

**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, 2008**

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

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY FINANCIAL INFORMATION

SEPTEMBER 30, 2008

TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets .....	9
Statement of Activities .....	10
Fund Financial Statements	
Balance Sheet – Governmental Fund .....	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund .....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities .....	14
Notes to Financial Statements .....	15
SUPPLEMENTARY FINANCIAL INFORMATION	
Required Supplementary Information	
General Fund	
Budgetary Comparison Schedule .....	27
Note to Budgetary Comparison Schedule .....	34
Other Supplementary Information – Component Unit	
Block 60 Parking Condominium Association, Inc.	
Statement of Net Assets .....	35
Statement of Activities .....	36
Statement of Cash Flows.....	37
Schedule of Revenues and Expenses – Budget and Actual.....	38
COMPLIANCE REPORT AND MANAGEMENT LETTER	
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 <i>Government Auditing Standards</i> .....	39
Management Letter .....	41
Response to Management Letter .....	44



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Independent Auditor's Report

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

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, 2008, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency as listed in the table of contents. These basic financial statements are the responsibility of the management of the Delray Beach Community Redevelopment Agency. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2009 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *management's discussion and analysis* and the *required supplementary information* on pages 3 through 8 and pages 27 through 34, respectively, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency. The *other supplementary information* on pages 35 through 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Delray Beach Community Redevelopment Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Caler, Dauter, Levine,  
Porter & Veil, P.A.*

February 26, 2009

## 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, 2008.

### Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$20,322,846 (*net assets*).
- The CRA's total net assets increased \$5,991,786. Substantially all of this increase is attributable to tax increment revenue in excess of redevelopment expenses.
- As of the close of the current fiscal year, the CRA's General Fund reported ending fund balance of \$11,065,637, an increase of \$3,116,578 in comparison with the prior year. A total of \$1,806,932 or 16% of the fund balance is reserved for long-term receivables, debt service and capital projects (reserved fund balance). The unreserved fund balance was \$9,258,705 and resulted primarily from the sale of land to the City of Delray Beach in October 2005 and tax incremental revenue in excess of redevelopment expenses.
- The CRA's total debt decreased by \$1,330,025 (7.9%) during the current fiscal year due to the scheduled debt service payments.

### 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 assets* presents information on all of the CRA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net asset 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 and redevelopment projects. 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 9-11 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 CRA adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-13 of this report. The reconciliation between the governmental fund change in fund balance and the governmental activities change in net assets 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 15-26 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. Required supplementary information can be found on pages 27-34 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$20,322,846 at the close of the most recent fiscal year.

Approximately 46% of the CRA's net assets reflect its investment in capital assets (e.g., land, improvements and equipment). The CRA uses these capital assets for economic redevelopment; 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 capital assets, as well as future tax increment revenues and other income.

**CRA Net Assets at September 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current and other assets	\$ 11,556,762	\$ 8,660,571
Capital assets	<u>24,707,980</u>	<u>23,169,022</u>
Total assets	<u>\$ 36,264,742</u>	<u>\$ 31,829,593</u>
<b>Liabilities</b>		
Long-term liabilities outstanding	\$ 15,415,000	\$ 16,745,025
Other liabilities	<u>526,896</u>	<u>753,508</u>
Total liabilities	<u>\$ 15,941,896</u>	<u>\$ 17,498,533</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	\$ 9,292,980	\$ 6,423,997
Restricted	23,209	27,794
Unrestricted	<u>11,006,657</u>	<u>7,879,269</u>
Total net assets	<u>\$ 20,322,846</u>	<u>\$ 14,331,060</u>

At the end of the current fiscal year, the CRA reported positive balances in all categories of net assets. A portion of the CRA's net assets (*restricted* net assets) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$11,006,657 may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net assets increased by \$5,991,786 during the current fiscal year. Substantially all of this increase represents the degree to which increases in tax increment revenues have outpaced similar increases in ongoing expenses. There was an increase of \$4,567 in net assets 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 assets by \$5,991,786. Key elements of this increase are as follows.

**CRA Changes in Net Assets for the Years Ended September 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Program revenue		
Charges for services	\$ 173,717	\$ 78,238
Operating contributions and grants	43,711	2,672
Capital contributions and grants	0	452,062
General revenue		
Tax increment revenue	14,075,037	14,925,949
Interest and other revenue	<u>349,018</u>	<u>522,464</u>
Total revenues	14,641,483	15,981,385

	<u>2008</u>	<u>2007</u>
<b>Expenses</b>		
General government	\$ 1,340,826	\$ 1,151,290
Property management	206,157	187,974
Economic development	<u>7,102,714</u>	<u>8,621,724</u>
	Total expenses	
	<u>8,649,697</u>	<u>9,960,988</u>
Increase in net assets	5,991,786	6,020,397
Net assets - beginning of year	<u>14,331,060</u>	<u>8,310,663</u>
	Net assets - end of year	
	<u>\$ 20,322,846</u>	<u>\$ 14,331,060</u>

Tax increment revenues decreased by \$850,912 or approximately 5.7% for the year. This decrease resulted from decreased property values of approximately \$10 million in the CRA's development area due to the economic slowdown and declining real estate market in 2008.

Increases in general government expenses totaled \$189,536 (approximately 16.5%) and included increases in salaries and benefits of approximately \$77,000 (9.5%) and insurance of approximately \$32,000 (35.6%). Property management expense increased slightly (9.7%), and economic development expense decreased approximately \$1.5 million (17.6%) attributable to the postponement of redevelopment projects associated with the economic slowdown. The CRA's economic development expense includes interest on long-term debt of approximately \$776,000 for 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 focus of the *governmental funds* 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As noted previously, the CRA has only one governmental fund, the General Fund.

As of the end of the current fiscal year, the CRA's governmental fund reported ending fund balance of \$11,065,637, an increase of \$3,116,578 in comparison with the prior year. A total of \$1,806,932 or 16.3% of the fund balance is *reserved* to indicate that it is not available for new spending because it is reserved for a long-term receivable or has already been committed to pay for debt service and capital projects. The unreserved fund balance is \$9,258,705.

As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at September 30, 2008 represented 80% of total General Fund expenditures for the year.

The key factor in the increase in fund balance for the General Fund was the decrease in anticipated expenditures due to the postponement of several redevelopment projects totaling \$13 million in 2008.

