

**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, 2016**



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

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CERTIFIED PUBLIC ACCOUNTANTS

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

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY FINANCIAL INFORMATION

September 30, 2016

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Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 4 through 9 and the *budgetary comparison schedule* on pages 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delray Beach Community Redevelopment Agency's basic financial statements. The *other supplementary information* on pages 40 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *other supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017 on our consideration of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

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

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

West Palm Beach, Florida  
March 22, 2017

## 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, 2016.

### Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$33,358,858 (*net position*).
- The CRA's total net position increased \$1,068,602. Substantially all of this increase is attributable to tax increment revenue in excess of redevelopment expenses due to the timing of CRA projects.
- As of the close of the current fiscal year, the CRA's General Fund reported ending fund balance of \$8,574,782, a decrease of \$1,988,744. Fund balance of \$2,773,137 or 32% is nonspendable for long-term receivables, and \$5,005,000 or 58% was assigned to the subsequent year's budget, and \$796,645 is unassigned.
- The CRA's total noncurrent liabilities decreased by \$1,751,572 during the current fiscal year due to scheduled debt repayments.

### Overview of the Financial Statements

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

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

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

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

The government-wide financial statements present functions of the CRA that are principally supported by tax increment revenues (*governmental activities*). The governmental activities of the CRA include general government, property management and economic development. The CRA has no business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the CRA itself (known as the *primary government*), but also one legally separate not-for-profit organization for which the CRA is financially accountable (known as a *component unit*), the Block 60 Parking Condominium Association, Inc. Financial information for the component unit is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 to 32 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's budget to actual results for the General Fund for the current year. The CRA adopts an annual appropriated budget for its General Fund, for which a budgetary comparison schedule has been provided on pages 33 to 39 to demonstrate compliance with this budget. In addition, separate financial statements for the CRA's component unit, the Block 60 Parking Condominium Association, Inc. are presented as other supplementary information on pages 40 to 43.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$33,358,858 at the close of the most recent fiscal year.

Approximately 83% of the CRA's net position reflects its net investment in capital assets (e.g., land, improvements and equipment). The CRA uses these capital assets for economic development; consequently, these assets are *not* immediately available for future spending, however, certain of the capital assets may be sold for private development in the future and the proceeds used for additional redevelopment projects or repayment of the related debt. Although the CRA's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt may be provided from the sale of certain capital assets, as well as future tax increment revenues and other income.

The CRA's net position at September 30, 2016 and 2015, are summarized below:

**Net Position  
September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current and other assets	\$ 10,492,719	\$ 11,205,123
Capital assets	<u>34,513,530</u>	<u>33,215,216</u>
Total assets	<u>\$ 45,006,249</u>	<u>\$ 44,420,339</u>
<b>Liabilities</b>		
Noncurrent liabilities	\$ 9,659,173	\$ 11,410,745
Other liabilities	<u>1,988,218</u>	<u>719,338</u>
Total liabilities	<u>\$ 11,647,391</u>	<u>\$ 12,130,083</u>
<b>Net position</b>		
Net investment in capital assets	\$ 27,745,709	\$ 25,057,242
Unrestricted	<u>5,613,149</u>	<u>7,233,014</u>
Total net position	<u>\$ 33,358,858</u>	<u>\$ 32,290,256</u>

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 83% of the CRA's net position reflects its investment in capital assets (e.g., land, improvements and equipment). The remaining balance of net position of \$5,613,149 may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net position increased by \$1,068,602 during the current fiscal year, which represents the degree to which tax increment revenues exceeded current year expenses. There was an increase of \$3,263 in net position reported in connection with the CRA's component unit, the Block 60 Parking Condominium Association, Inc.

**Governmental activities.** Governmental activities increased the CRA's net position by \$1,068,602. Key elements of this increase are as follows.

**Changes in Net Position  
Years Ended September 30, 2016 and 2015**

<b>Revenue</b>	<u>2016</u>	<u>2015</u>
Program revenue		
Charges for services	\$ 178,009	\$ 233,733
Operating contributions and grants	226,723	172,002
General revenue		
Tax increment revenue	14,735,740	12,885,095
Interest and other income	<u>71,582</u>	<u>67,381</u>
Total revenue	15,212,054	13,358,211



	<u>2016</u>	<u>2015</u>
<b>Expenses</b>		
General government	\$ 1,364,788	\$ 1,197,365
Property management	112,662	112,662
Economic development	<u>12,666,002</u>	<u>7,375,884</u>
Total expenses	<u>14,143,452</u>	<u>8,685,911</u>
Increase in net position	1,068,602	4,672,300
Net position - beginning of year	<u>32,290,256</u>	<u>27,617,956</u>
Net position - end of year	<u>\$ 33,358,858</u>	<u>\$ 32,290,256</u>

Tax increment revenues increased by \$1,850,645 or approximately 14% for the year. Property values in the CRA's development area increased by approximately \$174 million (13%) in 2016 accounting for the majority of the increase in tax increment revenue.

General government expenses increased \$167,423 (approximately 14%) resulting from an increase in office building and office equipment expenses. Property management expense was the same as the prior year, and economic development expense increased approximately \$5,290,118 (72%) primarily due to the CRA's contribution to the West Atlantic Avenue Redevelopment Plan, Downtown Master Plan, Southwest Neighborhood Plan, Seacrest/Del-Ida Neighborhood Plan project in 2016. The CRA's economic development expense includes interest of approximately \$343,000 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 \$8,574,782, a decrease of \$1,988,744 for the year. A total of \$2,773,137 or 32% of the total fund balance is *nonspendable* to indicate that it is not available for new spending because it represents long-term receivables. In addition, there is \$5,005,000 of fund balance *assigned* for the 2016/2017 budget and unassigned fund balance of \$796,645 that is available to fund the CRA's ongoing redevelopment projects and pay its creditors.

As a measure of the General Fund's liquidity, it may be useful to compare assigned and unassigned fund balance to total fund expenditures. Assigned and unassigned fund balance at September 30, 2016, represented 34% of total General Fund expenditures for 2016.

The decrease in fund balance for the General Fund in 2016 was primarily related to deferred maintenance of the historic buildings on the Old School Square campus and the beautification of NE 2<sup>nd</sup> Avenue in the Seacrest/Del-Ida Park Neighborhood.

## General Fund Budgetary Highlights

During 2016, revenues and other financing sources were less than final budgetary estimates by approximately \$2.2 million, which was the amount of prior year fund balance carried forward. There was a decrease of approximately \$11.9 million from the original budgeted expenditures to the final amended budget for the year; attributable primarily to certain economic development projects that did not take place in 2016 as originally anticipated. Overall, total expenditures were approximately \$232,000 less than the final budgeted appropriations for the year ended September 30, 2016. This was largely due to expenditures being under budget for land acquisition costs on West Atlantic Avenue.

