

**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, 2012

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

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY FINANCIAL INFORMATION

September 30, 2012

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Independent Auditor's Report

To the 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, 2012, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency as listed in the table of contents. These financial statements are the responsibility of the management of the Delray Beach Community Redevelopment Agency. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, 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 April 10, 2013, 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.

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 3 through 8 and the *budgetary comparison schedule* on pages 30 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delray Beach Community Redevelopment Agency's financial statements as a whole. The *other supplementary information* on pages 37 through 40 is presented for purposes of additional analysis and is not a required part of the financial statements. The *other supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Calix, Dauten, Levine,
Cohen, Porter & Veil, P.A.*

April 10, 2013

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, 2012.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$27,202,505 (*net assets*).
- The CRA's total net assets increased \$1,301,594. 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 \$10,416,800 an increase of \$2,175,626 in comparison with the prior year. A total of \$743,753 or 7.1% of the fund balance is nonspendable for long-term receivables, \$17,850 or 0.2% is nonspendable for prepaid items and \$7,528,433 or 72.2% was assigned for the subsequent year's budget. The unassigned fund balance was \$2,126,764 or 49.2% of total fund balance and resulted primarily from revenue from other than tax increment revenue in excess of expenses.
- The CRA's total noncurrent liabilities decreased by \$413,027 (3.7%) during the current fiscal year due to a combination of payments of \$1,764,752 and new borrowings of \$1,351,725 on the Series 2012 Bond.

Overview of the Financial Statements

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

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

The *statement of net 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, property management and economic development. The CRA has no business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the CRA itself (known as the *primary government*), but also one legally separate not-for-profit organization for which the CRA is financially accountable (known as a *component unit*), the Block 60 Parking Condominium Association, Inc. Financial information for the component unit is reported separately from the financial information presented for

the primary government. The government-wide financial statements can be found on pages 9 and 10 of this report.

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

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

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

The basic governmental fund financial statements can be found on pages 11 and 12 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 13.

The CRA adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided on pages 30 to 36 for the General Fund to demonstrate compliance with this budget.

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 14 to 29 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 30 to 36 of this report. In addition, separate financial statements for the CRA's component unit, the Block 60 Parking Condominium Association, Inc. are presented as other supplementary information on pages 37 to 40.

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 \$27,202,505 at the close of the most recent fiscal year.

Approximately 62% 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 development; consequently, these assets are *not* immediately available for future spending, however, certain of the capital assets may be sold for private development in the future and the proceeds used for additional redevelopment projects or repayment of the related debt. Although the CRA's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt may be provided from the sale of certain capital assets, as well as future tax increment revenues and other income.

The CRA's net assets at September 30, 2012 and 2011 are summarized below:

**Net Assets
September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 10,813,543	\$ 9,314,783
Capital assets	<u>27,647,551</u>	<u>28,959,952</u>
Total assets	<u>\$ 38,461,094</u>	<u>\$ 38,274,735</u>
Liabilities		
Noncurrent liabilities	\$ 10,861,725	\$ 11,274,752
Other liabilities	<u>396,864</u>	<u>1,099,072</u>
Total liabilities	<u>\$ 11,258,589</u>	<u>\$ 12,373,824</u>
Net assets		
Invested in capital assets, net of related debt	\$ 16,785,898	\$ 17,688,421
Unrestricted	<u>10,416,607</u>	<u>8,212,490</u>
Total net assets	<u>\$ 27,202,505</u>	<u>\$ 25,900,911</u>

At the end of the current fiscal year, the CRA reported positive balances in each category of net assets. As noted previously, approximately 62% of the CRA's net assets reflect its investment in capital assets (e.g., land, improvements and equipment). The remaining balance of net assets of \$10,416,607 may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net assets increased by \$1,301,594 during the current fiscal year. Substantially all of this increase represents the degree to which increases in tax increment revenues have exceeded similar increases in ongoing expenses. There was a decrease of \$887 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 \$1,301,594. Key elements of this increase are as follows.

**Changes in Net Assets
Years Ended September 30, 2012 and 2011**

Revenue	<u>2012</u>	<u>2011</u>
Program revenue		
Charges for services	\$ 46,633	\$ 288,150
Operating contributions and grants	155,904	169,908
General revenue		
Tax increment revenue	10,604,414	10,645,402
Interest and other income	<u>213,449</u>	<u>19,968</u>
Total revenue	11,020,400	11,123,428

	<u>2012</u>	<u>2011</u>
Expenses		
General government	\$ 1,139,704	\$ 1,177,109
Property management	112,662	164,430
Economic development	<u>8,466,440</u>	<u>7,405,121</u>
	<u>9,718,806</u>	<u>8,746,660</u>
Increase in net assets	1,301,594	2,376,768
Net assets – beginning of year	<u>25,900,911</u>	<u>23,524,143</u>
Net assets – end of year	<u>\$ 27,202,505</u>	<u>\$ 25,900,911</u>

Tax increment revenues decreased by \$40,988 or approximately 0.4% for the year. Although property values in the CRA’s development area increased by approximately \$8.8 million in 2012 there was a small decline in tax increment revenue due to lower tax rates applied to the property valuations.

General government expenses decreased \$37,405 (approximately 0.4%) resulting from an increase in personnel expenses of approximately \$77,000, and a decrease of approximately \$114,000 in administration/operations expenses and other expenses, including depreciation expense. Property management expense decreased approximately \$52,000 (31%), and economic development expense increased approximately \$1,061,000 (14.3%) attributable to more development projects in 2012, substantially all of which was related to projects for the Downtown Master Plan. The CRA’s economic development expense includes interest of approximately \$523,000 on long-term debt incurred to finance various redevelopment projects located predominantly in the West Atlantic Avenue and downtown corridor.

Financial Analysis of the Governmental Fund

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

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

As of the end of the current fiscal year, the CRA’s governmental fund reported ending fund balance of \$10,416,800, an increase of \$2,175,626 in comparison with the prior year. A total of \$761,603 or 7.3% of the fund balance is *nonspendable* to indicate that it is not available for new spending because it represents a long-term receivable and prepaid items. There is \$7,528,433 of fund balance *assigned* for the 2012-2013 budget and \$2,126,764 is *unassigned*.

As a measure of the General Fund’s liquidity, it may be useful to compare unassigned and assigned fund balance to total fund expenditures. Unassigned and assigned fund balance at September 30, 2012, represented 47.7% and 42.2%, respectively, of total General Fund expenditures for 2012.