## General Fund Budgetary Highlights

There was a decrease of approximately \$15 million between the original budget and the final amended budget for the year, attributable primarily to certain redevelopment projects that did not commence in 2008 as originally anticipated. During the year, revenues and other financing sources were more than final budgetary estimates by approximately \$500,000. The final budget was approximately \$8.7 million less than the original budget primarily as a result of the CRA not borrowing additional funds for redevelopment projects that were postponed due to the slow economy.

The final budget for expenditures and other financing uses was likewise reduced from the original budgetary estimates by approximately \$15 million, which was primarily attributable to postponement of redevelopment projects.

## Capital Asset and Debt Administration

**Capital assets.** The CRA's investment in capital assets as of September 30, 2008, amounts to \$24,707,980 (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 \$1,538,958. Major capital asset events during the current fiscal year consisted of expenditures of approximately \$1,644,846 for the purchase of various properties for future redevelopment projects. Capital assets at September 30, 2008 are summarized as follows:

<b>Capital Assets</b>		(net of accumulated depreciation)	
	2008	2007	
Land and improvements	\$ 22,107,880	\$ 20,463,034	
Construction in progress	0	2,388,538	
Buildings and improvements	2,599,295	312,201	
Equipment, furniture and fixtures	805	5,249	
Total assets	\$ 24,707,980	\$ 23,169,022	

Additional information on the CRA's capital assets can be found in Note D on page 21 of this report.

**Long-term debt.** At the end of the current fiscal year, the CRA had total bonded debt outstanding of \$15,415,000, which is secured by a pledge of the tax increment revenues received by the CRA. Long-term debt at September 30, 2008 is summarized as follows:

<b>Outstanding Debt</b>		Revenue Bonds and Note Payable	
	2008	2007	
Revenue bonds	\$ 15,415,000	\$ 16,715,000	
Note payable to the City of Delray Beach	0	30,025	
Total outstanding debt	\$ 15,415,000	\$ 16,745,025	

The CRA's total debt decreased by \$1,330,025 (7.9%) during the current fiscal year due to the scheduled payments on bonds and the note to the City. 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 E on pages 21-24 of this report.

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

The following economic factors were considered in establishing the CRA's budget for the 2008/2009 fiscal year.

- The property valuations in the CRA district decreased approximately \$10 million in 2008, which is a decrease of approximately 5 percent. Property values compare favorably with those in other areas of Palm Beach County which have also decreased overall.
- The unreserved fund balance of the General Fund increased in 2008 by \$5,991,786 which will be applied to future budgets and redevelopment 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 2008-2009 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 ASSETS

September 30, 2008

	<u>Primary Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash	\$ 9,533,547	\$ 32,858
Receivable from the City of Delray Beach	150,000	
Receivable from Delray Beach Community Land Trust	1,779,638	
Other receivables	2,988	1,943
Restricted cash and investments	62,667	
Other assets	4,085	
Unamortized bond issue costs	23,837	
Capital assets		
Capital assets not being depreciated	22,107,880	
Depreciable capital assets, net	2,600,100	
Total Assets	<u>36,264,742</u>	<u>34,801</u>
<b>LIABILITIES</b>		
Accounts payable	252,635	
Accrued expenses	84,305	
Due to City of Delray Beach	144,344	
Unearned revenue	6,154	
Refundable tenant and bid deposits	39,458	
Noncurrent liabilities		
Due within one year	1,365,000	
Due in more than one year	14,050,000	
Total Liabilities	<u>15,941,896</u>	<u>0</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	9,292,980	
Restricted for debt service and capital projects	23,209	
Unrestricted	11,006,657	34,801
Total Net Assets	<u>\$ 20,322,846</u>	<u>\$ 34,801</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Contributions and Grants
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 1,340,825	\$	\$
Property management	206,157	160,076	
Economic development	<u>7,102,715</u>	<u>13,641</u>	<u>43,711</u>
Total primary government	<u>\$ 8,649,697</u>	<u>\$ 173,717</u>	<u>\$ 43,711</u>
<b>Component unit</b>			
Block 60 Parking Condominium	<u>\$ 9,239</u>	<u>\$ 13,714</u>	<u>\$ 0</u>

**General revenue**

Tax increment revenue  
Interest and other income

Total General Revenue

Change in Net Assets

Net assets at October 1, 2007, as restated

Net assets at September 30, 2008

Net Revenue (Expenses) and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit
\$ (1,340,825)	\$
(46,081)	
<u>(7,045,363)</u>	
(8,432,269)	
	4,475
14,075,037	
<u>349,018</u>	<u>92</u>
14,424,055	<u>92</u>
5,991,786	4,567
<u>14,331,060</u>	<u>30,234</u>
<u>\$ 20,322,846</u>	<u>\$ 34,801</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2008

	General Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,533,547
Receivable from the City of Delray Beach	150,000
Receivable from Delray Beach Community Land Trust	1,779,638
Other receivables	2,988
Restricted cash and investments	62,667
Other assets	<u>4,085</u>
Total Assets	<u><u>\$ 11,532,925</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 252,635
Accrued items	24,697
Due to City of Delray Beach	144,344
Unearned revenue	6,154
Refundable tenant and bid deposits	<u>39,458</u>
Total Liabilities	467,288
 <b>FUND BALANCE</b>	
Reserved for long-term receivables	1,783,723
Reserved for debt service and capital projects	23,209
Unreserved	
Undesignated	<u>9,258,705</u>
Total Fund Balance	<u>11,065,637</u>
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	24,707,980
Issuance costs on long-term debt are capitalized and amortized over the term of the related debt in the statement of net assets	23,837
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(59,608)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(15,415,000)</u>
Net assets of governmental activities	<u><u>\$ 20,322,846</u></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, 2008

		General Fund
<b>REVENUES</b>		
Tax increment revenue	\$	14,075,037
Reimbursements		43,711
Rental property income		160,076
Green Market revenue		13,641
Interest and other income		349,018
Total Revenues		<u>14,641,483</u>
<b>EXPENDITURES</b>		
Current		
General government		1,234,937
Property management		206,157
Economic development		6,332,590
Capital outlay		1,644,846
Debt service		
Principal		1,330,025
Interest		776,350
Total Expenditures		<u>11,524,905</u>
Net Change in Fund Balance		3,116,578
Fund Balance at October 1, 2007		<u>7,949,059</u>
Fund Balance at September 30, 2008		<u><u>\$ 11,065,637</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, 2008

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

Net change in fund balance - governmental fund	\$ 3,116,578
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. This is the amount by which capital outlays exceeded depreciation in the current period.	1,538,958
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt repayments.	1,330,025
Debt issuance costs are an expenditure in the governmental fund, but are capitalized and amortized over the term of the related debt in the statement of net assets. This is the amount of current year amortization of debt issue costs.	(2,196)
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental fund, an interest expenditure is reported when the payment is due. This is the net change in accrued interest expense.	<u>8,421</u>
Change in net assets of governmental activities	<u><u>\$ 5,991,786</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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 Council on June 18, 1985. The CRA is governed by a seven member Board of Commissioners appointed by the Delray Beach City Council.

