

**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, 2020



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

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

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY FINANCIAL INFORMATION

September 30, 2020

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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
PATRICK E. MANGAN, CPA
JAMES F. MULLEN, IV, CPA
MICHAEL J. NALEZYTY, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA
MARTIN R. WOODS, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301
STUART, FL 34994-1019
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, 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, 2020, 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 *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 26, 2021 on our consideration of the Delray Beach Community Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Delray Beach Community

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

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

West Palm Beach, Florida
March 26, 2021

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, 2020.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$55,460,217 (*net position*).
- The CRA's total net position increased \$2,010,555. 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 \$24,789,822, an increase of \$686,967. Fund balance of \$3,823,987 or 15% is nonspendable for long-term receivables; \$19,260,521 or 78% was assigned to the subsequent year's budget; and, \$1,705,314 or 7% is unassigned.
- The CRA's total noncurrent liabilities decreased by \$1,499,772 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.

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 and notes have 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 \$55,460,217 at the close of the most recent fiscal year.

Approximately 58% 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, 2020 and 2019 is summarized below:

**Net Position
September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 26,765,883	\$ 28,612,870
Capital assets	<u>36,390,977</u>	<u>36,578,631</u>
Total assets	<u>\$ 63,156,860</u>	<u>\$ 65,191,501</u>
Liabilities		
Noncurrent liabilities	\$ 5,657,865	\$ 7,157,637
Other liabilities	<u>2,038,778</u>	<u>4,584,202</u>
Total liabilities	<u>\$ 7,696,643</u>	<u>\$ 11,741,839</u>
Net position		
Net investment in capital assets	\$ 32,178,788	\$ 33,178,089
Unrestricted	<u>23,281,429</u>	<u>20,271,573</u>
Total net position	<u>\$ 55,460,217</u>	<u>\$ 53,449,662</u>

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 58% of the CRA's net position reflects its net investment in capital assets (e.g., land, improvements and equipment). The remaining balance of net position of \$23,281,429 or 42% may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net position increased by \$2,010,555 during the current fiscal year, which primarily represents the degree to which tax increment revenues exceeded current year expenses. There was an increase of \$2,462 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 \$2,010,555. Key elements of this increase are as follows.

**Changes in Net Position
Years Ended September 30, 2020 and 2019**

Revenue	<u>2020</u>	<u>2019</u>
Program revenue		
Charges for services	\$ 377,024	\$ 410,475
Operating contributions and grants	89,331	524,571
General revenue		
Tax increment revenue	23,768,504	22,176,796
Interest and other income	<u>52,327</u>	<u>57,824</u>
Total revenue	24,287,186	23,169,666

	<u>2020</u>	<u>2019</u>
Expenses		
General government	\$ 1,640,541	\$ 1,610,706
Property management	167,872	167,872
Economic development	<u>20,468,218</u>	<u>11,665,612</u>
Total expenses	<u>22,276,631</u>	<u>13,444,190</u>
Increase in net position	2,010,555	9,725,476
Net position - beginning of year	<u>53,449,662</u>	<u>43,724,186</u>
Net position - end of year	<u>\$ 55,460,217</u>	<u>\$ 53,449,662</u>

Tax increment revenues increased by \$1,591,708 or approximately 7% for the year. Property values in the CRA's development area increased by approximately \$164 million or 7% in 2020, accounting for the increase in tax increment revenue.

General government expenses increased approximately \$30,000 (2%) resulting from an increase in depreciation expense. Property management expenses remained the same, and economic development expenses increased approximately \$8,800,000 (75%) primarily due to increased expenditures in Osceola Park Neighborhood Plan and Southwest Neighborhood Plan. The CRA's economic development expenses include interest of approximately \$175,000 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 \$24,789,822, an increase of \$686,967 for the year. A total of \$3,823,987 or 15% 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 \$19,260,521 of fund balance *assigned* for the 2020/2021 budget and unassigned fund balance of \$1,705,314 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, 2020, represented 89% of total General Fund expenditures for 2020.

The approximately \$687,000 increase in fund balance for the General Fund in 2020 was primarily related to the increase in tax increment revenues of approximately \$1,592,000 which was offset by an increase in economic development expenditures, and decreases in capital outlay expenditures and debt repayments.

General Fund Budgetary Highlights

During 2020, total revenues and other financing sources were under budgetary estimates by approximately \$37,000. Overall, total expenditures were approximately \$49,000 less than the final budgeted appropriations for the year ended September 30, 2020. This was largely due to expenditures being under budget for Areawide and Neighborhood Plans and Redevelopment Projects offset by over budget expenditures in General Government. There was a decrease of approximately \$19.2 million from the original budgeted expenditures to the final amended budget for the year; attributable primarily to construction and redevelopment projects that were not started.

Capital Asset and Debt Administration

Capital assets. The CRA's investment in capital assets as of September 30, 2020, amounts to \$36,390,977 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in process, buildings and improvements, equipment, and furniture and fixtures. The net decrease in the CRA's investment in capital assets for the current fiscal year was \$187,654. Major capital asset transactions during 2020 consisted of capital outlay expenditures of approximately \$355,000 net of sales and disposals of various properties of approximately \$244,000 and depreciation of approximately \$299,000. Capital assets at September 30, 2020 and 2019 are summarized as follows:

	Capital Assets	
	(net of accumulated depreciation)	
	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 29,029,443	\$ 29,273,495
Construction in progress	474,723	161,893
Buildings and improvements, furniture and fixtures, and equipment	<u>6,886,811</u>	<u>7,143,243</u>
Total capital assets	<u>\$ 36,390,977</u>	<u>\$ 36,578,631</u>

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

Noncurrent Liabilities. At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$4,212,189, which were secured by a pledge of the tax increment revenues received by the CRA. The CRA also had a note payable to the City of Delray Beach totaling \$1,445,676 for the CRA's contribution to the City's U.S. Highway 1 project. Noncurrent liabilities at September 30, 2020 and 2019 are summarized as follows:

	Noncurrent Liabilities	
	<u>2020</u>	<u>2019</u>
Revenue bonds	\$ 4,212,189	\$ 5,350,542
Note payable to the City of Delray Beach	<u>1,445,676</u>	<u>1,807,095</u>
Total noncurrent liabilities	<u>\$ 5,657,865</u>	<u>\$ 7,157,637</u>

The CRA's total noncurrent liabilities decreased by \$1,499,772 (21%) during the current fiscal year due to scheduled payments on the bonds and notes payable. 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 H to the audited financial statements.