The increase in fund balance for the General Fund in 2012 was primarily related to \$1,351,725 from the issuance of the Series 2012 Bond and an increase of approximately \$480,000 from the sale of properties.

General Fund Budgetary Highlights

During 2012, revenues and other financing sources were less than final budgetary estimates by approximately \$3,600,000. The final budgeted revenues and other financing sources were approximately \$16,500,000 compared to actual of approximately \$12,900,000. The actual was less than the original budget by the amount of prior year fund balance carried forward to the 2012 budget year. There was a decrease of approximately \$8,660,000 from the original budgeted expenditures to the final amended budget for the year; attributable primarily to certain economic development projects that did not take place in 2012 as originally anticipated. Overall, total expenditures were approximately \$75,800 less than final budgeted appropriations for the year ended September 30, 2012.

Capital Asset and Debt Administration

Capital assets. The CRA's investment in capital assets as of September 30, 2012, amounts to \$27,647,551 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, furniture and fixtures. The net decrease in the CRA's investment in capital assets for the current fiscal year was \$1,312,401. Major capital asset transactions during 2012 consisted of capital outlay expenditures of approximately \$690,000 for the purchase of various properties and reductions of approximately \$1,866,000 related to sales and disposals of various properties and depreciation of approximately \$140,000. Capital assets at September 30, 2012 and 2011, are summarized as follows:

	Capital Assets	
	(net of accumulated depreciation)	
	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 24,494,433	\$ 25,674,467
Buildings, improvements and equipment	<u>3,153,118</u>	<u>3,285,485</u>
Total assets	<u>\$ 27,647,551</u>	<u>\$ 28,959,952</u>

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

Noncurrent Liabilities. At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$10,861,725, which were secured by a pledge of the tax increment revenues received by the CRA. Noncurrent liabilities at September 30, 2012 and 2011, are summarized as follows:

	Noncurrent Liabilities	
	<u>2012</u>	<u>2011</u>
Revenue bonds	\$ 10,861,725	\$ 11,105,000
Note payable	-	166,531
Pollution remediation obligation	<u>-</u>	<u>3,221</u>
Total noncurrent liabilities	<u>\$ 10,861,725</u>	<u>\$ 11,274,752</u>

The CRA's total noncurrent liabilities decreased by \$413,027 (3.7%) during the current fiscal year due to new borrowings on the Series 2012 Bond of \$1,351,725 and \$1,764,752 of payments on outstanding debt. 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 to the audited financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in establishing the CRA's budget for the 2012/2013 fiscal year.

- The property valuations in the CRA district increased approximately \$7.5 million in 2012, which is an increase of approximately 0.7 percent. Overall property values compare favorably with those in other areas of Palm Beach County which stabilized in 2012 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund increased in 2012 by approximately \$2,175,000 due primarily to certain anticipated development projects that did not start when expected. The CRA has assigned approximately \$4.5 million of the fund balance at September 30, 2012 to the 2012-2013 budget for the start of these 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 2012-2013 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, 2012

	Primary Government <u>Governmental</u> Activities	Component Unit
ASSETS		
Cash and cash equivalents	\$ 9,757,863	\$ 35,821
Receivables		
City of Delray Beach	50,000	-
Grants and other	199,801	183
Delray Beach Community Land Trust	325,249	-
Second mortgages	418,504	-
Prepaid expenses	17,850	-
Other assets	4,041	-
Unamortized bond issue costs	40,235	-
Capital assets		
Capital assets not being depreciated	24,494,433	-
Depreciable capital assets, net	3,153,118	-
Total Assets	<u>38,461,094</u>	<u>36,004</u>
LIABILITIES		
Accounts payable	206,239	-
Accrued expenses	73,517	-
Due to the City of Delray Beach	100,000	-
Unearned revenue	6,154	220
Refundable tenant and bid deposits	10,954	-
Noncurrent liabilities		
Due within one year	1,670,000	-
Due in more than one year	9,191,725	-
Total Liabilities	<u>11,258,589</u>	<u>220</u>
NET ASSETS		
Invested in capital assets, net of related debt	16,785,898	-
Unrestricted	10,416,607	35,784
Total Net Assets	<u>\$ 27,202,505</u>	<u>\$ 35,784</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expenses) and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	Primary Government Governmental Activities	Component Unit
Primary Government					
Governmental activities					
General government	\$ 1,139,704	\$ -	\$ -	\$ (1,139,704)	\$
Property management	112,662	27,834	-	(84,828)	
Economic development	8,466,440	18,799	155,904	(8,291,737)	
Total Primary Government	<u>\$ 9,718,806</u>	<u>\$ 46,633</u>	<u>\$ 155,904</u>	(9,516,269)	
Component Unit					
Block 60 Parking Condominium	<u>\$ 14,381</u>	<u>\$ 13,493</u>	<u>\$ -</u>		(888)
General Revenue					
Tax increment revenue				10,604,414	-
Interest and other income				213,449	1
Total General Revenue				<u>10,817,863</u>	<u>1</u>
Change in Net Assets				1,301,594	(887)
Net assets at October 1, 2011				25,900,911	36,671
Net assets at September 30, 2012				<u>\$ 27,202,505</u>	<u>\$ 35,784</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2012

	General Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 9,757,863
Receivables	
City of Delray Beach	50,000
Grants and other receivables	199,801
Delray Beach Community Land Trust	325,249
Second mortgages	418,504
Prepaid items	17,850
Other assets	<u>4,041</u>
Total Assets	<u><u>\$ 10,773,308</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 206,239
Accrued items	33,161
Due to the City of Delray Beach	100,000
Unearned revenue	6,154
Refundable tenant and bid deposits	<u>10,954</u>
Total Liabilities	356,508
 FUND BALANCE	
Nonspendable	
Long-term receivables	743,753
Prepaid items	17,850
Assigned to	
Subsequent year's budget	7,528,433
Unassigned	<u>2,126,764</u>
Total Fund Balance	<u>10,416,800</u>
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	27,647,551
Issuance costs on long-term debt are capitalized and amortized over the term of the related debt in the statement of net assets	40,235
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(40,356)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(10,861,725)</u>
Net assets of governmental activities	<u><u>\$ 27,202,505</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, 2012