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 Council 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 Units**

**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 three 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.

**West Atlantic Redevelopment Coalition, Inc.** - This not-for-profit organization was formed by the CRA to solicit community input and promote the redevelopment of the West Atlantic Avenue area of the CRA district. The organization is governed by a nine member board of directors initially appointed by the CRA and thereafter elected by the members of the organization. The CRA provides the majority of the financial support for the organization and is responsible for managing its day-to-day financial operations. For the fiscal year beginning October 1, 2007, the CRA no longer provided the majority of the financial support for the organization and was not responsible for managing its day-to-day financial operations. Accordingly, the organization was no longer a component unit of the CRA after October 1, 2007 and the beginning net assets have been restated to eliminate net assets of \$5,519 for this organization.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Jointly Governed Organization**

The CRA is a participant in a joint venture agreement with the Delray Beach Downtown Development Authority and the Greater Delray Beach Chamber of Commerce for the operation of an economic development program for downtown Delray Beach known as the Downtown Delray Beach Marketing Cooperative. The term of the CRA's participation is for one year and the CRA has no ongoing financial interest or financial responsibility. For the year ended September 30, 2008, the CRA contributed approximately \$190,000 to the joint venture and paid approximately \$161,000 to vendors for services on behalf of the Downtown Delray Beach Marketing Cooperative.

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities and report information on all non-fiduciary activities of the CRA and its component units. 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 Assets 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, 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 major 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 assets and changes in net assets 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.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 it becomes both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The CRA considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment revenues, 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: Cash consists of petty cash and amounts on deposit in interest and non-interest bearing checking accounts and money market accounts.

Investments: Investments consist of amounts on deposit in the Local Government Surplus Funds Trust Fund, an external investment pool administered by the State of Florida and operating as a "2a7-like" pool under GASB Statement No. 31. As such, the pool uses amortized cost for valuation of the pool shares and the fair value of the shares in the pool is the same as the CRA's investment in the pool shares.

Accounts Receivable: Accounts receivable represent amounts due for miscellaneous services. Customers of the CRA are local businesses and residents. The CRA does not require collateral for accounts receivable. Accounts receivable are reported net of an allowance for doubtful accounts determined based on the age of the individual receivable, with age categories ranging from 30 days to approximately one year past due. 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.

Restricted Cash and Investments: Restricted cash and investments of the CRA represent bond proceeds and other amounts legally required to be set aside for debt service, customer deposits, and capital improvements. Restricted resources are used first to fund expenses incurred for restricted purposes.

Capital Assets: The CRA has reported all capital assets in the government-wide statement of net assets. 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 increase in net assets. 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 5 to 7 years and buildings are 20 to 30 years.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The CRA does not sponsor a pension plan but does make contributions to a deferred compensation plan for the benefit of certain employees. The CRA provides no post employment benefits to employees.

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.

Net Assets/Fund Balance: The government-wide financial statements utilize a net asset presentation. Net assets are categorized as follows:

*Invested in Capital Assets, Net of Related Debt* – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

*Restricted* – This component of net assets consists of constraints placed on the use of net assets by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component of net assets consists of net assets that do not meet the definition of *Invested in Capital Assets, Net of Related Debt* or *Restricted*.

The governmental fund financial statements utilize a fund balance presentation. Fund balance is categorized as follows:

*Fund balance reserves* indicate the portion of fund balance that is not available for subsequent expenditure, other than for the specific purpose for which the reserve was established.

Recent Accounting Pronouncements: The GASB has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which provides guidance on all aspects of reporting by employers for other postemployment benefits (OPEB). The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2009. Management has not completed its analysis of the effects of this statement, if any, on the financial statements of the CRA.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," which establishes accounting and financial reporting requirements for intangible assets including easements, contractual rights and computer software. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2010. Management has not completed its analysis of the effects of this statement, if any, on the financial statements of the CRA.

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 AND INVESTMENTS

Cash: Cash at September 30, 2008, includes deposits with financial institutions with a bank balance of \$9,740,000, of which \$750,000 was FDIC insured, and \$300 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, 2008, are deposits with financial institutions that are fully covered by federal depository insurance.

Investments: The CRA follows the provisions of Florida Statutes for its investment policy. Florida Statutes authorize the CRA to invest in the Local Government Investment Pool (LGIP), an external investment pool administered by the State of Florida; negotiable direct obligations of or obligations unconditionally guaranteed by the U.S. Government; interest-bearing time deposits or savings accounts in financial institutions located in Florida and organized under federal or Florida laws; obligations of the Federal Farm Credit Banks, Freddie Mac, the Federal Home Loan Bank or its district banks; or obligations guaranteed by the Government National Mortgage Association and obligations of Fannie Mae. The CRA's investments at September 30, 2008, consisted of \$274 in the LGIP.

The LGIP is an external investment pool administered by the State of Florida pursuant to statutory requirements and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. Those conditions include restrictions on the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE B - CASH AND INVESTMENTS (Continued)

required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pool is considered to be the same as the CRA's account balance (amortized cost) in the pool. The investment in the pool is not evidenced by securities that exist in physical or book entry form. On November 29, 2007, the CRA withdrew substantially all funds from the SBA and invested them in accounts with financial institutions.

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 LGIP has a weighted average maturity of less than ninety days, resulting in minimal 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 LGIP, 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 security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. The LGIP had a credit rating of AAAM at September 30, 2008.

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 investments in the LGIP is considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3.

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 investment policy does not address the concentration of credit risk, although investments are limited to the LGIP and deposits with financial institutions meeting the requirements of a Florida qualified public depository.

Restricted Cash and Investments: At September 30, 2008, cash and investments of approximately \$63,000 were restricted by provisions of bond resolutions to certain allowable expenditures. Restricted resources are used first to fund expenses incurred for restricted purposes.