Economic Factors and Next Year's Budget

The following economic factors were considered in establishing the CRA's budget for the 2020/2021 fiscal year.

- The property valuations in the CRA district increased approximately \$164 million in 2020, which is an increase of approximately 7 percent. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2020 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund increased in 2020 by approximately \$2,792,000 due primarily to the increase in tax increment revenues. The CRA has assigned approximately \$19.3 million of the fund balance at September 30, 2020, to the 2020-2021 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 2020/2021 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, 2020

	Primary Government <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
ASSETS		
Cash and cash equivalents	\$ 22,900,366	\$ 10,182
Accounts receivable		
Component unit	3,455	-
Other	3,189	5,362
Notes receivable		
Delray Beach Community Land Trust	325,249	-
Delray Beach Chamber of Commerce	164,854	-
Village Square Elderly, Ltd.	2,675,000	-
Second mortgage loans	658,884	-
Other assets	34,886	-
Capital assets		
Capital assets not being depreciated	29,504,166	-
Depreciable capital assets, net	6,886,811	-
Total Assets	<u>63,156,860</u>	<u>15,544</u>
LIABILITIES		
Accounts payable	746,947	1,046
Accrued expenses	208,468	-
Due to CRA	-	3,455
Due to the City of Delray Beach	1,070,074	-
Refundable deposits and other	13,289	-
Noncurrent liabilities		
Due within one year	1,529,814	-
Due in more than one year	4,128,051	-
Total Liabilities	<u>7,696,643</u>	<u>4,501</u>
NET POSITION		
Net investment in capital assets	32,178,788	-
Unrestricted	23,281,429	11,043
Total Net Position	<u>\$ 55,460,217</u>	<u>\$ 11,043</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

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
Primary Government					
Governmental activities					
General government	\$ 1,640,541	\$ -	\$ -	\$ (1,640,541)	\$ -
Property management	167,872	345,944	-	178,072	-
Economic development	20,468,218	31,080	89,331	(20,347,807)	-
Total Primary Government	<u>\$ 22,276,631</u>	<u>\$ 377,024</u>	<u>\$ 89,331</u>	(21,810,276)	-
Component Unit					
Block 60 Parking Condominium	<u>\$ 11,031</u>	<u>\$ 13,493</u>	<u>\$ -</u>	-	2,462
General Revenue					
Tax increment revenue				23,768,504	-
Interest and other income				52,327	-
Total General Revenue				<u>23,820,831</u>	-
Change in Net Position				2,010,555	2,462
Net position at October 1, 2019				<u>53,449,662</u>	<u>8,581</u>
Net position at September 30, 2020				<u>\$ 55,460,217</u>	<u>\$ 11,043</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 22,900,366
Accounts receivable	
Block 60	3,455
Other	3,189
Notes receivable	
Delray Beach Community Land Trust	325,249
Delray Beach Chamber of Commerce	164,854
Village Square Elderly, Ltd.	2,675,000
Second mortgage loans	658,884
Other assets	<u>34,886</u>
Total Assets	<u><u>\$ 26,765,883</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 746,947
Accrued items	145,751
Due to the City of Delray Beach	1,070,074
Refundable deposits and other	<u>13,289</u>
Total Liabilities	1,976,061
FUND BALANCE	
Nonspendable	
Long-term notes receivable	3,823,987
Assigned to	
Subsequent year's budget	19,260,521
Unassigned	<u>1,705,314</u>
Total Fund Balance	<u>24,789,822</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	36,390,977
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(62,717)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(5,657,865)</u>
Net position of governmental activities	<u><u>\$ 55,460,217</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2020

		General Fund
REVENUES		
Tax increment revenue	\$	23,768,504
Reimbursements		89,331
Rental income		251,918
Interest and other income		52,327
Green Market revenue		31,080
Arts Warehouse revenue		94,026
	Total Revenues	24,287,186
EXPENDITURES		
Current		
General government		1,509,828
Economic development		20,051,187
Capital outlay		354,983
Debt service		
Principal		1,499,772
Interest		186,449
	Total Expenditures	23,602,219
	Revenues in Excess of Expenditures	684,967
OTHER FINANCING SOURCES		
Proceeds from sales of purchased properties		2,000
	Total Other Financing Sources	2,000
	Net Change in Fund Balance	686,967
Fund Balance at October 1, 2019		24,102,855
Fund Balance at September 30, 2020		\$ 24,789,822

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, 2020

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

Net change in fund balance - governmental fund \$ 686,967

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

Expenditures for capital assets	\$ 354,983	
Net book value of disposals	(244,052)	
Current year depreciation	<u>(298,585)</u>	(187,654)

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

Debt repayments		1,499,772
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In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental fund, an interest expenditure is reported when the payment is due. This is the net change in accrued interest expense.

		<u>11,470</u>
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Change in net position of governmental activities		<u><u>\$ 2,010,555</u></u>
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See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit

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

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 other 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.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The CRA considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment 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.

When both restricted and unrestricted resources are available for use, it is the CRA's policy to use restricted resources first, then unrestricted resources as they are needed.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents consist of petty cash and amounts on deposit in interest and non-interest bearing accounts with financial institutions and Florida Prime, a state administered governmental investment pool.