## Capital Asset and Debt Administration

**Capital assets.** The CRA's investment in capital assets as of September 30, 2016, amounts to \$34,513,530 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, furniture and fixtures. The net increase in the CRA's investment in capital assets for the current fiscal year was \$1,302,314. Major capital asset transactions during 2016 consisted of capital outlay expenditures of approximately \$1.4 million for acquisition of property in the West Atlantic Avenue area and \$107,000 for acquisition of property in the Southwest neighborhood area and reductions of approximately \$129,000 related to sales and disposals of various properties and depreciation of approximately \$136,000. Capital assets at September 30, 2016 and 2015 are summarized as follows:

	<b>Capital Assets</b> (net of accumulated depreciation)	
	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 31,883,097	\$ 30,456,081
Buildings, improvements and equipment	<u>2,630,433</u>	<u>2,759,135</u>
Total assets	<u>\$ 34,513,530</u>	<u>\$ 33,215,216</u>

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

**Noncurrent Liabilities.** At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$6,139,225, which were secured by a pledge of the tax increment revenues received by the CRA. The CRA also had loans payable to the City of Delray Beach totaling \$3,519,948 for the U.S. Highway 1 project and acquisition of property rights for the former library site. Noncurrent liabilities at September 30, 2016 and 2015, are summarized as follows:

	<b>Noncurrent Liabilities</b>	
	<u>2016</u>	<u>2015</u>
Revenue bonds	\$ 6,139,225	\$ 7,289,225
Notes payable to the City of Delray Beach	<u>3,519,948</u>	<u>4,121,520</u>
Total noncurrent liabilities	<u>\$ 9,659,173</u>	<u>\$ 11,410,745</u>

The CRA's total noncurrent liabilities decreased by \$1,751,572 (15%) during the current fiscal year due to scheduled payments on the bonds and notes. There are no legal or statutory debt limitations for the CRA.

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

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

The following economic factors were considered in establishing the CRA's budget for the 2016/2017 fiscal year.

- The property valuations in the CRA district increased approximately \$174 million in 2016, which is an increase of approximately 13 percent. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2016 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund decreased in 2016 by approximately \$1,979,552 due primarily to acquisitions of property in the West Atlantic Avenue area, beautification projects in the West Atlantic Avenue and Seacrest/Del-Ida Park neighborhoods, and deferred maintenance of the historic structures on the Old School Square campus. The CRA has assigned approximately \$5.0 million of the fund balance at September 30, 2016, to the 2016-2017 budget for ongoing projects.
- The occupancy rate of the CRA's central business district on East Atlantic Avenue has remained high for several years.
- Inflationary and economic trends in the area compare favorably to national indices.

All of these factors were considered in preparing the CRA's budget for the 2016/2017 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the CRA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director at 20 N. Swinton Avenue, Delray Beach, Florida, 33444.

## **BASIC FINANCIAL STATEMENTS**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET POSITION

September 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,661,070	\$ 43,187
Accounts receivable		
City of Delray Beach	29,134	-
Grants and other	9,492	-
Notes receivable		
City of Delray Beach	50,000	-
Delray Beach Community Land Trust	441,249	-
Delray Beach Chamber of Commerce	218,004	-
Prime Delray Hotel, LLC	1,500,000	-
Second mortgage loans	563,884	-
Other assets	19,886	-
Capital assets		
Capital assets not being depreciated	31,883,097	-
Depreciable capital assets, net	2,630,433	-
Total Assets	<u>45,006,249</u>	<u>43,187</u>
<b>LIABILITIES</b>		
Accounts payable	509,515	-
Accrued expenses	128,395	-
Due to the City of Delray Beach	1,319,273	-
Contract retainage payable	7,500	-
Unearned revenue	16,191	-
Refundable tenant and bid deposits	7,344	-
Noncurrent liabilities		
Due within one year	1,698,776	-
Due in more than one year	7,960,397	-
Total Liabilities	<u>11,647,391</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	27,745,709	-
Unrestricted	5,613,149	43,187
Total Net Position	<u>\$ 33,358,858</u>	<u>\$ 43,187</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expenses) and Changes in Net Position	
		Charges for Services	Operating Contributions and Grants	Primary Governmental Activities	Component Unit
<b>Primary Government</b>					
<b>Governmental activities</b>					
General government	\$ 1,364,788	\$ -	\$ -	\$ (1,364,788)	\$
Property management	112,662	128,244	-	15,582	
Economic development	12,666,002	49,765	226,723	(12,389,514)	
Total Primary Government	<u>\$ 14,143,452</u>	<u>\$ 178,009</u>	<u>\$ 226,723</u>	(13,738,720)	
<b>Component Unit</b>					
Block 60 Parking Condominium	<u>\$ 10,230</u>	<u>\$ 13,493</u>	<u>\$ -</u>	-	3,263
<b>General Revenue</b>					
Tax increment revenue				14,735,740	-
Interest and other income				71,582	-
Total General Revenue				<u>14,807,322</u>	<u>-</u>
Change in Net Position				1,068,602	3,263
Net position at October 1, 2015				<u>32,290,256</u>	<u>39,924</u>
Net Position at September 30, 2016				<u>\$ 33,358,858</u>	<u>\$ 43,187</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2016

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,661,070
Accounts receivable	
City of Delray Beach	29,134
Grants and other	9,492
Notes receivable	
City of Delray Beach	50,000
Delray Beach Community Land Trust	441,249
Delray Beach Chamber of Commerce	218,004
Prime Delray Hotel, LLC	1,500,000
Second mortgage loans	563,884
Other assets	19,886
	<u>19,886</u>
Total Assets	<u>\$ 10,492,719</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 509,515
Accrued items	58,114
Due to the City of Delray Beach	1,319,273
Contract retainage payable	7,500
Unearned grant revenue	16,191
Refundable tenant and bid deposits	7,344
	<u>7,344</u>
Total Liabilities	1,917,937
<b>FUND BALANCE</b>	
Nonspendable	
Long-term notes receivable	2,773,137
Assigned to	
Subsequent year's budget	5,005,000
Unassigned	796,645
	<u>796,645</u>
Total Fund Balance	8,574,782
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	34,513,530
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(70,281)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(9,659,173)</u>
Net position of governmental activities	<u>\$ 33,358,858</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, 2016

	<u>General Fund</u>
<b>REVENUES</b>	
Tax increment revenue	\$ 14,735,740
Reimbursements	226,723
Rental property income	128,244
Green Market revenue	49,765
Interest and other income	<u>71,582</u>
Total Revenues	<u>15,212,054</u>
<b>EXPENDITURES</b>	
Current	
General government	1,341,400
Economic development	12,157,958
Capital outlay	1,563,420
Debt service	
Principal	1,851,572
Interest	350,943
Bond issue costs	<u>35,525</u>
Total Expenditures	<u>17,300,818</u>
Expenditures in Excess of Revenues	(2,088,764)
<b>OTHER FINANCING SOURCES</b>	
Proceeds from sales of purchased properties	20
Issuance of revenue bonds	<u>100,000</u>
	<u>100,020</u>
Expenditures in Excess of Revenues and Other Financing Sources	(1,988,744)
Fund Balance at October 1, 2015	<u>10,563,526</u>
Fund Balance at September 30, 2016	<u><u>\$ 8,574,782</u></u>

See notes to financial statements.