NOTE C - RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

The CRA advances funds to the Delray Beach Community Land Trust, Inc. (CLT) for land acquisition and construction loans for development of affordable housing units in the City of Delray Beach. The funds provided by the CRA for land acquisition are recorded as non-interest bearing mortgages on the properties and are to be repaid by the CLT if the property is sold, but only to the extent that the value of the land sold in conjunction with the single-family residence constructed on the property and related closing costs are less than the funds provided by the CRA to purchase the land. Generally, the land acquisition loans are considered grants to the CLT in the year made, as repayment is not expected and the amount of repayment cannot be determined at the time of the loan.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

The construction loans are provided by the CRA to finance the construction of homes by the CLT and 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 advance is generally repaid within one year. At September 30, 2008, the outstanding balance of construction loans receivable from the CLT was \$1,779,638.

NOTE D - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2008 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	\$ 20,463,034	\$ 1,644,846	\$	\$ 22,107,880
Construction in progress	<u>2,388,538</u>	<u></u>	<u>(2,388,538)</u>	<u>0</u>
Total capital assets not being depreciated	22,851,572	1,644,846	(2,388,538)	22,107,880
<b>Depreciable capital assets</b>				
Buildings and improvements	420,666	2,388,538		2,809,204
Equipment	66,104			66,104
Furniture and fixtures	<u>28,867</u>	<u></u>	<u></u>	<u>28,867</u>
Total depreciable capital assets	515,637	2,388,538	0	2,904,175
Less accumulated depreciation	<u>(198,187)</u>	<u>(105,888)</u>	<u></u>	<u>(304,075)</u>
Depreciable capital assets, net of accumulated depreciation	<u>317,450</u>	<u>2,282,650</u>	<u>0</u>	<u>2,600,100</u>
Total capital assets	<u>\$ 23,169,022</u>	<u>\$ 3,927,496</u>	<u>\$ (2,388,538)</u>	<u>\$ 24,707,980</u>

Depreciation expense was charged to governmental activities functions as follows:

General government	<u>\$ 105,888</u>
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NOTE E - LONG-TERM DEBT

Changes in long-term debt for the year ended September 30, 2008 are summarized as follows:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
<b>Revenue Bonds</b>					
Series 2004A	\$ 8,470,000	\$	\$ (555,000)	\$ 7,915,000	\$ 580,000
Series 2004B	1,490,000		(130,000)	1,360,000	140,000
Series 1999A	<u>6,755,000</u>		<u>(615,000)</u>	<u>6,140,000</u>	<u>645,000</u>
Total revenue bonds	16,715,000	0	(1,300,000)	15,415,000	1,365,000
<b>Notes Payable</b>					
Revenue Note, Series 2006	0			0	
City of Delray Beach	<u>30,025</u>		<u>(30,025)</u>	<u>0</u>	
	<u>30,025</u>	<u>0</u>	<u>(30,025)</u>	<u>0</u>	<u>0</u>
Total long-term debt	<u>\$ 16,745,025</u>	<u>\$ 0</u>	<u>\$ (1,330,025)</u>	<u>\$ 15,415,000</u>	<u>\$ 1,365,000</u>

Revenue Bonds: Tax increment redevelopment revenue bonds payable by the CRA at September 30, 2008 consisted of the following:

**Series 2004A:** Consists of a \$10,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2004A, dated May 19, 2004. The bond was issued to a local bank 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 and September 1 at 4.2982% on the outstanding principal balance, until September 1, 2019, the maturity date of the bond. Interest on the bond is tax-exempt to the holder of the bond for federal income tax purposes.

**Series 2004B:** Consists of a \$1,925,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Refunding Bond, Series 2004B, dated May 19, 2004. The bond was issued to a local bank 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 and September 1 at 5.9095%, until September 1, 2016, the maturity date of the bond. Interest on the bond is taxable to the holder of the bond for federal income tax purposes.

**Series 1999A:** Consists of a \$9,715,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1999A, dated June 25, 1999. The bond was issued to a local bank 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 \$6,015,000 outstanding Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Bond, Series 1997A. Interest is payable semi-annually on March 1 and September 1 at 4.80% on the outstanding principal balance, until September 1, 2019, the maturity date of the bond. Interest on the bond is tax-exempt to the holder of the bond for federal income tax purposes. The bonds are each secured by the tax increment revenues and all investment earnings thereon received by the CRA.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

Tax Increment Redevelopment Revenue Improvement Note, Series 2006 Taxable: On September 21, 2006, the CRA authorized the issuance of a revolving note agreement with a financial institution for an amount not to exceed \$7 million to finance the development of affordable housing and other redevelopment projects pursuant to the CRA's redevelopment plan. Interest on the outstanding principal balance of the note accrues at a rate equivalent to the one month LIBOR rate plus 28 basis points and is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup>, until maturity of the note on December 1, 2009, at which time all outstanding principal is due. The note is secured by a pledge of tax increment revenues on parity with the CRA's outstanding revenue bonds. During the year ended September 30, 2008 the CRA had no borrowings on this note and there was no outstanding liability at September 30, 2008.

Note Payable to the City of Delray Beach: The note payable to the City of Delray Beach is an interlocal agreement with the City of Delray Beach and Old School Square, Inc., approved on January 20, 1999, whereby the CRA assumed the unpaid balance of a 1992 note payable by Old School Square, Inc. to the City of Delray Beach. Under the terms of the interlocal agreement the loan is non-interest bearing and provides for principal repayment by the CRA in equal annual installments of \$30,027 and a final payment of \$30,025 at maturity on January 15, 2008.

