Bond. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal will be payable in equal installments each April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with the first April 1<sup>st</sup> or October 1<sup>st</sup> occurring after the final draw date.

NOTE N - RESTATEMENT

In the prior year, the CRA recorded loans to Prime Hotel Delray, LLC totaling \$278,599 as an expenditure, rather than notes receivable. The CRA has restated the beginning net position of the governmental activities and the General Fund fund balance at October 1, 2014 to increase these amounts by \$278,599, as well as to increase the notes receivable balance. The impact on the prior year's change in net position and change in fund balance would have been to increase each by \$278,599.

NOTE O - EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2015, expenditures exceeded budget appropriations in the Areawide and Neighborhood Plans cost center by \$62,391.

**REQUIRED SUPPLEMENTARY INFORMATION**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Tax increment revenue				
City of Delray Beach	\$ 7,728,109	\$ 7,732,003	\$ 7,732,003	\$ -
Palm Beach County	5,140,426	5,153,092	5,153,092	-
Total Tax Increment Revenue	12,868,535	12,885,095	12,885,095	-
Reimbursements				
Reimbursements from City of Delray Beach	95,000	132,269	132,271	2
Other reimbursements	10,816	39,697	39,731	34
Total Reimbursements	105,816	171,966	172,002	36
Rental property income	160,000	177,119	170,751	(6,368)
Green Market revenue	50,000	60,898	62,982	2,084
Interest income	15,000	15,425	22,939	7,514
Loan interest	20,000	44,512	43,742	(770)
Other income	-	700	700	-
Total Revenues	13,219,351	13,355,715	13,358,211	2,496
<b>OTHER FINANCING SOURCES</b>				
General Fund carryforward fund balance	8,617,254	1,450,425	-	(1,450,425)
Land sales	3,850,000	20	135,380	135,360
Total Other Financing Sources	12,467,254	1,450,445	135,380	(1,315,065)
<b>Total Revenues and Other Financing Sources</b>	<b>25,686,605</b>	<b>14,806,160</b>	<b>13,493,591</b>	<b>(1,312,569)</b>
<b>EXPENDITURES</b>				
<b>General government</b>				
Personnel				
Salaries	820,000	745,767	745,767	-
Payroll taxes	68,000	62,774	62,774	-
Health and dental insurance	82,000	75,055	75,055	-
Retirement contribution	70,000	45,721	45,721	-
Travel allowance	5,520	6,760	6,760	-
Cell allowance	5,000	4,085	4,085	-
	1,050,520	940,162	940,162	-
Supplies and materials				
Office supplies	5,898	6,642	6,846	(204)
Postage/express mail	2,500	1,534	1,585	(51)
	8,398	8,176	8,431	(255)