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2016

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

Net change in fund balance - governmental fund \$ (1,988,744)

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

Expenditures for capital assets	\$ 1,563,420	
Net book value of disposals	(129,056)	
Current year depreciation	<u>(136,050)</u>	1,298,314

Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt repayments exceed debt additions. 1,751,572

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. 7,460

Change in net position of governmental activities \$ 1,068,602

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

**Discretely Presented Component Unit**

**Block 60 Parking Condominium Association, Inc.** - The CRA, as owner and developer of a 92 space parking lot in Block 60 of the City of Delray Beach, transferred control of the parking lot to a legally separate condominium association incorporated by the CRA as a Florida not-for-profit corporation on November 28, 2000 and governed by a six member board of directors elected by the owners of the 92 parking spaces. As owner of a majority of the parking spaces, the CRA has a majority voting interest in selecting the board of directors of the condominium association and the CRA is responsible for managing the day-to-day operations of the condominium association. The condominium association does not prepare separate audited financial statements; however, additional financial information can be obtained from the CRA.

**Jointly Governed Organization**

The CRA is a party to an agreement with the City and the Greater Delray Beach Chamber of Commerce to fund economic development programs for downtown Delray Beach through a 501(c)(6) not-for-profit organization known as the Delray Beach Marketing Cooperative (the "DBMC"). The CRA has no ongoing financial interest or financial responsibility for the DBMC. For the year ended September 30, 2016, the CRA contributed approximately \$352,000 to the joint venture.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements: The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities and report information on all non-fiduciary activities of the CRA and its component unit. These statements include separate columns for the *governmental activities* of the CRA, which are normally supported by tax increment and intergovernmental revenue, and the activity of the legally separate *component unit* for which the CRA is financially accountable as the primary government. The CRA has no *business-type activities*. The Statement of Net Position presents the financial condition of the CRA, including all long-term assets and receivables as well as all long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenue* includes three categories of transactions: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) operating grants and contributions; and, (3) capital grants and contributions. Tax increment revenue and other items not meeting the definition of program revenue are reported as *general revenue*. The CRA does not allocate indirect expenses.

Fund Financial Statements: The underlying accounting system of the CRA is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The CRA utilizes only one fund, the *General Fund*, which is classified as a *governmental* fund and accounts for all financial resources of the CRA as follows:

**Governmental Fund Financial Statements** – Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balance as presented in these statements, to the net position and changes in net position presented in the government-wide financial statements.

Measurement Focus and Basis of Accounting: The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Tax increment revenues are recognized as revenues in the year for which they are levied. Grants are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The CRA considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment revenues, intergovernmental revenues, rents and charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the CRA.

Cash and Cash Equivalents: Cash and cash equivalents consist of petty cash and amounts on deposit in interest and non-interest bearing 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, 2016, management considers all receivables to be fully collectible.

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

Capital Assets: The CRA has reported all capital assets in the government-wide statement of net position. Capital assets are defined by the CRA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenditures, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the change in net position. Depreciation is computed on all reported capital assets, except land and improvements, using the straight-line method over the assets' estimated useful lives. The estimated useful life of equipment, furniture and fixtures is 3 to 7 years and buildings are 20 to 30 years.

Unearned Revenues: Unearned revenues in the Governmental Activities and General Fund include grant amounts received in advance of meeting grant eligibility requirements.

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

Deferred Outflows / Inflows of Resources: In addition to assets and liabilities, the government-wide Statement of Net Position and the governmental fund Balance Sheet may report a separate section for

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Retirement Plan: The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code Section 457. The plan allows an employee to contribute pre-tax wages into the employees' personal retirement accounts. The CRA may, at the discretion of the Board of Commissioners, make matching contributions to the participants' accounts. For the year ended September 30, 2016, the CRA made contributions of \$76,418 to the employees' accounts. The CRA is not obligated to provide other postemployment benefits to employees upon termination of employment, except for federally mandated COBRA health insurance.

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

Recent Accounting Pronouncements: The CRA implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2016:

- GASB Statement No. 72, *Fair Value Measurements and Application*, provides guidance for determining fair value measurements for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governments in conformity with GAAP and the framework for selecting those principles.

The implementation of these standards had no effect on the CRA's financial statements.

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

- GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about the reporting government's own tax abatement agreements and agreements that

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

are entered into by other governments that reduce the reporting government's tax revenues. The requirements of this statement will be effective for the fiscal year ending September 30, 2017.

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2019.
- GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefits arrangement that are fiduciary activities. The requirements of this statement will be effective for the CRA for the fiscal year ending September 30, 2020.

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, 2016, includes deposits with financial institutions with a bank balance of \$7,684,392 and a book balance of \$7,654,064 and \$250 of petty cash. For financial statement purposes cash includes an investment of \$6,756 with Florida Prime, a 2a7-like external investment pool administered by the State of Florida pursuant to statutory requirements. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a Qualified Public Depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured or collateralized in accordance with the provisions of GASB Statements. Cash balances of the component unit at September 30, 2016, are deposits with financial institutions that are fully covered by federal depository insurance.

Investments: The CRA follows the provisions of Florida Statutes for its investment policy. Florida Statutes authorize the CRA to invest in Florida Prime, an external investment pool administered by the State of Florida; money market mutual funds registered with the Securities and Exchange Commission

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

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 with a maturity in excess of 90 days that were subject to interest rate risk.

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

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

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

NOTE C - NOTES RECEIVABLE FROM CITY OF DELRAY BEACH

The CRA entered into two interlocal and multiparty agreements with the City of Delray Beach and the School Board of Palm Beach County which provide for the construction of a single family residence through construction projects of the Career Academy Program at Atlantic High School in Delray Beach, known as the Eagle Nest Program. The CRA committed to provide the initial funding for the projects in the form of a loan to the City of Delray Beach that will be repaid at the time of sale. The Eagle Nest Project 2 agreement provides for a loan to the City of Delray Beach in an amount not to exceed \$130,000 to be disbursed by the City of Delray Beach to the School District. The Eagle Nest Project 3 agreement provides for a loan to the City of Delray Beach in an amount not to exceed \$150,000 to be disbursed by the City of Delray Beach to the School District. At the time of the closing on the sale of the Eagle Nest Project



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE C - NOTES RECEIVABLE FROM CITY OF DELRAY BEACH (Continued)

2 and Eagle Nest Project 3 houses, the CRA will be repaid without interest. As of September 30, 2016 the Eagle Nest Project 2 was completed and repaid in full to the CRA. The amount loaned to the City of Delray Beach for Eagle Nest Project 3 at September 30, 2016 was \$50,000.

NOTE D - NOTES RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

Construction Mortgages: The CRA provides advances to the Delray Beach Community Land Trust, Inc. (CLT) to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2016, total advances receivable from the CLT were \$325,249, all of which is considered collectible by the CRA.