Principal Maturities: Principal maturities of the Series 2004A, Series 2004B and Series 1999A bonds are payable September 1<sup>st</sup>, as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Series 2004A</u>	<u>Series 2004B</u>	<u>Series 1999A</u>
2009	\$ 580,000	\$ 140,000	\$ 645,000
2010	600,000	150,000	675,000
2011	630,000	155,000	735,000
2012	655,000	165,000	775,000
2013	680,000	175,000	815,000
2014	710,000	185,000	855,000
2015	745,000	190,000	485,000
2016	780,000	200,000	270,000
2017	810,000		280,000
2018	845,000		295,000
2019	<u>880,000</u>		<u>310,000</u>
	<u>\$ 7,915,000</u>	<u>\$ 1,360,000</u>	<u>\$ 6,140,000</u>

Pledged Revenues: The CRA has pledged a portion of future tax increment revenues to repay its outstanding revenue bonds issued in 1999 and 2004 to finance various redevelopment projects within the redevelopment district. 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 F. Tax increment revenues were projected to produce more than 200 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2008 was \$19,467,620, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,106,375 and \$14,075,037, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE E - LONG-TERM DEBT (Continued)

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2008, were \$767,929 and \$776,350, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2008 for the Revenue Bonds and note payable to the City of Delray Beach are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,365,000	\$ 715,292	\$ 2,080,292
2010	1,425,000	651,128	2,076,128
2011	1,520,000	584,076	2,104,076
2012	1,595,000	512,558	2,107,558
2013	1,670,000	437,454	2,107,454
2014-2018	6,650,000	1,099,408	7,749,408
2019	<u>1,190,000</u>	<u>52,704</u>	<u>1,242,704</u>
	<u>\$ 15,415,000</u>	<u>\$ 4,052,620</u>	<u>\$ 19,467,620</u>

NOTE F - 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, 2008 was as follows:

Assessed property value for 2007	\$ 1,741,370,128
Assessed property value for 1985 base year	<u>245,631,067</u>
Increase in assessed property value	<u>\$ 1,495,739,061</u>
Assessed property value subject to incremental property tax (95%)	<u>\$ 1,420,952,108</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE G - 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, 2008, the CRA's tax increment revenues include \$8,702,275 received from the City. CRA expenditures for the year ended September 30, 2008, include charges of approximately \$1,160,000 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities. At September 30, 2008, the CRA had a receivable of \$150,000 from the City and a payable to the City of \$144,344 for reimbursement of certain administrative and redevelopment expenditures.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2008, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,481 and \$1,760, respectively.

NOTE H - COMMITMENTS AND CONTINGENCIES

Delray Beach Public Library: The CRA entered into an agreement dated July 1, 2003, with the City of Delray Beach (the "City") and the Delray Beach Public Library Association, Inc. (the "Library") for relocation of the Delray Beach Public Library to West Atlantic Avenue. Under the terms of the agreement, in 2005 the CRA exchanged a parcel of property owned by the CRA on West Atlantic Avenue with a carrying value of approximately \$509,000 for the current library site owned by the City. The CRA also agreed that in the event it disposes of the current library site, any proceeds in excess of \$1.7 million, plus all related selling expenses incurred by the CRA, will be paid to the City.

Operating Grants: The CRA entered into agreements with the following organizations to provide funding for their operations during the year ending September 30, 2009:

City of Delray Beach - Clean and Safe Program	\$	984,010
Delray Beach Community Land Trust, Inc.		350,000
Delray Beach Public Library Association, Inc.		270,000
Downtown Marketing Cooperative		210,000
Old School Square, Inc.		210,000
EPOCH, Inc.		<u>182,310</u>
Total grant commitment	\$	<u>1,996,320</u>

Litigation: The CRA is in an ongoing lawsuit with a former employee. The CRA does not believe the former employee will be successful in the lawsuit. In addition the CRA from time to time is a plaintiff in eminent domain lawsuits arising in the ordinary course of normal operations. The majority of the matters in the lawsuits have been settled and it is the opinion of management based upon consultation with legal counsel, that the remaining amount to be paid by the CRA, if any, is within the CRA's budget and the final outcome of these actions will not materially affect the financial position of the CRA.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE H - COMMITMENTS AND CONTINGENCIES (Continued)

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

**REQUIRED SUPPLEMENTARY INFORMATION**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Tax increment revenue				
City of Delray Beach	\$ 8,788,390	\$ 8,702,275	\$ 8,702,275	\$ 0
Palm Beach County	5,411,133	5,372,762	5,372,762	0
Total Tax Increment Revenue	14,199,523	14,075,037	14,075,037	0
Grants and reimbursements				
CLT single family housing reimbursements	1,455,512	1,277,467	1,768,393	490,926
EPOCH loan reimbursement	250,000	0	0	0
Palm Beach County Reimbursement	250,000	0	0	0
FDOT Reimbursement	150,000	0	0	0
Pineapple Grove reimbursement	75,000	75,000	43,711	(31,289)
Total Grants and Reimbursements	2,180,512	1,352,467	1,812,104	459,637
Rental property income	42,000	171,000	160,076	(10,924)
Green Market revenue	17,000	13,626	13,641	15
Interest income	150,000	303,000	306,302	3,302
Other income	5,000	4,800	42,716	37,916
Total Revenues	16,594,035	15,919,930	16,409,876	489,946
Other Financing Sources				
Debt proceeds	5,000,000	0	0	0
14th Avenue townhouse sales	1,080,000	0	0	0
Carver Square Loan	500,000	0	0	0
Land sales - miscellaneous	1,508,000	0	0	0
Total Other Financing Sources	8,088,000	0	0	0
<b>Total Revenues and Other Financing Sources</b>	<b>24,682,035</b>	<b>15,919,930</b>	<b>16,409,876</b>	<b>489,946</b>
<b>EXPENDITURES</b>				
<b>General government</b>				
Personnel				
Salaries	695,853	695,853	687,040	8,813
Payroll taxes	53,564	53,564	52,646	918
Health and dental insurance	91,814	91,814	94,336	(2,522)
Retirement contribution	46,353	46,353	48,710	(2,357)
Travel allowance	12,480	12,480	10,875	1,605
Cell allowance	7,000	5,000	3,563	1,437
Casual labor	896	0	0	0
Total General Government Expenditures	907,960	905,064	897,170	7,894