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General government (continued)</b>				
Office space				
Storage	\$ 2,500	\$ 2,788	\$ 2,788	\$ -
Maintenance	30,000	7,614	7,614	-
Telephone	8,000	4,266	4,266	-
Utilities	5,500	3,710	3,710	-
Security	2,000	2,211	2,211	-
	<u>48,000</u>	<u>20,589</u>	<u>20,589</u>	<u>-</u>
Administration/Operations				
Accounting	23,300	23,300	23,300	-
Legal	50,000	46,606	46,606	-
Office expense	200,000	13,311	13,311	-
Contractual services	70,000	72,583	69,495	3,088
Printing	4,000	5,400	5,400	-
Publications/subscriptions	1,000	445	445	-
Advertising	7,000	4,426	4,426	-
Bank services	2,000	1,507	1,524	(17)
Organization/member dues	7,500	5,834	5,834	-
Public relations and communication	7,500	550	550	-
Insurance: commercial, D&O	17,000	15,471	15,471	-
Meetings	2,500	911	913	(2)
Seminars and workshops	9,000	6,450	6,450	-
Travel	9,000	4,035	4,035	-
	<u>409,800</u>	<u>200,829</u>	<u>197,760</u>	<u>3,069</u>
Equipment, property and maintenance				
Equipment rentals	4,700	6,508	6,508	-
Repairs and maintenance	1,000	1,343	1,343	-
Furniture and fixtures	1,000	876	876	-
Office equipment	10,000	14,412	14,412	-
	<u>16,700</u>	<u>23,139</u>	<u>23,139</u>	<u>-</u>
<b>Total General Government</b>	<b>1,533,418</b>	<b>1,192,895</b>	<b>1,190,081</b>	<b>2,814</b>
<b>Economic Development</b>				
<i>Areawide and Neighborhood Plans</i>				
Osceola Neighborhood Plan				
Alleys	175,000	141,061	141,061	-
Business Area Revitalization	800,000	36	36	-
Legal Fee - Osceola Plan	3,000	-	-	-
	<u>978,000</u>	<u>141,097</u>	<u>141,097</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development (continued)</b>				
<i>Areawide and Neighborhood Plans (continued)</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	\$ 1,600,000	\$ 1,764,759	\$ 1,764,759	\$ -
Economic development - hotel loan	1,000,000	1,221,401	1,221,401	-
Project development and implementation	25,000	-	-	-
Legal fees	25,000	48,762	48,762	-
Beautification - NW 12th Ave	543,000	-	-	-
Southwest 9th Avenue Parking Lot	160,000	144,400	144,400	-
Block 8 Alley	120,000	1,928	1,928	-
Beautification - West Atlantic (Median)	200,000	-	-	-
	<u>3,673,000</u>	<u>3,181,250</u>	<u>3,181,250</u>	<u>-</u>
Downtown Master Plan				
Loan to City/Chamber Relocation	25,000	5,000	5,000	-
Tree grate replacement	15,222	14,822	14,822	-
SE/NE 1st Street (one-way pair)	300,000	32,493	32,493	-
E Atlantic Ave Median	30,000	1,130	1,130	-
SE/NE 5th Avenue (Federal Hwy pairs)	-	63,806	63,806	-
Gateway Feature (Construction & Art)	50,000	-	-	-
Downtown shuttle	300,000	218,423	218,423	-
Old library site	200,000	-	-	-
Fire Headquarters Public Plaza	275,000	275,000	275,000	-
Project Development/Implementation	20,000	3,065	3,065	-
CBD Code Revisions	-	-	47,813	(47,813)
Trombone Mast Arms	250,000	247,865	247,865	-
Northeast 3rd Street / Alley Improvements	600,000	6,436	6,436	-
Block 117 Garage Design/SE 6th Ave	750,000	-	-	-
Swinton and Atlantic Intersection	150,000	9,900	9,900	-
Pineapple Way North Entrance Feature	145,000	133,960	148,539	(14,579)
MLK Jr. Drive Phase II	100,000	26,006	26,006	-
SE 4th Ave Beautification	100,000	100,000	100,000	-
Legal fees	10,000	3,922	3,922	-
	<u>3,320,222</u>	<u>1,141,828</u>	<u>1,204,220</u>	<u>(62,392)</u>
Southwest Neighborhood Plan				
Village Square Elderly	2,700,000	-	-	-
Project Development/Implementation	5,000	-	-	-
SW 12th Auburn Avenue Beautification	200,000	142,397	142,397	-
SW 14th Avenue Beautification	376,000	265,986	265,986	-
Block 32 Alley	100,000	-	-	-
Merritt Park	150,000	3,175	3,175	-
Block 63 Alley	100,000	34,637	34,637	-
Legal fees	5,000	44,856	44,856	-
	<u>3,636,000</u>	<u>491,051</u>	<u>491,051</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development (continued)</b>				
<i>Areawide and Neighborhood Plans (continued)</i>				
N Federal Highway Redevelopment				
N Fed Hwy Market Analysis	\$ -	\$ 4,660	\$ 4,660	\$ -
Federal Highway Improvements	100,000	-	-	-
Legal Fees	-	332	332	-
	<u>100,000</u>	<u>4,992</u>	<u>4,992</u>	<u>-</u>
Seacrest/Del-Ida Neighborhood Plan				
NE 2nd Ave/Seacrest Boulevard	425,000	-	-	-
	<u>425,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other				
Land Acquisitions	500,000	5,650	5,650	-
Bus Shelter/Neighborhood Enhancement	2,500	-	-	-
Streets and alley improvements	300,000	29,589	29,588	1
NW/SW Neighborhood Alley	100,000	-	-	-
Miscellaneous predevelopment costs	5,000	-	-	-
Legal fees	2,500	-	-	-
	<u>910,000</u>	<u>35,239</u>	<u>35,238</u>	<u>1</u>