Other Receivables: Other receivables consist primarily of amounts due for 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, 2020, management considers all receivables to be fully collectible.

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

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

Deferred Outflows/Inflows of Resources: In addition to assets and liabilities, the government-wide Statement of Net Position and the governmental fund Balance Sheet may report a separate section for deferred outflows or deferred inflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until that time. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The CRA has no amounts reported as deferred inflows/outflows of resources on the government-wide Statement of Net Position or the governmental fund Balance Sheet at September 30, 2020.

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

Net Position - Net position of the government-wide financial statements is categorized as net investment in capital assets, restricted or unrestricted. *Net investment in capital assets* is that portion of net position that relates to the CRA's capital assets reduced by the outstanding balance of long-term debt used to

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

Retirement Plan: The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code Section 457. The plan allows an employee to contribute pre-tax wages into the employees' personal retirement accounts. The CRA may, at the discretion of the Board of Commissioners, make matching contributions to the participants' accounts. The CRA has also established

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

a 401(a) money purchase plan for the Executive Director. The CRA makes annual contributions to the plan in accordance with the Executive Director's contract. For the year ended September 30, 2020, the CRA made contributions of \$63,930 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.

Implementation of GASB Statements: There were no new Governmental Accounting Standards Board (GASB) Statements effective for the CRA for the fiscal year ended September 30, 2020.

Recent GASB Pronouncements: The GASB has issued the following Statements effective in future years that may apply to the CRA. Management has not completed its analysis of the effects, if any, of these GASB Statements on the financial statements of the CRA:

- GASB Statement No. 84, *Fiduciary Activities*, establishes guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2021.
- GASB Statement No. 87, *Leases*, addresses accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2022.
- GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statement No. 14 and No. 61*, establishes guidance regarding the reporting of a government's majority equity interest in a legally separate organization and the disclosure of financial statement information for certain component units. This Statement will be effective for the CRA for the fiscal year ending September 30, 2021.
- GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement will be effective for the CRA for the fiscal year ending September 30, 2023.
- GASB Statement No. 92, *Omnibus 2020*, addresses certain practice issues identified during implementation and application of certain GASB Statements, including 1) the effective date of GASB Statement No. 87 and Implementation Guide 2019-3 related to *Leases* for interim reports; 2) reporting of intra-entity transfers between a primary government employer and component unit

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

defined benefit pension plan; 3) the applicability of GASB Statement No. 73 to reporting assets accumulated for OPEB; 4) applicability of GASB Statement No. 84 to postemployment benefit arrangements; 5) measurement of assets and liabilities related to asset retirement obligations; 6) reporting for amounts recoverable by public entity risk pools from reinsurers or excess insurers; and 7) certain terminology references. The requirements of this Statement related to items 1) and 7) are effective for the fiscal year ending September 30, 2021 and the remaining requirements will be effective for the CRA for the fiscal year ending September 30, 2022.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the replacement of an Interbank Offered Rate (IBOR) with other reference interest rates and modifies the existing provisions for hedge accounting termination and lease modifications. This Statement will be effective for the CRA for the fiscal year ending September 30, 2022.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, addresses issues related to public-private and public-public partnership (PPP) and provides guidance for accounting and financial reporting for availability payment arrangements (APA). This Statement provides specific guidance on the accounting and financial reporting for PPP and APA transactions. This Statement will be effective for the CRA for the fiscal year ending September 30, 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. This Statement will be effective for the CRA for the fiscal year ending September 30, 2023.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, addresses the reporting of fiduciary component units without a governing board, requires that the financial burden criteria of Statement No. 84 apply only to defined benefit plans and requires Statement No. 84 to be applied to all Section 457 plans to determine whether those plans should be reported as fiduciary activities. This Statement will be effective for the CRA for the fiscal year ending September 30, 2022.

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, 2020, includes deposits with financial institutions with a bank balance of \$23,211,985 and a book balance of \$22,892,689, and petty cash of \$250. For financial statement purposes cash includes an investment of \$7,222 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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

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

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, 2020, are deposits with financial institutions that are fully covered by federal depository insurance.

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are subject to interest rate risk as a function of the length of time to maturity. The CRA's investment policy does not specifically limit the maturity of investments. The CRA had no investments with a maturity in excess of 90 days that were subject to interest rate risk.

Credit Risk: Credit risk is the risk that an issuer will not fulfill its obligations. The CRA's investment policy addresses credit risk by limiting investments to the Florida Prime fund, deposits with a financial institution meeting the requirements of a Florida qualified public depository, securities guaranteed by the U.S. Government, or securities that are fully collateralized or secured. At September 30, 2020, Florida Prime was rated AAAM by Standard and Poors. The CRA had no other investments subject to credit risk.

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

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The CRA's investment policy does not address the concentration of credit risk, although investments included only Florida Prime.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE C - NOTES RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

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, 2020, total advances receivable from the CLT were \$325,249, all of which is considered collectible by the CRA.

NOTE D - 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. The agreement was amended in October 2020, and no payments of principal or interest are due for the months of June 2020 through December 2021, with payments resuming January 1, 2022, and with a revised maturity date that was extended to October 1, 2030. Interest is waived through November 30, 2021 and begins accruing on December 1, 2021. At September 30, 2020, the balance of the note receivable from the Chamber was \$164,854.

NOTE E - NOTE RECEIVABLE FROM VILLAGE SQUARE ELDERLY, LTD.