		General Fund
REVENUES		
Tax increment revenue	\$	10,604,414
Reimbursements		155,904
Rental property income		27,834
Green Market revenue		18,799
Interest and other income		210,228
Total Revenues		11,017,179
EXPENDITURES		
Current		
General government		1,112,368
Economic development		6,615,739
Capital outlay		693,120
Debt service		
Principal		1,761,531
Interest		525,352
Bond issue costs		30,775
Total Expenditures		10,738,885
Revenues Over Expenditures		278,294
OTHER FINANCING SOURCES		
Proceeds from sales of purchased properties		545,607
Issuance of revenue bonds		1,351,725
		1,897,332
Revenues and Other Financing Sources Over Expenditures		2,175,626
Fund Balance at October 1, 2011		8,241,174
Fund Balance at September 30, 2012	\$	10,416,800

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, 2012

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

Net change in fund balance - governmental fund	\$ 2,175,626
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.	553,122
Government funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each asset disposal. This is the net book value of disposals.	(1,865,523)
Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net assets. 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 by which debt additions exceed debt repayments.	413,027
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.	(7,790)
Debt issue costs are reported in governmental funds when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	30,775
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>2,357</u>
Change in net assets of governmental activities	<u><u>\$ 1,301,594</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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 Unit

Block 60 Parking Condominium Association, Inc. - The CRA, as owner and developer of a 92 space parking lot in Block 60 of the City of Delray Beach, transferred control of the parking lot to a legally separate condominium association governed by a six member board of directors elected by the owners of the 92 parking spaces. As owner of a majority of the parking spaces, the CRA has a majority voting interest in selecting the board of directors of the condominium association and the CRA is responsible for managing the day-to-day operations of the condominium association. The condominium association does not prepare separate audited financial statements; however, additional financial information can be obtained from the CRA.

Jointly Governed Organization

The CRA is a party to an agreement with the City and the Greater Delray Beach Chamber of Commerce to fund economic development programs for downtown Delray Beach known as the Delray Beach Marketing Cooperative (the "DBMC"), a 501(c)(6) not-for-profit organization. The CRA has no ongoing financial interest or financial responsibility for the DBMC. For the year ended September 30, 2012, the CRA contributed approximately \$280,000 to the joint venture and paid approximately \$51,000 to vendors for services on behalf of the DBMC.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unit. These statements include separate columns for the *governmental activities* of the CRA, which are normally supported by tax increment and intergovernmental revenue, and the activity of the legally separate *component unit* for which the CRA is financially accountable as the primary government. The CRA has no *business-type activities*. The Statement of Net 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 General Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net 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.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the CRA.

Cash and Cash Equivalents: Cash and cash equivalents consists of petty cash and amounts on deposit in interest and non-interest bearing checking accounts and money market mutual fund accounts.

Grants and Other Receivables: Grants and other receivables include amounts due from other governments for reimbursement basis grants and rental income. The CRA does not require collateral for accounts receivable. An allowance for doubtful accounts is determined based on the age of the individual receivable, and generally an allowance is established for accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the CRA deems them uncollectible. At September 30, 2012, management considers all receivables to be fully collectible.

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 change 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 3 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 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.

Retirement Plan: The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code Section 457. The plan allows an employee to contribute pre-tax wages and salary into the employees' personal retirement accounts. The CRA may, at the discretion of the Board of Commissioners, make matching contributions to the participants' accounts. For the year ended September 30, 2012, the CRA made contributions of \$81,607 to the employees' accounts. The CRA is not obligated to provide other postemployment benefits to employees upon termination of employment, except for federally mandated COBRA health insurance.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets/Fund Balance

Net Assets - Net assets of the government-wide statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt is that portion of net assets that relates to the CRA's capital assets reduced by the portion of the assets that has been acquired through the use of long-term debt. This amount is offset by any unspent proceeds that are outstanding at fiscal year-end. Restricted net assets are that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports governmental activities net assets of \$16,785,898 invested in capital assets, net of related debt, and no restricted net assets. Unrestricted net assets of \$10,416,607 consist of net assets not included in invested in capital assets, net of related debt.

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

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

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

Committed - Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the CRA Board of Directors or through an ordinance or resolution. The CRA had no committed fund balances.

Assigned - Assigned fund balances include amounts that are constrained by the CRA's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance are made by CRA management based upon direction by the CRA Board of Directors.

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

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements: The Governmental Accounting Standards Board (GASB) has issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the CRA:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements 14 and 34*, which modifies certain requirements for including of component units in the financial reporting entity. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into GASB authoritative literature certain accounting and financial reporting guidance included in Pronouncements of the Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA). The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and deferred inflows of resources, which relate to the consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, provides accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and certain items that were previously reported as assets and liabilities and recognizes these items as outflows of resources or inflows of resources that were previously reported as assets and liabilities. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes a definition for pension arrangements and determining pension obligations and requirements for accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2014.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, provides accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement distinguishes between a government merger and a government acquisition and also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2015.

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

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash: Cash at September 30, 2012, includes deposits with financial institutions with a bank balance of \$9,861,454 and a book balance of \$9,757,386 and \$250 of petty cash. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a *Qualified Public Depository* by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured or collateralized in accordance with the provisions of GASB Statement No. 3. Cash balances of the component unit at September 30, 2012, are deposits with financial institutions that are fully covered by federal depository insurance. For financial statement purposes cash equivalents include an investment of \$227 with Florida Prime.

Investments: The CRA follows the provisions of Florida Statutes for its investment policy. Florida Statutes authorize the CRA to invest in Florida Prime (formerly known as the Local Government Investment Pool or LGIP), an external investment pool administered by the State of Florida; money

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

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

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

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The CRA's investment policy addresses credit risk by limiting investments to the Florida Prime Fund, deposits with a financial institution meeting the requirements of a Florida qualified public depository, securities guaranteed by the U.S. Government, or securities that are fully collateralized or secured. The CRA had no investments subject to credit risk.

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

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The CRA's investment policy does not address the concentration of credit risk, although investments are limited to the Florida Prime Fund and time deposits with financial institutions meeting the requirements of a Florida qualified public depository.

NOTE C - RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

The CRA advanced funds to the Delray Beach Community Land Trust, Inc. (CLT) for land acquisition for the 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 CRA considers the land acquisition loans to be grants to the CLT in the year payment is made to the CLT, as repayment is not expected and the amount of repayment cannot be determined at the time of the loan. The land acquisition mortgage is forgiven by the CRA when the property is sold by the CLT.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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

The CRA also provides advances to the CLT to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2012, the total advances receivable from the CLT were \$325,249, all of which is considered collectible by the CRA. During 2012 the CLT transferred one residential property to the CRA in satisfaction of the CRA's receivable and mortgage of \$205,000. The CRA subsequently sold the property to a private purchaser.