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General government (continued)</b>				
Supplies and materials				
Office supplies	\$ 25,000	\$ 16,000	\$ 13,857	\$ 2,143
Postage/express mail	4,000	2,000	1,024	976
	<u>29,000</u>	<u>18,000</u>	<u>14,881</u>	<u>3,119</u>
Office space				
Storage	1,800	1,800	439	1,361
Maintenance	13,379	15,000	3,953	11,047
Telephone	9,739	9,739	9,972	(233)
Utilities	7,009	7,009	7,053	(44)
Security	2,732	2,732	2,173	559
	<u>34,659</u>	<u>36,280</u>	<u>23,590</u>	<u>12,690</u>
Administration/Operations				
Accounting	13,792	16,635	16,635	0
Legal	35,000	60,000	65,975	(5,975)
Capital outlay	5,000	0	0	0
CAM: lots/home maintenance	5,000	0	0	0
Contractual services	10,000	1,500	1,451	49
Printing	2,000	7,500	6,583	917
Publications/subscriptions	1,500	3,000	3,117	(117)
Advertising	2,000	2,000	1,837	163
Bank services	2,000	7,500	6,700	800
Employee recruitment	2,000	2,000	1,094	906
Organization/member dues	6,010	6,010	6,236	(226)
Public relations and communication	8,000	6,000	2,238	3,762
Insurance: commercial, D&O	99,000	138,000	121,128	16,872
Meetings	3,000	3,000	2,534	466
Seminars and workshops	10,000	10,000	9,246	754
Staff/Board retreat	2,000	2,000	0	2,000
Travel	6,026	9,000	8,547	453
	<u>212,328</u>	<u>274,145</u>	<u>253,321</u>	<u>20,824</u>
Equipment, property and maintenance				
Computer equipment and supplies	8,500	2,000	1,545	455
Equipment rentals	21,218	32,000	28,282	3,718
Repairs and maintenance	5,000	5,000	16,148	(11,148)
Furniture and fixtures	2,000	0	0	0
Office equipment	1,000	0	0	0
	<u>37,718</u>	<u>39,000</u>	<u>45,975</u>	<u>(6,975)</u>
<b>Total General Government</b>	<b><u>1,221,665</u></b>	<b><u>1,272,489</u></b>	<b><u>1,234,937</u></b>	<b><u>37,552</u></b>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Property management</b>				
Building and maintenance	\$ 27,000	\$ 60,000	\$ 50,388	\$ 9,612
Landscaping	88,700	88,700	58,581	30,119
Management fees	0	30,415	32,065	(1,650)
Property taxes	26,350	26,297	26,763	(466)
Legal fees	5,100	2,500	3,914	(1,414)
Utilities	34,000	29,000	26,965	2,035
Parking lot	10,712	10,712	7,481	3,231
<b>Total Property Management</b>	<b>191,862</b>	<b>247,624</b>	<b>206,157</b>	<b>41,467</b>
<b>Economic Development</b>				
<i>Areawide and Neighborhood Plans</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	1,240,000	655,000	583,069	71,931
Project development and implementation	75,000	12,000	11,925	75
Legal fees	8,000	10,000	169,509	(159,509)
Beautification	1,500,000	1,880,000	1,526,955	353,045
	<u>2,823,000</u>	<u>2,557,000</u>	<u>2,291,458</u>	<u>265,542</u>
Downtown Master Plan				
SE/NE 1st Street (one-way pair)	200,000	200,000	858	199,142
SE/NE 5th Avenue (Federal Hwy pairs)	1,000,000	455,000	450,256	4,744
Gateway Feature (Construction & Art)	1,350,000	246,000	164,733	81,267
Downtown shuttle	153,654	175,295	175,295	0
Old library site	15,000	15,000	13,660	1,340
Project Development/Implementation	60,000	25,000	4,059	20,941
Cultural Loop and MLK	75,000	25,000	0	25,000
Historic District	15,000	0	0	0
Committee meetings/marketing	5,000	1,500	1,179	321
Legal fees	10,000	30,000	29,780	220
	<u>2,883,654</u>	<u>1,172,795</u>	<u>839,820</u>	<u>332,975</u>
Southwest Neighborhood Plan				
Parks	506,266	3,000	2,668	332
SW 12th Auburn Avenue Beautification	1,500,000	0	97,655	(97,655)
Delray Training and Employment Center	400,000	0	0	0
Project development	65,000	0	5,850	(5,850)
SW 14th Avenue Beautification	400,000	0	92,507	(92,507)
Legal fees	5,000	5,000	2,985	2,015
	<u>2,876,266</u>	<u>8,000</u>	<u>201,665</u>	<u>(193,665)</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development (continued)</b>				
<i>Areawide and Neighborhood Plans (continued)</i>				
North Federal Highway Redevelopment Beautification	\$ 100,000	\$ 12,000	\$ 1,900	\$ 10,100
Osceola Neighborhood Plan				
Traffic calming and beautification	800,000	0	0	0
Legal fees	2,000	2,000	0	2,000
	<u>802,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Other				
Land Acquisitions	600,000	545,000	528,488	16,512
Streets and alley improvements	502,000	300,000	349,139	(49,139)
Miscellaneous predevelopment costs	50,000	25,000		25,000
Legal fees	3,500	5,500	4,821	679
	<u>1,155,500</u>	<u>875,500</u>	<u>882,448</u>	<u>(6,948)</u>
<i>Total Areawide and Neighborhood Plans</i>	10,640,420	4,627,295	4,217,291	410,004
<b>Redevelopment Projects</b>				
NW/SW 5th Avenue Beautification				
Property acquisitions and fees	200,000	454,000	466,775	(12,775)
Building renovations and improvements	700,000	350,000	497,383	(147,383)
Beautification and planning	100,000	15,000	14,984	16
Legal fees	2,000	15,000	22,907	(7,907)
	<u>1,002,000</u>	<u>834,000</u>	<u>1,002,049</u>	<u>(168,049)</u>
West Settlers Historic Grant Program				
Land acquisition	100,000	107,000	105,047	1,953
Upgrade historic homes	200,000	15,000	5,247	9,753
Neighborhood improvements	10,000	0	0	0
Legal fees	2,000	5,000	3,805	1,195
	<u>312,000</u>	<u>127,000</u>	<u>114,099</u>	<u>12,901</u>
Carver Square Neighborhood				
Remediation and site development	500,000	200,000	58,781	141,219
Legal fees	5,000	6,000	5,045	955
	<u>505,000</u>	<u>206,000</u>	<u>63,826</u>	<u>142,174</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development</b> (continued)				
<i>Redevelopment Projects</i> (continued)				
Affordable/Workforce Housing Program				
Relocations	\$ 10,000	\$ 50	\$ 46	\$ 4
Subsidies - Affordable Housing	500,000	0	0	0
Land acquisitions - CRA	0	0	2,175	(2,175)
Land acquisitions - CLT	834,624	108,000	108,000	0
Construction - CODA	1,140,000	1,028,000	1,028,000	0
Construction - single family - CLT	1,300,000	407,000	369,899	37,101
Construction - SW 14th Ave townhouses	3,000,000	0	0	0
LaFrance Hotel	10,000	14,000	11,699	2,301
Community Land Trust (CLT)	400,000	400,000	400,000	0
Consulting services	25,000	3,900	3,900	0
Legal fees	21,000	25,000	23,376	1,624
	<u>7,240,624</u>	<u>1,985,950</u>	<u>1,947,095</u>	<u>38,855</u>
<b>Total Redevelopment Projects</b>	<b>9,059,624</b>	<b>3,152,950</b>	<b>3,127,069</b>	<b>25,881</b>
<i>Community Improvement and     Economic Development</i>				
Grant Programs				
Site development and grants	100,000	35,000	27,574	7,426
Business assistance startup	18,000	1,000	1,000	0
Community activities	20,000	18,000	18,050	(50)
Paint up assistance grants	15,000	0	5,000	(5,000)
Curb Appeal Assistance Grant	50,000	0	0	0
Legal Grant Programs	0	430	0	430
Development Region Grants	50,000	75,000	0	75,000
Historic facade grants	225,000	75,000	77,745	(2,745)
	<u>478,000</u>	<u>204,430</u>	<u>129,369</u>	<u>75,061</u>
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	210,000	210,000	190,229	19,771
DMC Art & Jazz	60,000	60,000	60,000	0
Christmas tree maintenance	20,000	47,190	47,190	0
Banners, signage, lights	50,000	50,000	53,313	(3,313)
	<u>340,000</u>	<u>367,190</u>	<u>350,732</u>	<u>16,458</u>
EPOCH				
Program grant	108,150	108,150	108,150	0
Contractual services	74,160	74,160	74,030	130
Amphitheatre loan	250,000	0	0	0
	<u>432,310</u>	<u>182,310</u>	<u>182,180</u>	<u>130</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development</b> (continued)				
<i>Community Improvement and Economic Development</i> (continued)				
City contractual services				
Planning, IT and parking manager	\$ 115,500	\$ 115,500	\$ 115,500	\$ 0
Clean & Safe program	870,000	870,000	870,000	0
Lobbyist	3,000	0	0	0
Project Engineer	78,750	78,750	78,750	0
Plan Reviewer II	67,200	67,200	67,200	0
Neighborhood Planner (Resource Center)	34,410	34,410	28,466	5,944
TED Center	30,000	30,000	30,000	0
	<u>1,198,860</u>	<u>1,195,860</u>	<u>1,189,916</u>	<u>5,944</u>
Pineapple Grove administration				
Administration	10,000	10,000	10,000	0
Organizational support	75,000	75,000	43,711	31,289
	<u>85,000</u>	<u>85,000</u>	<u>53,711</u>	<u>31,289</u>
Old School Square				
Debt service payments	30,027	30,027	30,025	2
Organizational support	210,000	210,000	210,000	0
	<u>240,027</u>	<u>240,027</u>	<u>240,025</u>	<u>2</u>
Delray Beach Public Library administration	270,000	270,000	270,000	0
Green Market				
Personnel and staff	1,061	3,683	3,683	0
Entertainment/vendors	6,684	6,425	6,425	0
Supplies and materials	7,108	5,500	5,003	497
Administration and operations	6,365	450	450	0
	<u>21,218</u>	<u>16,058</u>	<u>15,561</u>	<u>497</u>
<i>Total Community Improvement and Economic Development</i>	<u>3,065,415</u>	<u>2,560,875</u>	<u>2,431,494</u>	<u>129,381</u>
<b>Total Economic Development</b>	<b>22,765,459</b>	<b>10,341,120</b>	<b>9,775,854</b>	<b>565,266</b>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Debt service</b>				
Bond principal	\$ 1,858,298	\$ 1,858,298	\$ 1,300,000	\$ 558,298
Bond interest	218,052	218,052	776,350	(558,298)
Line of credit	2,500,000	0	0	0
<b>Total Debt Service</b>	<u>4,576,350</u>	<u>2,076,350</u>	<u>2,076,350</u>	<u>0</u>
<b>Total Expenditures</b>	<u>28,755,336</u>	<u>13,937,583</u>	<u>13,293,298</u>	<u>644,285</u>
<b>Net Change in Fund Balance</b>	<u>\$ (4,073,301)</u>	<u>\$ 1,982,347</u>	<u>\$ 3,116,578</u>	<u>\$ 1,134,231</u>