On July 17, 2014, the CRA entered into a funding agreement with Village Square Elderly, Ltd. for \$2.7 million, with a 20 year term loan for the redevelopment of the former Carver Estates public housing project and construction of an 84-unit low income senior apartment complex, a 144-unit low income housing rental apartment complex, approximately 40 single family homes and a clubhouse (the "Property"). In accordance with the promissory note, the loan is non-interest bearing during the construction period and for the first ten years, and for years eleven through twenty, the loan will accrue interest at 3.0%. Payments of principal only commenced on the first anniversary date of the closing date of the loan (March 2020) and are due annually thereafter until the 10th anniversary of the loan. Commencing on the tenth anniversary date and annually thereafter, principal and interest will be payable annually on the outstanding principal. Payments due are 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 is collateralized by a second mortgage lien and security interest in the Property and all improvements, fixtures and appurtenances thereto. The loan matures 20 years from the closing date (July 16, 2034) at which time all outstanding principal and accrued interest will be due to the CRA. The total receivable at September 30, 2020 was \$2,675,000.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE F - 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, 2020, the amount of the individual second mortgages originated in 2008 through 2019, 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 \$658,884 at September 30, 2020.

NOTE G - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2020, was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land and improvements	\$ 29,273,495	\$ -	\$ (244,052)	\$ 29,029,443
Construction in progress	161,893	312,830	-	474,723
Total capital assets not being depreciated	29,435,388	312,830	(244,052)	29,504,166
Depreciable capital assets				
Buildings and improvements	8,838,629	11,998	-	8,850,627
Equipment	139,359	23,816	-	163,175
Furniture and fixtures	75,550	6,339	-	81,889
Total depreciable capital assets	9,053,538	42,153	-	9,095,691
Less accumulated depreciation	(1,910,295)	(298,585)	-	(2,208,880)
Depreciable capital assets, net of accumulated depreciation	7,143,243	(256,432)	-	6,886,811
Total capital assets	<u>\$ 36,578,631</u>	<u>\$ 56,398</u>	<u>\$ (244,052)</u>	<u>\$ 36,390,977</u>

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 130,713
Property management	<u>167,872</u>
Total depreciation expense	<u>\$ 298,585</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE H - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2020, are summarized as follows:

	Balance at Beginning of Year	Additions	Retirements	Balance at End of Year	Amounts Due Within One Year
Revenue Bonds					
Series 2015	\$ 1,801,510	\$ -	\$ (382,983)	\$ 1,418,527	\$ 393,979
Series 2012	<u>3,549,032</u>	<u>-</u>	<u>(755,370)</u>	<u>2,793,662</u>	<u>774,416</u>
Total revenue bonds	5,350,542	-	(1,138,353)	4,212,189	1,168,395
Loan Payable to the City of Delray Beach					
U.S. Highway 1 project	<u>1,807,095</u>	<u>-</u>	<u>(361,419)</u>	<u>1,445,676</u>	<u>361,419</u>
Total noncurrent liabilities	7,157,637	<u>\$ -</u>	<u>\$ (1,499,772)</u>	5,657,865	<u>\$ 1,529,814</u>
Current maturities	<u>(1,501,127)</u>			<u>(1,529,814)</u>	
Net long-term debt	<u>\$ 5,656,510</u>			<u>\$ 4,128,051</u>	

Revenue Bonds: The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2020, 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 did 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 was able to draw down funds until January 29, 2019, the 3rd anniversary of the Closing Date. Interest is payable semi-annually on April 1st and October 1st at 2.78% on the outstanding principal balance, 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 is payable in equal installments each April 1st and October 1st, through maturity on October 1, 2023. The Series 2015 Bond contains a provision that in the event of default, the interest rate on the Bond will be equal to the Default Rate, which is equal to the interest rate on the Bond plus 200 basis points. At September 30, 2020, the outstanding balance on the Series 2015 Bond was \$1,418,527.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE H - NONCURRENT LIABILITIES (Continued)

Year Ending September 30,	Principal	Interest	Total
2021	\$ 393,979	\$ 37,234	\$ 431,213
2022	405,162	26,051	431,213
2023	416,663	14,550	431,213
2024	<u>202,723</u>	<u>3,210</u>	<u>205,933</u>
	<u>\$ 1,418,527</u>	<u>\$ 81,045</u>	<u>\$ 1,499,572</u>

Series 2012: \$4,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2012, dated March 30, 2012. The Series 2012 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the Series 2012 Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2012 Bond outstanding at any one time did not exceed an aggregate principal amount of \$4,000,000.

The Series 2012 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The original final draw date was March 30, 2015 with interest payable semi-annually on April 1st and October 1st at 2.10% on the outstanding principal balance. In December 2015, the draw-down period and interest only period were modified and extended through October 1, 2018, allowing the CRA to draw the remaining \$1,300,000 balance on the 2012 Bonds at the revised rate of 2.78%. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal and interest under the modified agreement are payable in equal installments each April 1st and October 1st, through maturity on October 1, 2023. The Series 2012 Bond contains a provision that in the event of default, the interest rate on the Bond will be equal to the Default Rate, which is equal to the interest rate on the Bond plus 200 basis points. At September 30, 2020, the outstanding balance on the Series 2012 Bond was \$2,793,662 and is due as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 774,416	\$ 60,443	\$ 834,859
2022	792,528	42,331	834,859
2023	811,071	23,788	834,859
2024	<u>415,647</u>	<u>4,803</u>	<u>420,450</u>
	<u>\$ 2,793,662</u>	<u>\$ 131,365</u>	<u>\$ 2,925,027</u>

Loan Payable to the City of Delray Beach: The outstanding loan payable to the City of Delray Beach by the CRA at September 30, 2020, consisted of the following:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE H - NONCURRENT LIABILITIES (Continued)

U.S. Highway 1 Project: The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the U.S. Highway 1 project planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. Thereafter, the CRA pays the City an amount equal to the principal and interest on the CRA's share of the funding for a period of twelve years. Principal on the loan is payable by the CRA semi-annually on June 1st and December 1st in the amount of \$180,709, through maturity on June 1, 2024. Interest is payable semi-annually on June 1st and December 1st at 3.25% on the outstanding principal balance. At September 30, 2020, the outstanding balance on this loan was \$1,445,676.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 361,419	\$ 58,730	\$ 420,149
2022	361,419	58,730	420,149
2023	361,419	58,730	420,149
2024	<u>361,419</u>	<u>58,730</u>	<u>420,149</u>
	<u>\$ 1,445,676</u>	<u>\$ 234,920</u>	<u>\$ 1,680,596</u>