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

NOTE E - NOTE RECEIVABLE FROM DELRAY BEACH CHAMBER OF COMMERCE

In February 2013, the CRA entered into an agreement with The Greater Delray Beach Chamber of Commerce, Inc. (the "Chamber") to provide funding for the relocation of the Chamber's offices to the Old School Square Parking Garage retail office space in order to facilitate redevelopment by the CRA of the property then occupied by the Chamber (the "Chamber Property"). The agreement provided that the CRA would fund up to \$459,675 of the cost to build out the Chamber's new office space, of which the Chamber agreed to repay \$250,000 to the CRA over 15 years. The Chamber executed a promissory note to the CRA for \$250,000 payable in 180 equal monthly installments of \$1,849, including interest at 4.0%, beginning April 1, 2014, through maturity. The Chamber also executed a release and termination of its existing lease on the Chamber Property, thereby allowing the CRA to redevelop the property. At September 30, 2016 the balance of the note receivable from the Chamber was \$218,004.

NOTE F - NOTE RECEIVABLE FROM PRIME DELRAY HOTEL, LLC

On June 20, 2014, the CRA entered into an agreement to loan Prime Delray Hotel, LLC \$1.5 million for development and construction of a 4-story business class hotel on Atlantic Avenue (the "Hotel Property"). The loan accrues interest at a rate of 3% per annum. Payments of interest only on the

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

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

outstanding loan balance are payable to the CRA on the first day of each month for 60 months beginning August 1, 2014 and continuing through July 1, 2019, at which time all outstanding principal and accrued interest will be due to the CRA. The loan is collateralized by a second mortgage lien and security interest in the Hotel Property and all improvements, fixtures, and appurtenances thereto. On December 21, 2016 the \$1,500,000 loan balance was repaid in full.

NOTE G - SECOND MORTGAGE LOANS RECEIVABLE

The CRA provided home mortgage loan assistance to eligible low income individuals who qualified under the CLT or CRA home subsidy program for the purchase of a home or the rehabilitation of an existing home within the City. The home purchase or rehabilitation subsidy provided by the CRA is secured by a second mortgage on the property. The second mortgage is non-interest bearing and requires no principal payments to the CRA until the occurrence of a specified event, generally related to the sale of the property, a default on the first mortgage on the property or a default on the obligations of the second mortgage to maintain the property, provide insurance, pay all taxes and generally not permit any impairment or deterioration of the property. The CRA expects the full amount of the mortgage to be recoverable at some future, undetermined date when the property is sold or transferred to a new owner. At September 30, 2016, the amount of the individual second mortgages originated in 2008 through 2016, ranged from \$15,000 to \$85,000 and all borrowers were in compliance with the terms of the second mortgage. Second mortgage loans receivable totaled \$563,884 at September 30, 2016.

NOTE H - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2016, was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
<b>Capital assets not being depreciated</b>				
Land and improvements	\$ 30,456,081	\$ 1,556,072	\$ (129,056)	\$ 31,883,097
Total capital assets not being depreciated	30,456,081	1,556,072	(129,056)	31,883,097

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE H - CAPITAL ASSETS (Continued)

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
<b>Depreciable capital assets</b>				
Buildings and improvements	\$ 3,808,566	\$ -	\$ -	\$ 3,808,566
Equipment	107,999	4,347	-	112,346
Furniture and fixtures	<u>32,222</u>	<u>3,001</u>	-	<u>35,223</u>
Total depreciable capital assets	3,948,787	7,348	-	3,956,135
Less accumulated depreciation	<u>(1,189,652)</u>	<u>(136,050)</u>	-	<u>(1,325,702)</u>
Depreciable capital assets, net of accumulated depreciation	<u>2,759,135</u>	<u>(128,702)</u>	-	<u>2,630,433</u>
Total capital assets	<u>\$ 33,215,216</u>	<u>\$ 1,427,370</u>	<u>\$ (129,056)</u>	<u>\$ 34,513,530</u>

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 112,662
Property management	<u>23,388</u>
Total depreciation expense	<u>\$ 136,050</u>

NOTE I - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2016, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
<b>Revenue Bonds</b>					
Series 2015	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
Series 2012	2,619,225	50,000	-	2,669,225	-
Series 2004A	3,315,000	-	(780,000)	2,535,000	810,000
Series 2004B	200,000	-	(200,000)	-	-
Series 1999A	<u>1,155,000</u>	-	<u>(270,000)</u>	<u>885,000</u>	<u>280,000</u>
Total revenue bonds	7,289,225	100,000	(1,250,000)	6,139,225	1,090,000
<b>Loans Payable to the City of Delray Beach</b>					
U.S. Highway 1 project	3,252,771	-	(361,419)	2,891,352	361,419
Library property acquisition	<u>868,749</u>	-	<u>(240,153)</u>	<u>628,596</u>	<u>247,357</u>
Total loans payable	<u>4,121,520</u>	-	<u>(601,572)</u>	<u>3,519,948</u>	<u>608,776</u>
Total noncurrent liabilities	<u>\$ 11,410,745</u>	<u>\$ 100,000</u>	<u>\$ (1,851,572)</u>	<u>\$ 9,659,173</u>	<u>\$ 1,698,776</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE I - NONCURRENT LIABILITIES (Continued)

Revenue Bonds: The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2016, consisted of the following:

**Series 2015:** In January 2016, the CRA issued the Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2015, (the "Series 2015 Bond") in the amount of \$2,000,000. The Series 2015 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2015 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2015 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$2,000,000. The Series 2015 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The CRA will be able to draw down funds until the 3<sup>rd</sup> anniversary of the Closing Date (January 29, 2016). Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> at 2.78% on the outstanding principal balance, beginning April 1, 2016, through October 1, 2023, the maturity date of the Series 2015 Bond. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal will be payable in equal installments each April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with the first April 1<sup>st</sup> or October 1<sup>st</sup> occurring after the final draw date. At September 30, 2016, the outstanding balance on the Series 2015 Bond was \$50,000.

**Series 2012:** \$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2012, dated March 30, 2012. The Series 2012 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2012 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2012 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$4,000,000. The Series 2012 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The original final draw date was March 30, 2015 with interest payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup> at 2.10% on the outstanding principal balance. In December 2015, the draw-down period and interest only period were modified and extended through October 1, 2018, allowing the CRA to draw the remaining \$1,300,000 balance on the 2012 Bonds at the revised rate of 2.78%. Interest is tax-exempt to the bondholder for federal income tax purposes. Interest under the modified agreement is also due on April 1<sup>st</sup> and October 1<sup>st</sup> through October 1, 2018. Principal will be payable in equal installments each April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with the first April 1<sup>st</sup> or October 1<sup>st</sup> occurring after the final draw date. At September 30, 2016, the outstanding balance on the Series 2012 Bond was \$2,669,225.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE I - 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. The Series 2004B Bond was paid in full at September 30, 2016.

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

Principal Maturities: Principal maturities of the outstanding tax increment redevelopment revenue bonds with scheduled maturities at September 30, 2016 (excluding the Series 2012 and 2015 Bonds on which the principal repayment schedule will not be determined until after the final draw date), were as follows:

<u>Year Ending September 30,</u>	<u>Revenue Bond, Series 2004A</u>	<u>Revenue Bond, Series 1999A</u>
2017	\$ 810,000	\$ 280,000
2018	845,000	295,000
2019	<u>880,000</u>	<u>310,000</u>
	<u>\$ 2,535,000</u>	<u>\$ 885,000</u>

Loans Payable to the City of Delray Beach: The outstanding loans payable to the City of Delray Beach by the CRA at September 30, 2016, consisted of the following:

**U.S. Highway 1 Project:** The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the U.S. Highway 1 project planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. Thereafter, the CRA pays the City an amount equal to the principal and interest on the CRA's share of the funding for a period of twelve years. Principal on the loan is payable by the CRA semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> in the amount of \$180,709, commencing December 1, 2014 through maturity on June 1, 2024.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE I - NONCURRENT LIABILITIES (Continued)

Interest is payable semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> at 3.25% on the outstanding principal balance, commencing December 1, 2014.