See note to budgetary comparison schedule.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Budgets: The General Fund budget is prepared on the modified accrual basis of accounting, except that investment income is recorded when received and encumbrances may be recorded for some expenditures. The CRA Board of Commissioners must approve changes or amendments to the total budgeted expenditures of the CRA. In order to make the most effective use of the budgetary process, it is the policy of the CRA to make as few budget adjustments as possible. Expenditures may not legally exceed budgeted appropriations for the CRA in total.

The adopted budgets are prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), except that amounts advanced to the Delray Beach Community Land Trust (CLT) and the repayments by the CLT are budgeted rather than being reflected as a receivable as required by GAAP. As a result, General Fund revenues and expenditures reported in the budgetary comparison schedule differ from the revenues and expenditures reported on the GAAP basis. The differences can be reconciled as follows:

	Revenues	Expenditures
<b>Budgetary Basis</b>	\$ 16,409,876	\$ 13,293,298
Advances to the CLT recorded as expenditures		(1,768,393))
Repayments of advances by the CLT recorded as revenues	(1,768,393)	
<b>GAAP Basis</b>	<b>\$ 14,641,483</b>	<b>\$ 11,524,905</b>

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 budgets during the year. Unexpended appropriations lapse at year end. The CRA made amendments of approximately \$14.8 million to reduce the budgeted appropriations during the year related primarily to construction and redevelopment projects that were not started.

Encumbrances: 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 reservations of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end.