Pledged Revenues: The CRA has pledged a portion of its future tax increment revenues to repay the outstanding revenue bonds issued in 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 I 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, 2020, was \$4,424,599, payable through October 1, 2023. For the current year, principal and interest paid on the revenue bonds and the total tax increment revenues were \$1,266,072 and \$23,768,504, respectively.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2020, for the outstanding noncurrent liabilities with scheduled maturities are as follows:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE H - NONCURRENT LIABILITIES (Continued)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,529,814	\$ 156,407	\$ 1,686,221
2022	1,559,109	127,112	1,686,221
2023	1,589,153	97,068	1,686,221
2024	<u>979,789</u>	<u>66,743</u>	<u>1,046,532</u>
	<u>\$ 5,657,865</u>	<u>\$ 447,330</u>	<u>\$ 6,105,195</u>

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2020, were \$174,979 and \$186,449, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

NOTE I - 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, 2020, was as follows:

Assessed property value as of January 1, 2019	\$ 2,430,974,343
Assessed property value for 1985 base year	<u>(245,631,067)</u>
Assessed property value subject to incremental property tax	<u>\$ 2,185,343,276</u>

NOTE J - 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, 2020, the CRA's tax increment revenues include \$13,841,783 received from the City. CRA expenditures for the year ended September 30, 2020, include charges of \$3,184,451 for contractual and other services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$11,013,116 for construction services related to redevelopment projects, and

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE J - RELATED PARTY TRANSACTIONS (Continued)

\$905,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$47,000 in reimbursements from the City for various projects.

At September 30, 2020, the CRA had accounts payable to the City of \$1,070,074 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$1,445,676.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2020, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,563 and \$1,760, respectively. At September 30, 2020 the CRA had accounts receivable from the Block 60 Parking Condominium Association, Inc. of \$3,455.

NOTE K - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessor: The CRA had the following lease commitments as lessor at September 30, 2020:

Factual Multi Services, LLC: The CRA entered into an agreement to lease the property located at 135 NW 5th Avenue, Unit C6 to Factual Multi Services, LLC for \$1,094 monthly base rent plus \$402 monthly condominium assessment commencing January 10, 2014 and extending through January 9, 2018. The lease was further extended from January 10, 2018 through January 9, 2021 for \$800 monthly base rent plus \$402 monthly condominium assessment. The amount of the monthly condominium assessment may be adjusted during the term of the lease. The carrying value of the leased property was approximately \$100,000 at September 30, 2020.

Delray Beach Housing Group: On September 11, 2011 the CRA entered into a ground lease and property management agreement with the Delray Beach Housing Group, Inc. (a Florida not-for-profit organization) to lease, manage, maintain and operate the existing rental units owned by the CRA known as the Carolyn Quince Court and La France Apartments. The CRA also entered into a similar ground lease and property management agreement with the CLT on September 22, 2011 for the Palm Manor apartments and on June 27, 2013 for the SW 12th Avenue Duplexes. Each agreement provides for an annual rental payment to the CRA of \$1 and that the lessees will pay all taxes, fees, assessments, utilities, insurance and other charges incurred by the CRA for the properties. The term of each agreement is for five years with one renewal option for an additional five year period. The original three leases were renewed through September 22, 2021 and the SW 12th Avenue Duplexes lease was renewed through June 27, 2023. The properties were purchased by the CRA to provide affordable housing for City residents and had a total carrying value of approximately \$4,681,000 at September 30, 2020.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

Prime Delray Hotel, LLC: On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40 year term. The Company developed, constructed and operates a 4-story business class hotel on the property. The lease agreement provides for the Company to pay the CRA an annual base rent of \$1 for years 1 through 5 and thereafter a contingent rental of 2% of gross room sales for years 6 through 10 and increasing by 1% for each five year period thereafter until reaching 5% for years 21 to 40. For years 5 through 25, the Company has the right to purchase the property from the CRA at a price based on the average of two independent appraisals; one obtained by the CRA and the second by the Company. The carrying value of the leased property at September 30, 2020 was approximately \$2,420,000.

Monogram Closet Incorporated: On April 23, 2015, the CRA entered into an agreement to lease the property located at 182 NW 5th Ave. to Monogram Closet Incorporated. The original lease term was for a four year period, commencing on July 1, 2015 with a monthly base rent amount of \$1,933 with an increase of \$1 per square foot each year thereafter. The parties may extend the terms of the lease for three additional one year terms upon execution of an amendment. The first two amendments were executed, which extended the lease until June 20, 2021. The carrying value of the leased property at September 30, 2020 was approximately \$190,000.

Upper Cutz Barbershop and Salon, Inc.: On August 24, 2017, the CRA entered into an agreement to lease the property located at 135 NW 5th Ave, Unit C5, to Upper Cutz Barbershop and Salon, Inc. The lease term is for a three year period, commencing on October 1, 2017 with a monthly base rent amount of \$1,000 with an increase of 6% to the monthly base rent on each anniversary. The lease was amended to extend the lease period until September 30, 2025. The carrying value of the leased property at September 30, 2020 was approximately \$100,000.

Fristner Botex: On April 26, 2018, the CRA entered into an agreement to lease the property located at 47 SW 8th Ave. to Fristner Botex. The lease term is for a one year period, commencing April 26, 2018 with a monthly base rent amount of \$1,000. The lease was subsequently extended through April 30, 2021. The carrying value of the leased property at September 30, 2020 was \$250,000.