NOTE D - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2012 was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land and improvements	\$ 25,674,467	\$ 685,489	\$ (1,865,523)	\$ 24,494,433
Total capital assets not being depreciated	25,674,467	685,489	(1,865,523)	24,494,433
Depreciable capital assets				
Buildings and improvements	3,808,566	-	-	3,808,566
Equipment	85,494	7,631	-	93,125
Furniture and fixtures	28,868	-	-	28,868
Total depreciable capital assets	3,922,928	7,631	-	3,930,559
Less accumulated depreciation	(637,443)	(139,998)	-	(777,441)
Depreciable capital assets, net of accumulated depreciation	3,285,485	(132,367)	-	3,153,118
Total capital assets	\$ 28,959,952	\$ 553,122	\$ (1,865,523)	\$ 27,647,551

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 27,336
Property management	<u>112,662</u>
Total depreciation expense	<u>\$ 139,998</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE E - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2012 are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Revenue Bonds					
Series 2012	\$ -	\$ 1,351,725	\$ -	\$ 1,351,725	\$ -
Series 2004A	6,105,000	-	(655,000)	5,450,000	680,000
Series 2004B	915,000	-	(165,000)	750,000	175,000
Series 1999A	<u>4,085,000</u>	<u>-</u>	<u>(775,000)</u>	<u>3,310,000</u>	<u>815,000</u>
Total revenue bonds	11,105,000	1,351,725	(1,595,000)	10,861,725	1,670,000
Note Payable	166,531	-	(166,531)	-	-
Pollution Remediation Obligation	<u>3,221</u>	<u>-</u>	<u>(3,221)</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 11,274,752</u>	<u>\$ 1,351,725</u>	<u>\$ 1,764,752</u>	<u>\$ 10,861,725</u>	<u>\$ 1,670,000</u>

Revenue Bonds: The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2012, consisted of the following:

Series 2012: \$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2012, dated March 30, 2012. The Series 2012 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2012 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2012 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$4,000,000. The Series 2012 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The final draw date is the third anniversary of the closing date of the Series 2012 Bond (March 30, 2015). Interest is payable semi-annually on April 1st and October 1st at 2.10% on the outstanding principal balance, beginning October 1, 2012 through October 1, 2017, the maturity date of the Series 2012 Bond. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal will be payable in equal installments each April 1st and October 1st, commencing with the first April 1st or October 1st occurring after the final draw date. At September 30, 2012 the outstanding balance on the Series 2012 Bond was \$1,351,725.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE E - NONCURRENT LIABILITIES (Continued)

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

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

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

<u>Year Ending September 30,</u>	<u>Revenue Bond, Series 2004A</u>	<u>Revenue Bond, Series 2004B</u>	<u>Revenue Bond, Series 1999A</u>
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	880,000	-	310,000
	<u>\$ 5,450,000</u>	<u>\$ 750,000</u>	<u>\$ 3,310,000</u>

Note Payable: The note payable to the South Florida Regional Planning Council (the "Council") was based on an interlocal agreement between the CRA and the Council to provide funding to the CRA for the brownfield remediation and redevelopment of 20 platted lots in the Carver Square subdivision within the CRA boundaries of the City. Principal and interest at 3.0% was due in equal installments of \$87,763 on June 2nd and December 2nd, through maturity. The note was fully paid in June 2012.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE E - NONCURRENT LIABILITIES (Continued)

Pollution Remediation Obligation: In 2005 and 2006 the CRA purchased 20 platted lots in the Carver Square subdivision of the City for brownfield remediation and redevelopment of the lots for construction of affordable single family homes. Based on the level of pollution present, State law required the CRA to perform pollution remediation after the property was acquired. The CRA estimated the liability to be \$475,971 based on the contracted costs to perform the required work. In 2009 additional monitoring work was required increasing the total estimated cost by \$30,000. The CRA accounts for the pollution remediation obligation in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes the accounting and financial reporting requirements for pollution remediation obligations of all governments. As of September 30, 2012, all remediation and monitoring efforts were completed and no further expenses are expected to occur, however, additional liabilities could arise over time if further remediation or monitoring is required by regulatory authorities.

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

Year Ending September 30,	Principal	Interest	Total
2013	\$ 1,670,000	\$ 437,454	\$ 2,107,454
2014	1,750,000	358,764	2,108,764
2015	1,420,000	276,274	1,696,274
2016	1,250,000	209,746	1,459,746
2017	1,090,000	151,440	1,241,440
2018-2019	<u>2,330,000</u>	<u>155,888</u>	<u>2,485,888</u>
	<u>\$ 9,510,000</u>	<u>\$ 1,589,566</u>	<u>\$ 11,099,566</u>

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2012, were \$522,995 and \$525,352 respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 1999, 2004 and 2012 to finance various redevelopment projects 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 and investment earnings thereon. Tax increment revenues were projected to produce more than 500 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2012 was \$11,099,566, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,286,883 and \$10,604,414, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

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, 2012, was as follows:

Assessed property value for 2012	\$ 1,189,586,854
Assessed property value for 1985 base year	<u>(245,631,067)</u>
Increase in assessed property value	<u>\$ 943,955,787</u>
Assessed property value subject to incremental property tax (95%)	<u>\$ 943,955,787</u>

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, 2012, the CRA's tax increment revenues include \$6,376,396 received from the City. CRA expenditures for the year ended September 30, 2012, include charges of \$1,420,325 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities and \$535,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$69,000 in reimbursements from the City for various projects.

At September 30, 2012, the CRA had a payable to the City of \$100,000 for reimbursement of certain administrative and redevelopment expenditures and a receivable of \$50,000 from the City for a construction advance.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2012, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE H - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessee: The CRA entered into a lease agreement with the City on January 11, 2010, for approximately 10,600 square feet of commercial space at the Old School Square parking garage. The term of the lease is 5 years from February 1, 2010, through January 31, 2015 with rent of \$150,000 payable annually in arrears on each January 11th. The CRA is subletting the space to not-for-profit organizations for arts related uses.

Lease Commitment as Lessor: On August 26, 2010, the CRA entered into an agreement to sublease approximately 5,000 square feet of commercial space at the Old School Square parking garage to the Puppetry Arts Center of the Palm Beaches, Inc. for \$400 per month for a two year term commencing October 1, 2010. The sublease was extended for a one year period, through September 30, 2013 and includes the option to extend the lease through January 31, 2015.