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

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

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 608,776	\$ 77,588	\$ 686,364
2018	616,197	70,167	686,364
2019	487,880	62,524	550,404
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022-2024	<u>1,084,257</u>	<u>176,190</u>	<u>1,260,447</u>
	<u>\$ 3,519,948</u>	<u>\$ 503,929</u>	<u>\$ 4,023,877</u>

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 1999, 2004, 2012, and 2015 to finance various redevelopment projects. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district as described in more detail in Note J and investment earnings thereon. Tax increment revenues were projected to produce more than 650 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2016, was \$6,504,337, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$1,459,744 and \$14,735,740, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE I - NONCURRENT LIABILITIES (Continued)

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2016, for the outstanding noncurrent liabilities with scheduled maturities (excluding the Series 2012 and 2015 Bonds) are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,698,776	\$ 229,028	\$ 1,927,804
2018	1,756,197	173,351	1,929,548
2019	1,677,880	115,228	1,793,108
2020	361,419	58,730	420,149
2021	361,419	58,730	420,149
2022-2024	<u>1,084,257</u>	<u>176,190</u>	<u>1,260,447</u>
	<u>\$ 6,939,948</u>	<u>\$ 811,257</u>	<u>\$ 7,751,205</u>

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2016, were \$343,483 and \$350,943, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

NOTE J - TAX INCREMENT REVENUES

Tax increment revenues are the primary source of revenue for the CRA. Tax increment revenue is collected from the two governmental entities that levy property taxes within the legally defined redevelopment area of the CRA, the City of Delray Beach and Palm Beach County. The tax increment revenue is calculated by applying the adopted millage rate of each governmental entity to the increase in current year taxable assessed valuations over the 1985 base year assessed valuations for all properties located within the CRA boundaries.

Each governmental entity is required to pay 95% of these incremental property taxes to the CRA. The increase in assessed valuations of property within the CRA boundaries over the 1985 base year valuations is presumed to be the result of the redevelopment efforts of the CRA. The tax base of the CRA is the layer of assessed valuations of properties over the 1985 base year assessed valuations, but does not include any portion of the base. The assessed value of properties subject to incremental property taxes for the year ended September 30, 2016, was as follows:

Assessed property value as of January 1, 2015	\$ 1,556,195,058
Assessed property value for 1985 base year	<u>(245,631,067)</u>
Assessed property value subject to incremental property tax	<u>\$ 1,310,563,991</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE K - RELATED PARTY TRANSACTIONS

City of Delray Beach: The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2016, the CRA's tax increment revenues include \$8,791,322 received from the City. CRA expenditures for the year ended September 30, 2016, include charges of \$2,750,993 for contractual and other services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$4,260,445 for construction services related to redevelopment projects, \$400,000 for the downtown shuttle, and \$550,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$122,000 in reimbursements from the City for various projects.

At September 30, 2016, the CRA had accounts receivable due from the City of \$29,134, notes receivable of \$50,000, accounts payable to the City of \$1,319,273 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$3,519,948.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2016, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

NOTE L - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessor: The CRA had the following lease commitments as lessor at September 30, 2016:

**Factual Multi Services, LLC:** The CRA entered into an agreement to lease the property located at 135 NW 5<sup>th</sup> Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment for a three year period commencing January 10, 2014. The lease was extended through January 9, 2018. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$100,000 at September 30, 2016.

**Delray Beach Housing Group:** On September 11, 2011 the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the CLT on September 22, 2011 for the Palm Manor apartments and on June 27, 2013 for the SW 12<sup>th</sup> Avenue Duplexes. Each agreement provides for an annual rental payment to the CRA of \$1 and that the lessees will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the properties. The term of each agreement is for five years with one renewal option for an additional five year period. All three leases were renewed through September 22, 2021. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$5,580,000 at September 30, 2016.

**Prime Delray Hotel:** On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40 year term. The Company will develop, construct and operate a 4-story business class hotel on the property. The lease agreement



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

provides for the Company to pay the CRA an annual base rent of \$1 for years 1 through 5 and thereafter a contingent rental of 2% of gross room sales for years 6 through 10 and increasing by 1% for each five year period thereafter until reaching 5% for years 21 to 40. For years 5 through 25, the Company has the right to purchase the property from the CRA at a price based on the average of two independent appraisals; one obtained by the CRA and the second by the Company. The carrying value of the leased property at September 30, 2016 was approximately \$2,420,000.

**BRP Senior Housing, LLC:** On December 4, 2014, the CRA entered into an agreement to lease the property located at 186 NW 5<sup>th</sup> Avenue to BRP Senior Housing, LLC for \$1,833 per month for a two year period commencing on December 5, 2014. Parties may extend the term of the lease for three additional one year terms upon the execution of an amendment. The lease was extended through April 1, 2017. The carrying value of the leased property at September 30, 2016 was approximately \$250,000.

**Monogram Closet:** On April 23, 2015, the CRA entered into an agreement to lease the property located at 182 NW 5<sup>th</sup> Ave to Monogram Closet Incorporated. The lease term is for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 with an increase of \$1 per square foot each year thereafter for years two through four, respectively. The parties may extend the terms of the lease for three additional one year terms upon execution of an amendment. The carrying value of the leased property at September 30, 2016 was approximately \$380,000.

The total carrying value of leased property listed above was approximately \$8,730,000 at September 30, 2016. Depreciation expense is not recorded on redevelopment properties that are currently held for sale. At September 30, 2016, all properties were held for sale, except for that leased to the Delray Beach Housing Group. Rental income for 2016 totaled \$128,244. Future annual minimum rental income is as follows: 2017 - \$53,965; 2018 - \$30,954; 2019 - \$20,666.

Contract Commitments: At September 30, 2016, the CRA had outstanding contract commitments consisting of the following:

<u>Project</u>	<u>Total Project Authorization</u>	<u>Expended Through September 30, 2016</u>	<u>Retainage Payable at September 30, 2016</u>	<u>Remaining Commitment at September 30, 2016</u>
Arts Warehouse Project	\$ 2,432,487	\$ 260,102	\$ 7,500	\$ 2,164,885
NW/SW Neighborhood Alleys	125,839	40,873	-	84,966
Downtown Core Parking Study	21,730	19,438	-	2,292
Housing Study	<u>15,000</u>	<u>9,875</u>	<u>-</u>	<u>5,125</u>
Total contract commitments	<u>\$ 2,595,056</u>	<u>\$ 330,288</u>	<u>\$ 7,500</u>	<u>\$ 2,257,268</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

The CRA also entered into an interlocal agreement with the City of Delray Beach to provide funding for certain construction projects and related professional services totaling \$9,303,570 for the year ending September 30, 2017.