Hatcher Construction & Development, Inc.: On July 18, 2019, the CRA entered into a Ground Lease Agreement with Hatcher Construction & Development, Inc. ("Hatcher") for a 40 year term. Hatcher intends to develop the property, occupy 2,000 square feet, and utilize the remaining 4,000 square feet as rental space. The lease agreement provides for an annual base rent of \$1 for years 1 through 5, \$26,000 per year for years 6-10, \$39,000 for year 11, with the base rent increasing annually by 2.5% for years 12 through 15, and \$52,000 for year 16, increasing annually by 2.5% through year 40. Hatcher may purchase the property for \$200,000 during the first seven years. On the eighth anniversary of the agreement the purchase price increases to \$650,000. The first amendment to the agreement executed in November 2020 extends the site analysis period to July 18, 2021, during which time Hatcher may ascertain whether the property is acceptable and obtain all necessary approvals, permits and licenses for development of the property in substantial conformance with the conceptual plan. If the property is determined to be unacceptable, Hatcher can provide a written termination notice and neither party shall have any further rights or obligations. The carrying value of the property at September 30, 2020 was approximately \$365,000.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

The total carrying value of leased property listed above was approximately \$8,106,000 at September 30, 2020. Depreciation expense is not recorded on redevelopment properties that are currently held for sale.

The CRA also leases space in the Arts Warehouse at 313 NW 3rd Street to various artists with monthly base rents of \$379 which are month-to-month leases. The net carrying value of leased property at September 30, 2020 was \$1,893,557 (cost of \$2,065,699 less accumulated depreciation of \$172,142). Rental income for all leased properties for 2020 totaled \$363,565. Future annual minimum rental income is as follows: 2021 - \$46,283; 2022 - \$13,485; 2023 - \$14,294; 2024 - \$21,653; 2025 - \$37,729; thereafter - \$1,731,068.

Loan Commitment: On September 9, 2020, the CRA entered into an agreement to loan the Delray Beach Community Land Trust, Inc. \$2,454,350 for the development and disposition of properties in the SW Neighborhood for a workforce housing project known as Corey Isle. The project includes construction of ten single family homes. The loan is secured by mortgages encumbering the properties. Completed homes, evidenced by a certificate of occupancy issued to the borrower by the City of Delray Beach, can be released from the mortgage upon payment of a release price in the amount of \$215,163 for a one story single family house and \$272,961 for a two story single family house. The release price will be applied to pay down the outstanding principal of the construction loan. The release price is due at closing on each of the ten single family homes with any remaining outstanding principal due with the sale of the final home.

Contract Commitments: At September 30, 2020, the CRA had outstanding contract commitments consisting of the following:

<u>Project</u>	<u>Total Project Authorization</u>	<u>Expended Through September 30, 2020</u>	<u>Retainage Payable at September 30, 2020</u>	<u>Remaining Commitment at September 30, 2020</u>
Historic Home Renovations	\$ 213,960	\$ 41,376	\$ -	\$ 172,584
Carver Square Housing	156,446	122,368	-	34,078
Wayfinding Signage	147,850	77,137	-	70,713
98 NW 5 th Ave Renovation	155,458	98,115	-	57,343
Andella Housing Design	73,600	72,776	-	824
Artists Alley	29,998	27,335	-	2,663
NW 6 th Ave Plan Analysis	<u>14,000</u>	<u>4,495</u>	-	<u>9,505</u>
Total contract commitments	<u>\$ 791,312</u>	<u>\$ 443,602</u>	<u>\$ -</u>	<u>\$ 347,710</u>

The CRA also entered into an interlocal agreement with the City of Delray Beach to provide funding for certain construction projects and related professional services totaling \$9,825,000 for the year ending September 30, 2021.

Transportation Agreements: The CRA entered into the following agreements for transportation services.

The CRA entered into an agreement for point to point transportation services for the period September 1, 2019 through August 30, 2020 with an option to renew for two additional one year

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

terms. Under the contract, the CRA will pay the provider \$401,560, payable in monthly installments of \$33,463. The provider will sell advertising space on the vehicles and retain 100% of the first \$180,000 of gross advertising revenue. Gross advertising revenue in excess of the first \$180,000 will be shared equally between the CRA and the provider. The first extension option was exercised and the contract was extended through August 30, 2021.

The CRA entered into an agreement for fixed route transportation services for the period July 1, 2019 through June 30, 2021 with the option to renew for three additional one year terms. The CRA will pay the provider an hourly rate which is estimated to total \$44,711 per month. The provider will reimburse the CRA for the first \$18,000 annually from advertising revenue. Any additional advertising revenue will be retained by the provider. The agreement was amended February 25, 2020 such that the hourly rate decreased approximately 15% and the CRA will now pay for the actual costs of fuel used in the vehicles. The agreement was amended again on April 3, 2020 which changed the hourly rates charged to the CRA. The contract was subsequently terminated by the CRA in November 2020 with an effective date of January 11, 2021.

Tax Increment Incentive Agreements: The CRA reimbursed \$195,555 to qualified, private for-profit organizations under the CRA's Development Infrastructure Assistance Program, pursuant to State statutory authority for public-private partnerships to rehabilitate and develop properties within the Community Redevelopment Area. The Development Infrastructure Assistance Program is a CRA incentive program in which the CRA reimburses 50% of the costs of eligible site improvements for an approved commercial project, up to an amount not to exceed 50% of the projected Tax Increment Funds generated by the improvements over a 5 or 10 year period following project completion. The projects must be located in CRA Sub-Areas #3, #4, #5, #6, #7, or #8. The following agreements were in effect as of September 30, 2020:

Prime Delray Hotel, LLC: Development Infrastructure Assistance for the development and construction of a 4-story business class hotel on Atlantic Avenue. The grant is for an amount not to exceed \$332,349 and will be paid in five equal annual payments, not to exceed 50% of the actual tax increment revenues attributed to the project for any such year. Payments of \$66,470 were made each year under the grant for 2017 through 2020. At September 30, 2020, the outstanding amount under this grant agreement was \$66,469.