On June 28, 2012, the CRA entered into an agreement to sublease approximately 5,600 square feet of commercial space at the Old School Square parking garage to the Creative City Collaborative of Delray Beach, Inc. for \$467 per month for a period of 31 months commencing on July 1, 2012 and expiring on January 31, 2015.

The CRA entered into an agreement to lease the property located at 606 West Atlantic Avenue to Schuler's Memorial Chapel for \$500 per month for a two year period commencing December 15, 2010. In 2012 the lease was extended through December 15, 2013. The carrying value of the leased property was \$1,895,000 at September 30, 2012.

On September 11, 2011 the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the CLT for the Palm Manor apartments. The agreements provide for an annual rental payment to the CRA of \$1 and that the lessors will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the leased apartments. The term of the agreements is for five years with one renewal option for an additional five year period. The apartments were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$2,876,000 at September 30, 2012.

On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40 year term. The Company will develop, construct and operate a 4-story business class hotel on the property. The lease agreement provides for the Company to pay the CRA an annual base rent of \$1 for years 1 through 5 and thereafter a contingent rental of 2% of gross room sales for years 6 through 10 and increasing by 1% for each five year period thereafter until reaching 5% for years 21 to 40. For years 5 through 25, the Company has the right to purchase the property from the CRA at a price based on the average of two independent appraisals; one obtained by the CRA and the second by the Company. The carrying value of the leased property was \$2,417,627 at September 30, 2012.

Funding Commitments: The CRA entered into grant agreements to provide future funding for various economic redevelopment purposes. The grant funding commitments of the CRA at September 30, 2012 are summarized as follows:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE H - COMMITMENTS AND CONTINGENCIES (Continued)

Prime Delray Hotel, LLC - Development Infrastructure Grant for the development and construction of a 4-story business class hotel on Atlantic Avenue. The grant is for an amount not to exceed \$332,349 and will be paid in five equal annual payments, not to exceed fifty percent of the actual tax increment revenues attributed to the project for any such year.

KCMCL Pineapple Grove, LLC - Development Infrastructure Grant for the development and construction of a 134-room limited service Hyatt Place Hotel in the Pineapple Grove Arts District. The grant is for an amount not to exceed the lesser of 50% of the project costs or \$431,000. The CRA will reimburse the developer 50% of the eligible project costs over a ten year period. Payments will be made by the CRA on February 1st each year after the completed project is added to the tax rolls.

Village Square Family, LTD - Grant for \$100,000 of funding assistance for development of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse. The grant is contingent upon Village Square Family, LTD obtaining permanent financing through issuance of tax exempt bonds.

Law Offices of Kanner and Pinaluga, P.A. - Job Creation Bonus Program grant awarded in an amount equal to five percent of all certifiable annual wages for the establishment of between five and sixteen qualifying jobs, up to a maximum annual grant of \$13,236 and \$66,180 over a five year period commencing November 9, 2012.

The CRA also entered into grant agreements with the following organizations to provide funding for their operations during the year ending September 30, 2013:

City of Delray Beach - Clean and Safe Program	\$ 1,294,795
City of Delray Beach - International Tennis Championships	535,000
City of Delray Beach - Shuttle Buses	550,000
City of Delray Beach - Wireless broadband service	135,000
City of Delray Beach - Irrigation and landscape maintenance	33,000
Delray Beach Community Land Trust, Inc.	220,000
Delray Beach Public Library Association, Inc.	308,000
Downtown Marketing Cooperative, Inc.	368,825
Creative City Collaborative	310,735
Delray Beach Center for the Arts, Inc.	285,000
EPOCH, Inc.	<u>92,895</u>

Total grant commitments \$ 3,998,268

The CRA contracts with the City for various administrative services each fiscal year and budgeted approximately \$300,000 for those services for the year ending September 30, 2013.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE H - COMMITMENTS AND CONTINGENCIES (Continued)

The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the U.S. Highway One Corridor Improvements by the City. The total project cost is estimated to be approximately \$12.5 million, of which the CRA will fund approximately \$3.6 million, plus financing costs. The CRA will pay the City interest only on the amount financed by the City during the year ending September 30, 2013. Thereafter, the CRA will pay the City an amount equal to the principal and interest on the CRA's share of the funding for a period of ten years, at an interest rate comparable to the rate paid by the City on the financed amount. The final term and interest rate will be determined based on the City's financing arrangements for the project.

Construction Commitments: At September 30, 2012, the CRA had outstanding construction commitments consisting of the following:

Project	Total Project Authorization	Expended Through September 30, 2012	Retainage Payable at September 30, 2012	Remaining Commitment at September 30, 2012
SW 9 th Ave Parking Lot	\$ 38,263	\$ 10,688	\$ -	\$ 27,575
SW 12 th Ave Duplexes	129,234	108,155	-	21,079
133 SW 12 th Ave NRC	37,000	16,754	-	20,246
182 & 186 NE 5 th Ave	23,500	19,900	-	3,600
Arts Warehouse (1)	<u>123,800</u>	<u>56,674</u>	-	<u>67,126</u>
Total contract commitments	<u>\$ 351,797</u>	<u>\$ 212,171</u>	<u>\$ -</u>	<u>\$ 139,626</u>

- (1) Phase III for the Arts Warehouse project, totaling \$33,840, has been delayed and as of September 30, 2012 the CRA did not intend to complete Phase III, which is included in the total contract amount of \$123,800.

Loan Commitments: The CRA entered into two loan commitments to provide future financing for economic redevelopment projects in the CRA district. The loan commitments of the CRA at September 30, 2012 are summarized as follows:

Village Square Elderly, Ltd. - On November 8, 2011 the CRA issued a Loan Commitment to Village Square Elderly, Ltd. (Village Square) for a \$2.7 million, 15 year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse (the "Property"). The loan will be non-interest bearing for the first nine years and for years ten through fifteen, the loan will accrue interest at the higher of 3.0% or the interest rate on the funds borrowed by the CRA to fund the loan. Commencing on the tenth anniversary date of the loan and annually thereafter, principal and interest will be payable to the CRA in an amount equal to the remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan will mature fifteen years from the loan closing date, at which time all outstanding principal and accrued interest will be due to

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2012

NOTE H - COMMITMENTS AND CONTINGENCIES (Continued)

the CRA. The loan will be collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The closing date for the loan is scheduled to occur on or before May 31, 2013. Should the loan not close by May 31, 2013 the CRA may terminate the loan commitment.