Grant Funding Commitments: The CRA entered into grant agreements to provide future funding for various economic redevelopment purposes. The grant funding commitments of the CRA totaled \$3,999,087, at September 30, 2016, and are summarized as follows:

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

**KCMCL Pineapple Grove, LLC:** Development Infrastructure Assistance Grant for the development and construction of a 134-room Hyatt Place Hotel in the Pineapple Grove Arts District. The grant is for eligible project costs up to \$431,619. The CRA will reimburse the developer in equal annual installments over a ten year period, provided that the annual payment shall not exceed 50% of the actual tax increment revenues attributable to the project for that year. Payments will be made by the CRA on February 1<sup>st</sup> of each year. Payments of \$43,162 were made under the grant for 2014, 2015 and 2016.

**Other Organizations:**

The CRA also entered into grant agreements with the following organizations to provide funding for their operations during the year ending September 30, 2017:

City of Delray Beach - International Tennis Championships	\$	993,780
City of Delray Beach - Irrigation and landscape maintenance		75,000
City of Delray Beach - Downtown Roundabout Trolleys		450,000
City of Delray Beach - Code Enforcement Officers		42,000
Delray Beach Community Land Trust, Inc.		188,075
Delray Beach Public Library Association, Inc.		442,250
Delray Beach Historical Society		125,000
Delray Beach Center for the Arts, Inc.		662,500
Creative City Collaborative, Inc.		275,000
EPOCH, Inc.		<u>111,000</u>

Total grant commitments     \$     3,364,605

Loan Commitment to Village Square Elderly, Ltd.: On November 8, 2011 the CRA issued a Loan Commitment to Village Square Elderly, Ltd. (Village Square) for a \$2.7 million, 20 year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse (the "Property"). In accordance with the promissory note dated July 17, 2014, the loan will be non-interest bearing for the first ten years and for years eleven through twenty, the loan will accrue interest at 3.0%. Payments of principal only shall commence on the first anniversary date of the loan and are due annually thereafter until the tenth anniversary date of the loan. Commencing on the tenth anniversary date of the loan and annually

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

thereafter, principal and interest will be payable to the CRA in an amount equal to the remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan will mature twenty years from the loan closing date, at which time all outstanding principal and accrued interest will be due to the CRA. The loan is collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The CRA will not disburse any funds under the agreement until Village Square has received all moneys from the Tax-Exempt Bonds and the Equity Account of the Project Fund for the acquisition and construction of the project. There were no draws on the loan as of September 30, 2016. The project is currently under construction.

Property Acquisition: At September 30, 2016, the CRA had contracts for the purchase of redevelopment property for a total of \$250,000.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Tax increment revenue				
City of Delray Beach	\$ 8,814,103	\$ 8,791,322	\$ 8,791,322	\$ -
Palm Beach County	5,968,565	5,944,418	5,944,418	-
Total Tax Increment Revenue	14,782,668	14,735,740	14,735,740	-
Reimbursements				
Reimbursements from City of Delray Beach	135,000	122,425	122,425	-
Other reimbursements	-	104,298	104,298	-
Total Reimbursements	135,000	226,723	226,723	-
Rental property income	76,000	128,244	128,244	-
Green Market revenue	65,000	49,765	49,765	-
Interest income	18,000	15,376	15,376	-
Loan interest	63,000	53,851	53,851	-
Other income	700	2,355	2,355	-
Total Revenues	15,140,368	15,212,054	15,212,054	-
<b>OTHER FINANCING SOURCES</b>				
Issuance of revenue bonds	2,838,021	100,000	100,000	-
General Fund carryforward fund balance	7,605,448	2,221,067	-	(2,221,067)
Land sales	3,800,000	20	20	-
Total Other Financing Sources	14,243,469	2,321,087	100,020	(2,221,067)
<b>Total Revenues and Other Financing Sources</b>	<b>29,383,837</b>	<b>17,533,141</b>	<b>15,312,074</b>	<b>(2,221,067)</b>
<b>EXPENDITURES</b>				
<b>General government</b>				
Personnel				
Salaries	980,000	844,469	844,469	-
Payroll taxes	80,000	65,370	65,370	-
Health and dental insurance	125,000	83,553	83,553	-
Retirement contribution	70,000	76,418	76,418	-
Travel allowance	7,020	7,020	7,020	-
Cell allowance	7,000	5,070	5,070	-
	1,269,020	1,081,900	1,081,900	-
Supplies and materials				
Office supplies	7,500	6,618	3,586	3,032
Postage/express mail	2,500	3,300	3,300	-
	10,000	9,918	6,886	3,032