KCMCL Pineapple Grove, LLC: Development Infrastructure Assistance for the development and construction of a 134-room Hyatt Place Hotel in the Pineapple Grove Arts District. The grant is for eligible project costs up to \$431,619. The CRA will reimburse the developer in equal annual installments over a ten year period, provided that the annual payment shall not exceed 50% of the actual tax increment revenues attributable to the project for that year. Payments are made by the CRA on February 1st of each year. Payments of \$43,162 were made each year under the grant for 2014 through 2020. At September 30, 2020, the outstanding amount under this grant agreement was \$129,485.

Funding Commitments: The CRA also entered into grant agreements with the following organizations to provide funding for their operations during the year ending September 30, 2021:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

City of Delray Beach - International Tennis Championships	\$ 905,000
City of Delray Beach - Information Technology Services	110,000
Treasure Coast Regional Planning Council - Public Outreach CRA Plan	64,500
Delray Beach Community Land Trust, Inc.	229,615
Delray Beach Public Library Association, Inc.	443,000
EPOCH, Inc.	106,000
Delray Beach Historical Society	75,000
Old School Square Center for the Arts	750,000
Delray Beach Creative City Collaborative, Inc.	275,000
Delray Beach Chamber of Commerce	<u>40,000</u>
Total grant commitments	<u>\$ 2,998,115</u>

Job Creation Bonus Program Grant: A Job Creation Bonus Program grant was awarded to International Materials, Inc. for relocation of thirty-six program incentive eligible employment positions to the CRA's area with eight of the relocated employment positions eligible for the Delray-based local hiring bonus. Grant funds to be paid by the CRA will not exceed \$75,000 and will be disbursed in two payments of \$37,500 each. The first payment will be made within 90 days after the jobs have been relocated and are in place in the CRA's area, job verification documents are provided to the CRA and a site visit by CRA staff has been conducted. The second payment will be made twelve months following the initial payment in the same manner after the relocated jobs have been maintained within the CRA's area, the job verification documents are provided to the CRA and a site visit by CRA staff has been conducted. The relocated jobs must be maintained and located in the CRA's area for a period of two years from the date of relocation.

Contracts for Sale of Properties: At September 30, 2020, the CRA had entered into contracts for the sale of properties with total sales prices of \$3,520 and total carrying values of \$8,078,798.

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.

Coronavirus Pandemic: During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of the coronavirus (COVID-19). The pandemic significantly affected economic conditions in the U.S. as federal, state and local governments reacted to the public health crisis by ordering the temporary closures of schools, public facilities and non-essential businesses and organizations, and imposing travel restrictions. The duration of the business and economic disruptions, and the long-term impact on the CRA's revenues and services cannot presently be determined. It is at least reasonably possible that the effects of the pandemic on the CRA could be material in future periods.

NOTE L - EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2020, expenditures exceeded budgeted appropriations in the General Government cost center by \$82,668.