<b>Total Areawide and Neighborhood Plans</b>	<b>13,042,222</b>	<b>4,995,457</b>	<b>5,057,848</b>	<b>(62,391)</b>
<b>Redevelopment Projects</b>				
NW/SW 5th Avenue Beautification				
NW 5th Ave Entrance Feature	75,000	-	-	-
NW 5th Ave	300,000	1,350	1,350	-
Management fees	5,000	4,741	3,691	1,050
Beautification and planning	40,000	-	-	-
Project development	5,000	-	-	-
Legal fees	3,000	12,544	12,544	-
	<u>428,000</u>	<u>18,635</u>	<u>17,585</u>	<u>1,050</u>
Affordable/Workforce Housing Program				
Relocations	15,000	900	900	-
Subsidies - Affordable Housing	150,000	70,000	70,000	-
Land acquisitions - CLT	300,000	104,364	104,364	-
Community Land Trust (CLT)	175,000	175,000	175,000	-
Eagle Nest	100,000	50,000	50,000	-
Housing Study	50,000	-	-	-
Legal fees	7,000	11,837	11,837	-
	<u>797,000</u>	<u>412,101</u>	<u>412,101</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development</b> (continued)				
<i>Redevelopment Projects (continued)</i>				
Redevelopment Sites				
Maintenance	\$ 135,000	\$ 68,942	\$ 68,942	\$ -
Business Relocation	30,000	-	-	-
Project Development / Implementation	2,500	-	-	-
Property insurance	100,000	78,172	78,172	-
Property taxes	50,000	59,324	59,324	-
Legal fees	5,000	1,058	1,058	-
Water	14,000	9,648	9,648	-
Utilities	20,000	25,240	25,240	-
Block 60 Parking Lots	8,000	7,480	7,480	-
	<u>364,500</u>	<u>249,864</u>	<u>249,864</u>	<u>-</u>
Carver Square Neighborhood				
Remediation and site development	40,000	2,095	2,095	-
SW 2nd Terrace	65,000	-	-	-
Legal fees	6,000	527	527	-
	<u>111,000</u>	<u>2,622</u>	<u>2,622</u>	<u>-</u>
<b>Total Redevelopment Projects</b>	<b>1,700,500</b>	<b>683,222</b>	<b>682,172</b>	<b>1,050</b>
<i>Community Improvement and Economic Development</i>				
Grant Programs				
Site & Grants	200,000	38,338	38,338	-
Bus Assistance Startup	40,000	27,072	27,072	-
Paint-up Assistance Grants	35,000	23,501	23,501	-
Community Activities	3,000	-	-	-
Historic facade grants	75,000	-	-	-
	<u>353,000</u>	<u>88,911</u>	<u>88,911</u>	<u>-</u>
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	362,980	326,980	326,980	-
	<u>362,980</u>	<u>326,980</u>	<u>326,980</u>	<u>-</u>
City Contractual Services				
Planning, IT and parking manager	110,000	110,000	110,000	-
Housing Rehab	37,700	37,132	37,132	-
Streetscape Maintenance	36,000	36,000	36,000	-
Clean & Safe program	1,824,280	1,824,280	1,824,280	-
Project Engineer	97,514	92,701	92,701	-
Neighborhood Planner (Resource Center)	39,110	38,814	38,814	-
	<u>2,144,604</u>	<u>2,138,927</u>	<u>2,138,927</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development</b> (continued)				
<i>Community Improvement and Economic Development (continued)</i>				
Community Resource Enhancement				
Community Resource Enhancement	\$ 45,000	\$ -	\$ -	\$ -
A Guide Funding	927,640	927,640	927,640	-
	<u>972,640</u>	<u>927,640</u>	<u>927,640</u>	<u>-</u>
Economic Development Initiative				
Incentives	230,000	54,677	54,677	-
Micro-lending Programming	100,000	50,000	50,000	-
Programming	70,992	8,489	8,489	-
Old School Square Retail Space Rent	50,000	50,000	50,000	-
Warehouse	750,000	169,080	169,080	-
International Tennis Tournament	550,000	550,000	550,000	-
Legal fees	10,000	10,031	10,031	-
	<u>1,760,992</u>	<u>892,277</u>	<u>892,277</u>	<u>-</u>
Green Market				
Personnel and staff	80,000	74,600	74,600	-
Entertainment/vendors	6,400	10,075	10,075	-
Supplies and materials	2,000	2,649	2,649	-
Administration and operations	20,000	26,408	26,408	-
Signs, banners and advertising	7,700	7,713	7,713	-
	<u>116,100</u>	<u>121,445</u>	<u>121,445</u>	<u>-</u>
<i>Total Community Improvement and Economic Development</i>	<u>5,710,316</u>	<u>4,496,180</u>	<u>4,496,180</u>	<u>-</u>
<b>Total Economic Development</b>	<b>20,453,038</b>	<b>10,174,859</b>	<b>10,236,200</b>	<b>(61,341)</b>
<b>Debt service</b>				
Tax exempt bond principal and interest	190,000	1,483,227	1,483,227	-
Taxable bond principal and interest	1,230,000	213,047	213,047	-
Principal and interest - US1 Improvements	420,149	420,149	420,149	-
Principal and interest - Former Chamber Site	1,800,000	1,266,215	1,266,215	-
City National Line of Credit	60,000	55,768	55,768	-
<b>Total Debt Service</b>	<u>3,700,149</u>	<u>3,438,406</u>	<u>3,438,406</u>	<u>-</u>
<b>Total Expenditures</b>	<u>25,686,605</u>	<u>14,806,160</u>	<u>14,864,687</u>	<u>(58,527)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,371,096)</u>	<u>\$ (1,371,096)</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2015