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>General government (continued)</b>				
Office space				
Storage	\$ 3,000	\$ 3,016	\$ 3,016	\$ -
Maintenance	30,000	10,651	10,651	-
Telephone	6,500	4,843	4,843	-
Utilities	5,500	4,661	4,661	-
Security	2,500	1,418	1,418	-
	<u>47,500</u>	<u>24,589</u>	<u>24,589</u>	<u>-</u>
Administration/Operations				
Accounting	24,000	24,000	24,000	-
Legal	50,000	61,094	61,094	-
Contractual services	70,000	85,044	85,044	-
Printing	4,000	3,904	3,904	-
Publications/subscriptions	1,000	555	555	-
Advertising	7,000	3,679	3,679	-
Bank services	2,000	343	343	-
Organization/member dues	7,500	7,085	7,085	-
Public relations and communication	3,000	1,131	1,131	-
Insurance: commercial, D&O	17,000	15,082	15,082	-
Meetings	2,500	397	397	-
Seminars and workshops	9,000	8,395	8,395	-
Travel	9,000	5,220	4,395	825
	<u>206,000</u>	<u>215,929</u>	<u>215,104</u>	<u>825</u>
Equipment, property and maintenance				
Computer equipment and supplies	2,000	1,320	1,320	-
Equipment rentals	8,000	7,928	7,928	-
Repairs and maintenance	1,500	468	468	-
Furniture and fixtures	1,000	-	-	-
Office equipment	17,000	10,553	10,553	-
	<u>29,500</u>	<u>20,269</u>	<u>20,269</u>	<u>-</u>
<b>Total General Government</b>	<b>1,562,020</b>	<b>1,352,605</b>	<b>1,348,748</b>	<b>3,857</b>
<b>Economic Development</b>				
<i>Areawide and Neighborhood Plans</i>				
Osceola Neighborhood Plan				
Alleys	175,000	246,889	246,889	-
Business Area Revitalization	800,000	-	-	-
Legal Fee - Osceola Plan	3,000	-	-	-
	<u>978,000</u>	<u>246,889</u>	<u>246,889</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development (continued)</b>				
<i>Areawide and Neighborhood Plans (continued)</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	\$ 2,000,000	\$ 1,466,339	\$ 1,238,782	\$ 227,557
W Atlantic Ave Redevelopment Plan Update	150,000	487	486	1
Project development and implementation	25,000	7,946	7,946	-
Legal fees	50,000	42,329	42,329	-
Beautification - NW 12th Ave	700,000	1,088,623	1,088,623	-
SW 6th, 7th, 8th, & 9th Ave	200,000	-	-	-
Block 8 Alley	120,000	-	-	-
Beautification - West Atlantic (Median)	200,000	190,000	190,000	-
	<u>3,445,000</u>	<u>2,795,724</u>	<u>2,568,166</u>	<u>227,558</u>
Downtown Master Plan				
OSS Facility	1,200,000	-	-	-
OSS Building Maintenance	300,000	1,287,312	1,287,312	-
Old Library Site Redevelopment	25,000	-	-	-
SE/NE 1st Street 2 Way Conversion	250,000	1,000	1,000	-
E Atlantic Ave Pedestrian Improvements	30,000	-	-	-
Downtown Trolley	400,000	400,000	400,000	-
Parking Mgmt Atl/E 2nd Ave Crosswalk	400,000	9,134	9,134	-
Project Development/Implementation	20,000	-	-	-
Veterans Park	200,000	108,093	108,093	-
NE 3rd St/ Ave Alley Improvements	1,000,000	192,254	192,254	-
Downtown Core Parking Analysis	30,000	29,701	29,701	-
Swinton and Atlantic Intersection	200,000	-	-	-
MLK Jr. Drive Phase II	320,000	284,128	284,128	-
SE 4th Ave Beautification	600,000	-	-	-
Legal fees	10,000	10,714	10,714	-
	<u>4,985,000</u>	<u>2,322,336</u>	<u>2,322,336</u>	<u>-</u>
Southwest Neighborhood Plan				
Village Square Elderly	2,700,000	-	-	-
Project Development/Implementation	5,000	-	-	-
SW 12th Ave	200,000	-	-	-
SW 12th Avenue Duplexes	180,000	180,866	180,865	1
SW 14th Avenue Beautification	300,000	27,940	27,940	-
SW 2nd Street Beautification	200,000	9,370	9,370	-
Block 32 Alley	100,000	77,615	77,615	-
Merritt Park	450,000	411,711	411,711	-
Block 63 Alley	100,000	-	-	-
Legal fees	40,000	25,886	25,886	-
	<u>4,275,000</u>	<u>733,388</u>	<u>733,387</u>	<u>1</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development</b> (continued)				
<i>Areawide and Neighborhood Plans</i> (continued)				
N Federal Highway Redevelopment				
Federal Highway Plan Update	\$ 50,000	\$ -	\$ -	\$ -
Legal Fees	1,000	-	-	-
	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Seacrest/Del-Ida Neighborhood Plan				
NE 2nd Ave/Seacrest Boulevard	800,000	1,270,467	1,270,467	-
	<u>800,000</u>	<u>1,270,467</u>	<u>1,270,467</u>	<u>-</u>
Other				
Land Acquisitions	200,000	-	-	-
Bus Shelter/Neighborhood Enhancement	2,500	-	-	-
Streets and alley improvements	300,000	299,517	299,517	-
NW/SW Neighborhood Alley	100,000	40,873	40,873	-
Miscellaneous predevelopment costs	5,000	122	122	-
Legal fees	2,500	1,151	1,151	-
	<u>610,000</u>	<u>341,663</u>	<u>341,663</u>	<u>-</u>
<b>Total Areawide and Neighborhood Plans</b>	<b>15,144,000</b>	<b>7,710,467</b>	<b>7,482,908</b>	<b>227,559</b>
<b>Redevelopment Projects</b>				
NW/SW 5th Avenue Beautification				
NW 5th Ave Entrance Feature	100,000	-	-	-
NW 5th Ave	400,000	77,995	77,995	-
Block 20 Alley Improvements	75,000	-	-	-
Project development	5,000	-	-	-
Legal fees	10,000	974	974	-
	<u>590,000</u>	<u>78,969</u>	<u>78,969</u>	<u>-</u>
Affordable/Workforce Housing Program				
Relocations	15,000	6,689	5,860	829
Subsidies - Affordable Housing	150,000	-	-	-
Land acquisitions - CLT	300,000	385,471	385,471	-
Community Land Trust (CLT)	175,000	174,487	174,487	-
Housing Study	50,000	9,875	9,875	-
Legal fees	10,000	14,197	14,197	-
	<u>700,000</u>	<u>590,719</u>	<u>589,890</u>	<u>829</u>

(Continued)



DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development (continued)</b>				
<i>Redevelopment Projects (continued)</i>				
Redevelopment Sites				
Maintenance	\$ 100,000	\$ 79,764	\$ 79,764	\$ -
Business Relocation	30,000	-	-	-
Project Development / Implementation	2,500	-	-	-
Property insurance	100,000	103,446	103,446	-
Property taxes	75,000	68,695	68,695	-
Legal fees	5,000	1,086	1,086	-
Water	14,000	9,648	9,648	-
Utilities	20,000	26,213	26,213	-
Block 60 Parking Lots	8,000	7,478	7,478	-
	<u>354,500</u>	<u>296,330</u>	<u>296,330</u>	<u>-</u>
Carver Square Neighborhood				
Remediation and site development	10,000	-	-	-
SW 2nd Terrace	65,000	65,000	65,000	-
Legal fees	6,000	299	299	-
	<u>81,000</u>	<u>65,299</u>	<u>65,299</u>	<u>-</u>
<b>Total Redevelopment Projects</b>	<b>1,725,500</b>	<b>1,031,317</b>	<b>1,030,488</b>	<b>829</b>
<i>Community Improvement and Economic Development</i>				
Grant Programs				
Curb Appeal Assistance Grant	35,000	-	-	-
Site & Grants	340,000	165,462	165,462	-
Bus Assistance Startup	40,000	-	-	-
Paint-Up Assistance Grants	40,000	13,129	13,129	-
Community Activities	3,000	5,250	5,250	-
Historic Façade Grants	75,000	-	-	-
	<u>533,000</u>	<u>183,841</u>	<u>183,841</u>	<u>-</u>
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	351,510	351,510	351,510	-
	<u>351,510</u>	<u>351,510</u>	<u>351,510</u>	<u>-</u>
City Contractual Services				
City Demolition	50,000	-	-	-
Planning, IT and parking manager	110,000	110,000	110,000	-
Housing Rehab	38,470	38,470	38,392	78
Streetscape Maintenance	75,000	38,704	38,704	-
Clean & Safe program	2,324,280	2,324,280	2,324,280	-
Project Engineer	97,557	94,542	94,542	-
Neighborhood Planner (Resource Center)	41,060	40,723	40,723	-
	<u>2,736,367</u>	<u>2,646,719</u>	<u>2,646,641</u>	<u>78</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Economic Development</b> (continued)				
<i>Community Improvement and Economic Development (continued)</i>				
Community Resource Enhancement				
Community Resource Enhancement	\$ 25,000	\$ 2,500	\$ 2,500	\$ -
A Guide Funding	1,225,200	1,188,066	1,188,066	-
	<u>1,250,200</u>	<u>1,190,566</u>	<u>1,190,566</u>	<u>-</u>
Economic Development Initiative				
Incentives	100,000	46,819	46,819	-
Micro-lending Programming	100,000	-	-	-
Programming	25,000	10,300	10,300	-
Warehouse	2,800,000	92,071	92,071	-
International Tennis Tournament	550,000	550,000	550,000	-
Legal fees	10,000	7,207	7,207	-
	<u>3,585,000</u>	<u>706,397</u>	<u>706,397</u>	<u>-</u>
Green Market				
Personnel and staff	87,400	87,724	87,724	-
Entertainment/vendors	11,100	9,190	9,190	-
Supplies and materials	3,495	3,250	3,250	-
Administration and operations	18,000	12,064	12,064	-
Signs, banners and advertising	12,500	9,451	9,451	-
	<u>132,495</u>	<u>121,679</u>	<u>121,679</u>	<u>-</u>
<i>Total Community Improvement and Economic Development</i>	<u>8,588,572</u>	<u>5,200,712</u>	<u>5,200,634</u>	<u>78</u>
<b>Total Economic Development</b>	<b>25,458,072</b>	<b>13,942,496</b>	<b>13,714,030</b>	<b>228,466</b>
<b>Debt service</b>				
Tax exempt bond principal and interest	1,050,000	1,247,925	1,247,925	-
Taxable bond principal and interest	200,000	211,819	211,819	-
Principal and interest - US1 Improvements	420,149	420,149	420,149	-
Principal and interest - Former Chamber Site	628,596	266,215	266,215	-
City National Line of Credit (Series 2012 bonds)	100,000	56,407	56,407	-
Bond issue costs	-	35,525	35,525	-
	<u>-</u>	<u>35,525</u>	<u>35,525</u>	<u>-</u>
<b>Total Debt Service</b>	<u>2,398,745</u>	<u>2,238,040</u>	<u>2,238,040</u>	<u>-</u>
<b>Total Expenditures</b>	<u>29,418,837</u>	<u>17,533,141</u>	<u>17,300,818</u>	<u>232,323</u>
<b>Net Change in Fund Balance</b>	<u>\$ (35,000)</u>	<u>\$ -</u>	<u>\$ (1,988,744)</u>	<u>\$ (1,988,744)</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2016