Prime Delray Hotel, LLC - On April 2, 2012, the CRA issued a Loan Commitment to Prime Delray Hotel, LLC for a \$1.5 million term loan for development and construction of a 4-story business class hotel on Atlantic Avenue (the "Hotel Property"). The loan will accrue interest at a rate of 3% per annum. Payments of interest only on the outstanding loan balance are payable to the CRA for 60 months after the loan closing date, at which time all outstanding principal and accrued interest will be due to the CRA. The loan will be collateralized by a second mortgage lien and security interest in the Hotel Property and all improvements, fixtures, and appurtenances thereto.

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.

Delray Beach Public Library: The CRA entered into an agreement dated July 1, 2003, with the City and the Delray Beach Public Library Association, Inc. (the "Library") for relocation of the Delray Beach Public Library to its current location on West Atlantic Avenue. Under the terms of the agreement, the CRA exchanged in 2005, the parcel of property owned by the CRA on West Atlantic Avenue with a carrying value of approximately \$509,000 for the former library site owned by the City. The CRA also agreed that in the event it disposes of the former 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. The CRA also assumed the City's lease agreement with the Greater Delray Beach Chamber of Commerce (the "Chamber") for the former library site. The lease requires no payment from the Chamber and expires on January 31, 2060.

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax increment revenue				
City of Delray Beach	\$ 6,404,975	\$ 6,376,396	\$ 6,376,396	\$ -
Palm Beach County	4,231,381	4,228,018	4,228,018	-
Total Tax Increment Revenue	10,636,356	10,604,414	10,604,414	-
Grants and reimbursements				
Reimbursements from City of Delray Beach	-	-	69,004	69,004
Other reimbursements	-	220,545	86,900	(133,645)
Total Grants and Reimbursements	-	220,545	155,904	(64,641)
Rental property income	28,475	27,834	27,834	-
Green Market revenue	19,000	18,799	18,799	-
Interest income	17,000	15,161	15,161	-
Other income	1,000	133,423	195,067	61,644
Total Revenues	10,701,831	11,020,176	11,017,179	(2,997)
Other Financing Sources				
Issuance of revenue bonds	-	1,301,725	1,351,725	50,000
General Fund carryforward fund balance	6,117,749	3,646,584	-	(3,646,584)
Land sales - miscellaneous	2,651,000	545,607	545,607	-
	8,768,749	5,493,916	1,897,332	(3,596,584)
Total Revenues and Other Financing Sources	19,470,580	16,514,092	12,914,511	(3,599,581)
EXPENDITURES				
General government				
Personnel				
Salaries	630,000	695,197	699,472	(4,275)
Payroll taxes	50,000	56,866	59,950	(3,084)
Health and dental insurance	95,000	79,894	79,894	-
Retirement contribution	50,000	81,607	81,607	-
Travel allowance	10,000	9,875	9,875	-
Cell allowance	3,000	2,820	2,820	-
Casual labor	1,000	-	-	-
	839,000	926,259	933,618	(7,359)
Supplies and materials				
Office supplies	10,000	5,921	5,921	-
Postage/express mail	2,500	2,670	2,670	-
	12,500	8,591	8,591	-