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, 2015.

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. As indicated in Note A above, non-cash exchange transactions are not budgeted and loans to various entities are recorded as budgetary basis expenditures. As a result, the General Fund expenditures reported in the budgetary comparison schedule differ from the expenditures reported on the basis of GAAP. These differences can be reconciled as follows:

Budgetary basis expenditures	\$	14,864,687
Loans to various entities		<u>(1,341,401)</u>
GAAP basis expenditures	\$	<u><u>13,523,286</u></u>

**OTHER SUPPLEMENTARY INFORMATION -  
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2015

**ASSETS**

Cash \$ 40,074

Total Assets \$ 40,074

**LIABILITY**

Accounts payable \$ 150

**NET POSITION**

Unrestricted 39,924

Total Liability and Net Position \$ 40,074

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2015

<b>REVENUES</b>		
Assessments	\$	13,493
<b>EXPENSES</b>		
Condominium properties		<u>12,949</u>
	Change in Net Position	544
Net position at October 1, 2014		<u>39,380</u>
Net position at September 30, 2015	\$	<u><u>39,924</u></u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2015

**OPERATING ACTIVITIES**

Change in net position	\$	544
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Decrease in accounts payable		<u>(209)</u>
Net Cash Provided By Operating Activities		<u>335</u>
Increase in Cash		335
Cash at October 1, 2014		<u>39,739</u>
Cash at September 30, 2015	\$	<u><u>40,074</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
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	1,178	1,178	-	(1,178)
Assessment Revenues	<u>13,493</u>	<u>13,493</u>	<u>13,493</u>	<u>-</u>
<b>EXPENSES</b>				
Current				
Landscape maintenance	1,800	1,800	3,905	(2,105)
Maintenance	3,000	3,000	-	3,000
Licenses	61	61	61	-
Water for irrigation system	1,500	1,500	790	710
Electric for lights	2,100	2,100	1,806	294
Insurance	4,300	4,300	4,477	(177)
Property management fee	700	700	700	-
Accounting	1,210	1,210	1,210	-
Total Expenses	<u>14,671</u>	<u>14,671</u>	<u>12,949</u>	<u>1,722</u>
Revenues Over (Under) Expenses	<u>\$ (1,178)</u>	<u>\$ (1,178)</u>	<u>\$ 544</u>	<u>\$ 1,722</u>

**COMPLIANCE REPORT AND  
MANAGEMENT LETTER**



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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, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency, and have issued our report thereon dated March 14, 2016.

**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 of 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*.

## 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.

West Palm Beach, Florida  
March 14, 2016

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



## 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, 2015, and have issued our report thereon dated March 14, 2016.

### **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 Reports**

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, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 14, 2016, 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 annual financial audit report. There were no findings or recommendations included in the preceding annual financial audit report.

During 2013, the Florida Auditor General performed an operational audit of the CRA at the direction of the Florida Legislative Auditing Committee pursuant to Section 11.45(3)(a), Florida Statutes and issued their report No. 2014-013, dated September 2013, on the results of their audit. The Auditor General subsequently conducted a follow up audit on their report and issued their report No. 2016-028, dated November 2015, on the results of their follow up. The findings and recommendations, and the CRA management's response thereto, contained in the Auditor General's report should be considered in assessing the results of our audit. The Auditor General's report and follow up report can be obtained on-

line at [www.Myflorida.com/audgen](http://www.Myflorida.com/audgen); or by contacting the Auditor General's office at (850) 487-9175, or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

### **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**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2015. 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 the review of financial information provided by management. The results of our procedures disclosed no matters that are required to be reported.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the CRA for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. The CRA is a dependent special district of the City of Delray Beach, Florida, and as such, the CRA will be included in the City's annual financial report.

### **Special District Component Units**

Section 10.551(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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.

### **Other Matters**

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

#### 2015-001 Recording Disposals of Properties

We noted several properties that were disposed of, either by sale or transfer to another entity, but were not recorded as disposals in the CRA's capital asset records. We recommend that the finance department obtain the CRA's Board minutes, review them and make a summary of all

transactions that have a financial impact on the CRA. Each item on the summary should then be referenced to recording in the CRA's accounting records. This will ensure that all transactions are properly identified and recorded in the CRA's accounting records.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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.

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

West Palm Beach, Florida  
March 14, 2016



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report on Investment Compliance

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

We have examined the Delray Beach Community Redevelopment Agency's (the "CRA"), a component unit of the City of Delray Beach, Florida, compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the CRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the CRA's compliance with specified requirements.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the CRA Board of Commissioners and management of the CRA, and the City of Delray Beach, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

West Palm Beach, Florida  
March 14, 2016



March 30, 2016

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**

**(2015-001)** - The three properties referred to in 2015-001 were recorded and identified in the CRA accounting records. The sale amount along with the adjustment amount was included on the audit property records. An adjustment will be made to remove the property from the CRA accounting records.

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