NOTE A - BUDGETARY ACCOUNTING

The General Fund adopted budget is prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), except that non-cash exchange transactions are not budgeted and loans to various entities are recorded as expenditures. The CRA Board of Commissioners must approve changes or amendments at the cost center level and to the total budgeted expenditures of the CRA. Expenditures may not legally exceed budgeted appropriations for the CRA for each cost center or in total.

The General Fund budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budget during the year. Unexpended appropriations lapse at year end. The CRA made amendments of approximately \$11.9 million to reduce the budgeted appropriations during the year related primarily to construction and redevelopment projects that were not started.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as assigned fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end. There were no encumbrances outstanding at September 30, 2016.

NOTE B - BUDGET AND ACTUAL COMPARISONS

The budgetary comparison schedule for the General Fund is prepared on the basis of accounting used in preparing the appropriated budget. There were no differences between budgetary basis expenditures and GAAP basis expenditures for the year ended September 30, 2016.

**OTHER SUPPLEMENTARY INFORMATION -  
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2016

**ASSETS**

Cash

\$ 43,187

Total Assets \$ 43,187

**NET POSITION**

Unrestricted

\$ 43,187

Total Net Position \$ 43,187

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2016

**REVENUES**

Assessments \$ 13,493

**EXPENSES**

Condominium properties 10,230

Change in Net Position 3,263

Net position at October 1, 2015 39,924

Net position at September 30, 2016 \$ 43,187

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2016

**OPERATING ACTIVITIES**

Change in net position	\$	3,263
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Decrease in accounts payable		<u>(150)</u>
Net Cash Provided By Operating Activities		<u>3,113</u>
Increase in Cash		3,113
Cash at October 1, 2015		<u>40,074</u>
Cash at September 30, 2016	\$	<u><u>43,187</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments				
Delray Beach Community Redevelopment Agency	\$ 7,480	\$ 7,480	\$ 7,480	\$ -
City of Delray Beach	1,760	1,760	1,760	-
Delray New Wave, Inc.	1,320	1,320	1,320	-
Manimal, Inc.	1,320	1,320	1,320	-
Intercard Resources	880	880	880	-
42 North Swinton, Inc.	733	733	733	-
Reserves	4,178	4,178	-	(4,178)
Assessment Revenues	<u>17,671</u>	<u>17,671</u>	<u>13,493</u>	<u>(4,178)</u>
<b>EXPENSES</b>				
Current				
Landscape maintenance	1,800	1,800	1,500	300
Maintenance	5,000	5,000	-	5,000
Licenses	61	61	61	-
Water for irrigation system	2,200	2,200	534	1,666
Electric for lights	2,100	2,100	1,986	114
Insurance	4,600	4,600	4,239	361
Property management fee	1,210	1,210	1,210	-
Accounting	700	700	700	-
Total Expenses	<u>17,671</u>	<u>17,671</u>	<u>10,230</u>	<u>7,441</u>
Revenues Over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,263</u>	<u>\$ 3,263</u>



**COMPLIANCE REPORT AND  
MANAGEMENT LETTER**



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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency, and have issued our report thereon dated March 22, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delray Beach Community Redevelopment Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

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

West Palm Beach, Florida  
March 22, 2017

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



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

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Management Letter

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

**Report on the Financial Statements**

We have audited the financial statements of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 22, 2017.

**Auditor's Responsibility**

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

**Other Reports**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on Investment Compliance on our examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 22, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to address finding and recommendation 2015-001 *Recording Disposals of Properties* reported in our prior year management letter dated March 14, 2016.

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

assessing the results of our audit. We have not performed any procedures related to these reports. The Auditor General's report and follow up report can be obtained on-line at [www.Myflorida.com/audgen](http://www.Myflorida.com/audgen); or by contacting the Auditor General's office at (850) 487-9175, or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

### **Official Title and Legal Authority**

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

### **Financial Condition**

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The results of our procedures disclosed no matters that are required to be reported.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the CRA for the fiscal year ended September 30, 2016, 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, 2016. The CRA is a dependent special district of the City of Delray Beach, Florida, and as such, the CRA will be included in the City's annual financial report.

### **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the CRA provided the necessary information to the City of Delray Beach, Florida, for proper reporting within the audited financial statements of the City in accordance with Section 218.39(3)(b), Florida Statutes.

### **Other Matters**

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

2016-001 Mathematical Accuracy of Budgets

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

2016-002 Postdating of Checks

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

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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

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

West Palm Beach, Florida  
March 22, 2017



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

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Independent Accountant's Report on Investment Compliance

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

We have examined the Delray Beach Community Redevelopment Agency's (the "CRA", a component unit of the City of Delray Beach, Florida) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

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

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

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

West Palm Beach, Florida  
March 22, 2017



April 6, 2017

Board of Commissioners  
Delray Beach Community Redevelopment Agency

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

**Management Letter- Response**

**(2016-001)** – Systems have been added to the excel budget to detect mathematical errors in the formulas. A review of the added detection system will be reviewed to avoid errors by the Finance Coordinator (or assigned staff) and the Finance & Operations Director.

**(2016-002)** – Journal entries will be prepared for accrued expenses.

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

Jeff Costello  
Executive Director

Lori Hayward  
Finance & Operations Director