**OTHER SUPPLEMENTARY INFORMATION -  
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2008

**ASSETS**

Cash	\$	32,858
Accounts receivable		<u>1,943</u>

Total Assets	\$	<u><u>34,801</u></u>
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**NET ASSETS**

Unrestricted	\$	<u><u>34,801</u></u>
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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2008

<b>REVENUES</b>		
Assessments	\$	13,714
Interest income		<u>92</u>
	Total Revenues	13,806
<b>EXPENSES</b>		
Condominium properties		<u>9,239</u>
	Change in Net Assets	4,567
Net assets at October 1, 2007		<u>30,234</u>
Net assets at September 30, 2008	\$	<u><u>34,801</u></u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2008

<b>OPERATING ACTIVITIES</b>	
Change in net assets	\$ 4,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in accounts receivable	<u>1,943</u>
Net Cash Provided By Operating Activities	<u>6,510</u>
Increase in Cash	6,510
Cash at October 1, 2007	<u>26,348</u>
Cash at September 30, 2008	<u><u>\$ 32,858</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, 2008

	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	\$ 7,481	\$ 1
City of Delray Beach	1,760	1,760	1,760	0
Delray New Wave, Inc.	1,320	1,320	1,320	0
Manimal, Inc.	1,320	1,320	1,320	0
Dada	880	880	1,100	220
42 North Swinton, Inc.	732	732	733	1
	<u>13,492</u>	<u>13,492</u>	<u>13,714</u>	<u>222</u>
Interest income	115	115	92	(23)
Total Revenues	<u>13,607</u>	<u>13,607</u>	<u>13,806</u>	<u>199</u>
<b>EXPENSES</b>				
Current				
Landscape maintenance	2,163	2,163		2,163
Maintenance	1,200	1,200		1,200
Property taxes	407	407	407	0
Water for irrigation system	1,050	1,050	1,467	(417)
Electric for lights	2,950	2,950	1,467	1,483
Insurance	4,240	4,240	3,968	272
Property management fee	720	720	700	20
Accounting	950	950	995	(45)
Bank and filing fees	0	0	174	(174)
Miscellaneous	0	0	61	(61)
Total Expenses	<u>13,680</u>	<u>13,680</u>	<u>9,239</u>	<u>4,441</u>
Revenues Over (Under) Expenses	<u>\$ (73)</u>	<u>\$ (73)</u>	<u>\$ 4,567</u>	<u>\$ 4,640</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*

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

We have audited 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, 2008, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency, and have issued our report thereon dated February 26, 2009. 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the internal control over financial reporting of the Delray Beach Community Redevelopment Agency, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting of the Delray Beach Community Redevelopment Agency. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

(2008-1) Adjusting Journal Entries

While performing our audit, we observed that several journal entries posted by a bookkeeper were not signed off as reviewed by the Finance Director. We recommend that the Finance Director, review, approve and sign all journal entries made to the general ledger by other employees.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the financial statements of the Delray Beach Community Redevelopment Agency 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*.

We also noted one additional matter that we reported to management in a separate management letter dated February 26, 2009.

The response by the management of the CRA to item 2008-1 identified above is described in the accompanying Response to Management Letter. We did not audit the response of the CRA and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Commissioners and management of the Delray Beach Community Redevelopment Agency and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Calder, Dauter, Levine,  
Porter & Veil, P.A.*

February 26, 2009



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

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Management Letter

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

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 year ended September 30, 2008 and have issued our report thereon dated February 26, 2009.

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. 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*. Disclosures in that report, which is dated February 26, 2009, should be considered in assessing the results of our audit. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in the management letter.

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

The Rules of the Auditor General require disclosure in the management letter of the following matters if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, unless clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures; (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. The Rules of the Auditor General also require that we address in the management letter any other findings or recommendations noted during our audit. In addition to item 2008-1 reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, we submit the following comment for your consideration.

(2008-2) Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which provides guidance on all aspects of reporting by employers for other postemployment benefits (OPEB). The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2009. We recommend that management consult with the City of Delray Beach and determine whether

Statement No. 45 will have a financial impact on the financial statement of the CRA and if so, make arrangements for an actuarial valuation of the CRA's OPEB liability for the year ending September 30, 2009.

### **PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations and contractual provisions reported in the preceding annual financial audit report have been corrected. Additionally, the Rules of the Auditor General require that we address in the management letter, if not already addressed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, whether or not recommendations made in the preceding management letter have been followed or otherwise no longer apply. We noted that our recommendations related to comment (2007-1) *Reconciliation of Fund Balance* and (2007-3) *Authorized Account Signers* included in our management letter dated December 28, 2007, for the year ended September 30, 2007 were implemented by the CRA in the current year or no longer apply. Our recommendation related to comment (2007-2) *Adjusting Journal Entries* was partially implemented and requires additional follow up as indicated in comment (2008-1) *Adjusting Journal Entries* in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

### **OTHER REQUIRED INFORMATION**

#### Consideration of Financial Emergency Criteria

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the Delray Beach Community Redevelopment Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes, for the fiscal year ended September 30, 2008.

#### Financial Condition Assessment Procedures

In connection with our audit, we applied financial condition assessment procedures, pursuant to Rule 10.556(7), Rules of the Auditor General, for the year ended September 30, 2008. The results of our procedures disclosed no matters that are required to be reported.

#### Annual Financial Report

The Delray Beach Community Redevelopment Agency was a dependent special district for the year ended September 30, 2008 and will be included in the Annual Financial Report of Units of Local Government filed by the City of Delray Beach, Florida with the Department of Financial Services for the year ended September 30, 2008.

#### Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Delray Beach Community Redevelopment Agency complied with Section 218.415, Florida Statutes.

The response by the management of the CRA to matters identified in our audit is described in the accompanying Response to Management Letter. We did not audit the response of the CRA and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Commissioners and management of the Delray Beach Community Redevelopment Agency and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Caler, Danton, Levine,  
Porter & Veil, P.A.*

February 26, 2009

April 20, 2009

Board of Commissioners  
Delray Beach Community Redevelopment Agency

We have reviewed the findings of Caler, Donten, Levine, 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.

**Compliance Report - Response**

**(2008-01)** - In the future and in the final closing of this financial audit, all adjusting entries will be done in numerical sequence (serialized) and the entries will be signed by the Director of Finance and the Reviewer, the Treasurer or the Executive Director.

**(2008-02)** - The CRA has consulted with the City of Delray Beach and determined that Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," will not have a financial impact on the financial statements of the CRA.

**Management Letter - Response**

**(2007-1)** - No entries are made to the Operating Fund Balance once the final balance is reconciled by the auditors and normal year end adjustments are made.

**(2007-2)** - In the future and in the final closing of this financial audit, all adjusting entries will be done in numerical sequence (serialized) and the entries will be signed by the Director of Finance and the Reviewer, the Treasurer or the Executive Director.

**(2007-3)** - Funds were withdrawn from the State Board of Administration account as allowable by the state. A nominal balance was required by the state to remain in the account for a required time period. All financial institution accounts were updated with current Board members and employees.

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.

  
Diane Colonna  
Executive Director

  
Lori Hayward  
Finance Direct