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Office space				
Storage	\$ 4,000	\$ 2,193	\$ 2,193	\$ -
Maintenance	25,000	15,188	15,188	-
Telephone	7,500	7,876	7,876	-
Utilities	9,000	4,992	4,992	-
Security	2,500	1,686	1,686	-
	<u>48,000</u>	<u>31,935</u>	<u>31,935</u>	<u>-</u>
Administration/Operations				
Accounting	21,200	21,200	21,200	-
Legal	40,000	26,876	32,579	(5,703)
Capital outlay	5,000	-	-	-
Contractual services	20,000	22,209	22,209	-
Printing	6,000	1,814	1,814	-
Publications/subscriptions	1,500	97	97	-
Advertising	4,000	4,530	4,530	-
Bank services	1,500	1,307	1,307	-
Employee recruitment	1,000	5,230	5,230	-
Organization/member dues	6,200	5,156	5,156	-
Public relations and communication	7,500	11,564	11,564	-
Insurance: commercial, D&O	18,616	5,102	5,102	-
Meetings	2,500	2,613	2,613	-
Seminars and workshops	15,000	4,452	4,452	-
Travel	6,000	7,982	7,982	-
	<u>156,016</u>	<u>120,132</u>	<u>125,835</u>	<u>(5,703)</u>
Equipment, property and maintenance				
Computer equipment and supplies	2,200	1,692	1,692	-
Equipment rentals	10,000	11,360	11,360	-
Repairs and maintenance	5,000	269	269	-
Furniture and fixtures	2,000	-	-	-
Office equipment	5,000	6,701	6,699	2
	<u>24,200</u>	<u>20,022</u>	<u>20,020</u>	<u>2</u>
Total General Government	<u>1,079,716</u>	<u>1,106,939</u>	<u>1,119,999</u>	<u>(13,060)</u>
Economic Development				
<i>Areawide and Neighborhood Plans</i>				
Osceola Neighborhood Plan				
Business Area Revitalization	300,000	202,870	202,870	-
Legal Fee - Osceola Plan	-	2,233	2,233	-
	<u>300,000</u>	<u>205,103</u>	<u>205,103</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans (continued)</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	\$ 750,000	\$ 171,648	\$ 171,648	\$ -
Project development and implementation	50,000	14,675	14,675	-
Legal fees	13,000	41,054	41,054	-
Beautification - NW 12th Ave	400,000	-	-	-
Southwest 9th Avenue Parking Lot	-	10,707	38,286	(27,579)
	<u>1,213,000</u>	<u>238,084</u>	<u>265,663</u>	<u>(27,579)</u>
Downtown Master Plan				
Loan to City/Chamber Relocation	475,000	-	-	-
CRA Contribution to Chamber Relocation	315,000	-	-	-
Cluster Study & Update	50,000	-	-	-
SE/NE 1st Street (one-way pair)	50,000	-	-	-
SE/NE 5th Avenue (Federal Hwy pairs)	400,000	-	-	-
Gateway Feature (Construction & Art)	1,500,000	1,001,637	1,001,637	-
Downtown shuttle	300,000	550,000	300,000	250,000
Old library site	200,000	36,400	36,400	-
Fire Headquarters Public Plaza	35,000	34,977	34,977	-
Project Development/Implementation	10,000	11,668	11,668	-
Northeast 3rd Street / Alley Improvements	100,000	59,528	59,528	-
Downtown parks	100,000	100,000	100,000	-
NE 1st Ave Streetscape Improvements	350,000	74,956	74,956	-
Swinton and Atlantic Intersection	100,000	39,782	39,782	-
Legal fees	5,000	5,690	5,690	-
	<u>3,990,000</u>	<u>1,914,638</u>	<u>1,664,638</u>	<u>250,000</u>
Southwest Neighborhood Plan				
Parks/Neighborhood Green Space	100,000	-	-	-
Village Square Grant	100,000	-	-	-
Village Square Elderly	-	8,550	8,550	-
Project Development/Implementation	25,000	150	150	-
SW 12th Auburn Avenue Beautification	750,000	199,011	213,290	(14,279)
SW 14th Avenue Beautification	300,000	1,400	1,400	-
SW 2nd Street Beautification	600,000	13,094	13,094	-
Block 32 Alley	100,000	-	-	-
133 SW 12th Avenue Triplex	68,000	37,950	37,950	-
Legal fees	27,000	7,789	7,789	-
	<u>2,070,000</u>	<u>267,944</u>	<u>282,223</u>	<u>(14,279)</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans (continued)</i>				
N Federal Highway Redevelopment				
Federal Highway Plan Update	\$ 35,000	\$ -	\$ -	\$ -
	35,000	-	-	-
Other				
Land Acquisitions	500,000	12,865	12,865	-
Bus Shelter/Neighborhood Enhancement	40,000	-	-	-
Streets and alley improvements	-	200,000	200,000	-
Miscellaneous predevelopment costs	10,000	100	100	-
Legal fees	7,000	33,815	3,040	30,775
	557,000	246,780	216,005	30,775
Total Areawide and Neighborhood Plans	8,165,000	2,872,549	2,633,632	238,917
Redevelopment Projects				
NW/SW 5th Avenue Beautification				
57 Southwest 5th Avenue Parking Lot	-	183	183	-
Management fees	250,000	32,506	32,506	-
Beautification and planning	200,000	-	-	-
Project development	10,000	10,450	10,450	-
Legal fees	5,000	2,375	2,375	-
	465,000	45,514	45,514	-
Affordable/Workforce Housing Program				
Relocations	15,000	1,650	1,650	-
Subsidies - Affordable Housing	50,000	35,577	35,577	-
Land acquisitions - CLT	200,000	128,539	247,822	(119,283)
Community Land Trust (CLT)	250,000	250,000	250,000	-
Legal fees	10,000	32,284	32,284	-
	525,000	448,050	567,333	(119,283)
Redevelopment Sites				
Maintenance	40,000	65,919	65,919	-
Project Development / Implementation	5,000	1,490	1,490	-
Property insurance	21,263	44,205	44,205	-
Property taxes	16,700	71,440	71,440	-
Legal fees	3,000	640	640	-
Water	8,000	13,876	13,876	-
Utilities	11,500	26,876	26,876	-
Block 60 Parking Lots	8,000	7,480	7,480	-
	113,463	231,926	231,926	-

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Redevelopment Projects (continued)</i>				
Carver Square Neighborhood				
Remediation and site development	\$ 10,000	\$ 4,306	\$ 4,306	\$ -
Legal fees	5,000	2,266	2,266	-
	<u>15,000</u>	<u>6,572</u>	<u>6,572</u>	<u>-</u>
Total Redevelopment Projects	1,118,463	732,062	851,345	(119,283)
Community Improvement and Economic Development				
Grant Programs				
Curb Appeal Assitance Grant	50,000	50,000	50,000	-
Site & Grants	75,000	3,597	3,597	-
Bus Assistance Startup	40,000	34,300	34,300	-
Paint-up Assistance Grants	25,000	(375)	(375)	-
Community Activities	6,500	3,000	3,000	-
Historic facade grants	150,000	1,104	1,104	-
	<u>346,500</u>	<u>91,626</u>	<u>91,626</u>	<u>-</u>
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	250,000	250,000	250,000	-
DMC Art & Jazz	30,000	30,000	30,000	-
Christmas tree maintenance	35,000	32,000	32,000	-
Banners, signage, lights	30,000	18,784	18,784	-
	<u>345,000</u>	<u>330,784</u>	<u>330,784</u>	<u>-</u>
City Contractual Services				
Planning, IT and parking manager	110,000	110,000	110,000	-
Housing Rehab	35,810	33,629	33,629	-
Streetscape Maintenance	23,000	3,401	3,401	-
Project Engineer	1,144,795	1,144,795	1,144,795	-
Plan Reviewer II	91,750	91,750	91,750	-
Neighborhood Planner (Resource Center)	36,750	36,750	36,750	-
	<u>1,442,105</u>	<u>1,420,325</u>	<u>1,420,325</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development (continued)</i>				
Community Resource Enhancement				
Community Resource Enhancement	\$ 7,500	\$ 4,945	\$ 4,945	\$ -
A Guide Funding	775,310	698,022	698,022	-
	<u>782,810</u>	<u>702,967</u>	<u>702,967</u>	<u>-</u>
Economic Development Initiative				
Property Acquisitions	500,000	-	-	-
Digital Divide	90,000	130,867	130,867	-
Incentives	2,000,000	6,270	6,270	-
Programming	25,000	3,060	3,060	-
Old School Square Retail Space Rent	150,000	150,000	150,000	-
Warehouse	250,000	97,317	97,317	-
Creative City Collaborative (CCC)	319,223	304,795	304,795	-
International Tennis Tournament	535,000	535,000	535,000	-
Legal fees	15,000	12,993	12,993	-
	<u>3,884,223</u>	<u>1,240,302</u>	<u>1,240,302</u>	<u>-</u>
Green Market				
Personnel and staff	7,000	7,578	7,578	-
Entertainment/vendors	6,000	6,375	6,375	-
Supplies and materials	5,250	1,803	1,803	-
Administration and operations	683	615	615	-
Signs, banners and advertising	10,000	13,876	13,876	-
	<u>28,933</u>	<u>30,247</u>	<u>30,247</u>	<u>-</u>
<i>Total Community Improvement and Economic Development</i>	<u>6,829,571</u>	<u>3,816,251</u>	<u>3,816,251</u>	<u>-</u>
Total Economic Development	16,113,034	7,420,862	7,301,228	119,634
Debt service				
Tax exempt bond principal and interest	1,920,464	1,888,485	1,888,485	-
Taxable bond principal and interest	201,000	219,072	219,072	-
Loan principal and interest	156,366	179,326	179,326	-
Bond issue costs	-	-	30,775	(30,775)
Total Debt Service	<u>2,277,830</u>	<u>2,286,883</u>	<u>2,317,658</u>	<u>(30,775)</u>
Total Expenditures	<u>19,470,580</u>	<u>10,814,684</u>	<u>10,738,885</u>	<u>75,799</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 5,699,408</u>	<u>\$ 2,175,626</u>	<u>\$ (3,523,782)</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2012

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. Expenditures may not legally exceed budgeted appropriations for the CRA in total.

The adopted budget is prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). The General Fund budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budget during the year. Unexpended appropriations lapse at year end. The CRA made amendments of approximately \$5.6 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, 2012

ASSETS

Cash	\$	35,821
Accounts receivable		<u>183</u>

Total Assets	\$	<u><u>36,004</u></u>
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LIABILITY

Unearned income	\$	220
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NET ASSETS

Unrestricted		<u>35,784</u>
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Total Liabilities and Net Assets	\$	<u><u>36,004</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, 2012

REVENUES

Assessments	\$	13,493
Interest income		<u>1</u>

Total Revenues		13,494
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EXPENSES

Condominium properties		<u>14,381</u>
------------------------	--	---------------

Change in Net Assets		(887)
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Net assets at October 1, 2011		<u>36,671</u>
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Net assets at September 30, 2012	\$	<u><u>35,784</u></u>
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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2012

OPERATING ACTIVITIES

Change in net assets	\$	(887)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Decrease in accounts receivable		4,154
Increase in unearned income		220
		<hr/>
Net Cash Provided By Operating Activities		3,487
		<hr/>
Increase in Cash		3,487
Cash at October 1, 2011		<hr/>
		32,334
Cash at September 30, 2012	\$	<u><u>35,821</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments				
Delray Beach Community Redevelopment Agency	\$ 7,480	\$ 7,480	\$ 7,480	\$ -
City of Delray Beach	1,760	1,760	1,760	-
Delray New Wave, Inc.	1,320	1,320	1,320	-
Manimal, Inc.	1,320	1,320	1,320	-
On-Card	880	880	880	-
42 North Swinton, Inc.	733	733	733	-
Assessment Revenues	<u>13,493</u>	<u>13,493</u>	<u>13,493</u>	-
Interest income	10	10	1	(9)
Total Revenues	<u>13,503</u>	<u>13,503</u>	<u>13,494</u>	<u>(9)</u>
EXPENSES				
Current				
Landscape maintenance	2,055	2,055	3,842	(1,787)
Tree maintenance	1,285	1,285	527	758
Licenses	61	61	61	-
Water for irrigation system	1,567	1,567	1,491	76
Electric for lights	1,804	1,804	2,129	(325)
Insurance	4,149	4,149	4,149	-
Property management fee	700	700	700	-
Accounting	1,210	1,210	1,210	-
Supplies	-	-	137	(137)
Bank and filing fees	122	122	135	(13)
Total Expenses	<u>12,953</u>	<u>12,953</u>	<u>14,381</u>	<u>(1,428)</u>
Revenues Over (Under) Expenses	<u>\$ 550</u>	<u>\$ 550</u>	<u>\$ (887)</u>	<u>\$ (1,437)</u>

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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

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

We have audited 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, 2012, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency, and have issued our report thereon dated April 10, 2013. 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

Management of the Delray Beach Community Redevelopment Agency is responsible for establishing and maintaining effective 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 opinions 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 noted certain matters that we have reported to management in a separate management letter dated April 10, 2013.

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.

*Calu, Dauten, Levine,
Cohen, Porter & Veil, P.A.*

April 10, 2013



CERTIFIED PUBLIC ACCOUNTANTS

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Management Letter

To the 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, 2012, and have issued our report thereon dated April 10, 2013.

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 April 10, 2013, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

1. Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

We noted that our recommendations related to comment 2011-01 *Review, Approval and Tracking of Property Records* included in 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* dated February 29, 2012, and comments 2011-02 *Segregation of Duties in Accounts Payable* included in our management letter dated February 29, 2012, for the year ended September 30, 2011, were implemented by the CRA in the current year or no longer apply.

2. Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 CRA complied with Section 218.415, Florida Statutes.
3. Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

2012-01 Bank Reconciliation Review

The CRA's policy provides for the review of the monthly bank reconciliations by the Executive Director and initialing the bank reconciliation to document this review. We noted that most of the bank reconciliations for the year included the initials of the Executive Director, however, we also noted some bank reconciliations during the year that were not initialed. Due to the limited segregation of duties at the CRA, the review of the bank reconciliations is a critical internal control to ensure that assets are safeguarded. We recommend that CRA management review the internal controls in place for the bank reconciliation process and ensure that each reconciliation and related bank statement is reviewed each month on a timely basis.

2012-02 Bank Signature Forms

We noted that the bank signature forms were not updated for one account and included authorizations for individuals that are no longer on the CRA Board. We recommend that the CRA update the bank signature authorization form for the account and review the internal controls over this process to ensure that all Board member changes are reflected on the bank account authorizations on a timely basis.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note A to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2012.
8. Section 10.554(1)(i)7.b., Rules of the Auditor General, require that we determine whether the annual financial report for the CRA for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. The CRA is a dependent special district of the City of Delray Beach, Florida, and as such, the CRA will be included in the City's annual financial report.
9. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2012. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on the representations made by management and the review of financial

information provided by management. The results of our procedures disclosed no matters that are required to be reported.

The responses by management of the CRA to matters identified in this management letter are described in the accompanying Response to Management Letter. We did not audit the responses of the CRA and, accordingly, we express no opinion on them.

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

*Calu, Dauten, Levine,
Cohen, Porter & Veil, P.A.*

April 10, 2013

April 10, 2013

Board of Commissioners
Delray Beach Community Redevelopment Agency

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

Management Letter – Response

2012-01 – Prior to filing monthly bank reconciliations, the Finance Coordinator will check that all documents have been reviewed and initialed by the Executive Director.

2012-02 – The CRA Board approved updating the bank signature forms on March 14, 2013 and the CRA is in the process of updating. Appropriate bank signature forms will be updated when the CRA board roster changes.

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 and Operations Director