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax increment revenue				
City of Delray Beach	\$ 14,032,619	\$ 13,841,783	\$ 13,841,783	\$ -
Palm Beach County	9,923,972	9,926,721	9,926,721	-
Total tax increment revenue	<u>23,956,591</u>	<u>23,768,504</u>	<u>23,768,504</u>	<u>-</u>
Reimbursements				
Reimbursements from City of Delray Beach	-	47,120	47,120	-
Other reimbursements	-	42,467	42,211	(256)
Total reimbursements	<u>-</u>	<u>89,587</u>	<u>89,331</u>	<u>(256)</u>
Rental income				
Rental property income	125,000	143,950	133,792	(10,158)
Land lease revenue	80,000	71,853	71,853	-
Other rent revenue	29,593	46,273	46,273	-
Total rental income	<u>234,593</u>	<u>262,076</u>	<u>251,918</u>	<u>(10,158)</u>
Interest and other income				
Interest income	40,000	47,076	47,076	-
Loan interest	7,000	4,551	4,551	-
Other income	-	-	700	700
Total interest and other income	<u>47,000</u>	<u>51,627</u>	<u>52,327</u>	<u>700</u>
Green Market revenue	55,000	31,230	31,080	(150)
Arts Warehouse revenue	148,000	121,248	94,026	(27,222)
Total Revenues	<u>24,441,184</u>	<u>24,324,272</u>	<u>24,287,186</u>	<u>(37,086)</u>
OTHER FINANCING SOURCES				
General Fund carryforward fund balance	17,692,033	-	-	-
Land sales	750,000	2,000	2,000	-
Total Other Financing Sources	<u>18,442,033</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Revenues and Other Financing Sources	42,883,217	24,326,272	24,289,186	(37,086)
EXPENDITURES				
General government				
Personnel				
Salaries	1,200,000	910,647	991,189	(80,542)
Payroll taxes	95,000	66,086	72,278	(6,192)
Health, dental and life insurance	100,000	79,364	79,364	-
Retirement contribution	90,000	53,525	63,930	(10,405)
Travel allowance	6,500	4,930	4,930	-
Cell allowance	8,000	4,510	4,510	-
	<u>1,499,500</u>	<u>1,119,062</u>	<u>1,216,201</u>	<u>(97,139)</u>
Supplies and materials				
Office supplies	15,000	9,707	9,707	-
Postage/express mail	3,500	1,879	1,867	12
	<u>18,500</u>	<u>11,586</u>	<u>11,574</u>	<u>12</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Office space				
Storage	\$ 6,000	\$ 3,542	\$ 3,542	\$ -
Maintenance	150,000	17,628	17,628	-
Telephone	12,000	10,053	10,053	-
Utilities	12,000	7,852	7,852	-
Security	8,000	1,368	1,368	-
	<u>188,000</u>	<u>40,443</u>	<u>40,443</u>	<u>-</u>
Administration/Operations				
Accounting	27,100	27,100	25,890	1,210
Board administration	30,000	11,564	11,564	-
Legal	80,000	49,024	49,024	-
Capital outlay	300,000	338,027	324,828	13,199
Contractual services	200,000	64,743	64,743	-
Printing	6,000	1,553	1,553	-
Publications/subscriptions	3,500	2,177	2,127	50
Advertising	7,000	5,446	5,446	-
Bank services	5,000	404	404	-
Organization/member dues	8,500	4,448	4,448	-
Public relations and communication	15,000	23,093	23,093	-
Insurance: commercial, D&O	35,000	22,470	22,470	-
Meetings	2,500	2,664	2,664	-
Seminars and workshops	15,000	6,851	6,851	-
Travel	7,000	5,934	5,934	-
	<u>741,600</u>	<u>565,498</u>	<u>551,039</u>	<u>14,459</u>
Equipment, property and maintenance				
Computer equipment and supplies	6,500	3,283	3,283	-
Equipment rentals	15,000	7,130	7,130	-
Repairs and maintenance	2,000	1,028	1,028	-
Furniture and fixtures	5,500	3,958	3,958	-
Capital outlay - office equipment	25,000	30,155	30,155	-
	<u>54,000</u>	<u>45,554</u>	<u>45,554</u>	<u>-</u>
Total General Government	2,501,600	1,782,143	1,864,811	(82,668)
Economic Development				
<i>Areawide and Neighborhood Plans</i>				
Osceola Park Neighborhood Plan				
Osceola Park neighborhood	6,700,000	4,552,280	4,552,280	-
	<u>6,700,000</u>	<u>4,552,280</u>	<u>4,552,280</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans</i> (continued)				
West Atlantic Avenue Redevelopment				
Project development/implementation	\$ 70,000	\$ 750	\$ 750	\$ -
Other build-out/rent	29,593	46,273	46,273	-
NW 600 Block redevelopment	200,000	17,402	17,402	-
Legal fees	15,000	22,311	22,311	-
	<u>314,593</u>	<u>86,736</u>	<u>86,736</u>	<u>-</u>
Downtown Master Plan				
OSS campus/park improvements	200,000	161,441	161,441	-
Transportation services	1,400,000	1,025,338	1,025,338	-
Wayfinding signage	1,000,000	47,598	47,598	-
Project development/implementation	20,000	-	-	-
NE 3rd St/Ave alley improvements	1,000,000	2,847	2,847	-
NE 3rd St/Ave infrastructure grant	-	223,407	223,407	-
Legal fees	10,000	8,246	8,246	-
	<u>3,630,000</u>	<u>1,468,877</u>	<u>1,468,877</u>	<u>-</u>
Southwest Neighborhood Plan				
SW 10th Ave duplex renovation	-	120,681	120,681	-
SW 3rd Ct, 4th St, 6th St, and 7th Ave	9,000,000	6,236,201	6,236,201	-
SW neighborhood alleys	930,000	-	-	-
Legal fees	25,000	3,555	3,555	-
	<u>9,955,000</u>	<u>6,360,437</u>	<u>6,360,437</u>	<u>-</u>
Other				
Land acquisitions	500,000	93,187	-	93,187
NW/SW neighborhood identification signs	30,000	2,850	2,850	-
Pompey Park master plan	2,500,000	-	-	-
Sidewalks - NW/SW neighborhood	-	94,209	94,209	-
	<u>3,030,000</u>	<u>190,246</u>	<u>97,059</u>	<u>93,187</u>
<i>Total Areawide and Neighborhood Plans</i>	<u>23,629,593</u>	<u>12,658,576</u>	<u>12,565,389</u>	<u>93,187</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Redevelopment Projects</i>				
NW/SW 5th Avenue Beautification				
NW 5th Ave alleys	\$ 25,000	\$ -	\$ -	\$ -
98 NW 5th Ave renovation	1,300,000	42,860	42,860	-
Project development/implementation	50,000	840	840	-
95 SW 5th Avenue construction	1,600,000	20,071	20,071	-
Legal fees	20,000	1,638	1,638	-
	<u>2,995,000</u>	<u>65,409</u>	<u>65,409</u>	<u>-</u>
Affordable/Workforce Housing Program				
Resident relocations	15,000	4,236	4,236	-
Subsidies - Affordable Housing	75,000	50,000	-	50,000
Community Land Trust (CLT)	273,695	273,695	273,695	-
Legal fees	8,000	33,248	33,248	-
	<u>371,695</u>	<u>361,179</u>	<u>311,179</u>	<u>50,000</u>
Redevelopment Sites				
Maintenance	210,000	195,323	206,259	(10,936)
Business relocation	30,000	-	-	-
Project development/implementation	10,000	2,600	2,600	-
IPIC Parking Facility maintenance	75,000	205	-	205
Property insurance	125,000	115,098	115,098	-
Property taxes	65,000	58,965	58,965	-
Legal fees	2,500	2,018	2,018	-
West Settlers Condo Association	14,000	9,648	9,648	-
Utilities	30,000	29,062	25,620	3,442
Block 60 parking lots	8,000	7,563	7,480	83
	<u>569,500</u>	<u>420,482</u>	<u>427,688</u>	<u>(7,206)</u>
Carver Square Neighborhood				
Carver Square workforce housing construction	1,000,000	179,882	34,927	144,955
Corey Isle housing construction	2,900,000	128,071	270,880	(142,809)
Legal fees	20,000	4,446	4,446	-
	<u>3,920,000</u>	<u>312,399</u>	<u>310,253</u>	<u>2,146</u>
<i>Total Redevelopment Projects</i>	<u>7,856,195</u>	<u>1,159,469</u>	<u>1,114,529</u>	<u>44,940</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development</i>				
Grant Programs				
Curb Appeal Assistance Grants	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
CRA Grant Programs	300,000	128,210	128,210	-
COVID-19 Rent Assistance Program	-	84,206	84,206	-
	<u>450,000</u>	<u>362,416</u>	<u>362,416</u>	<u>-</u>
City Contractual Services				
City demolition	50,000	-	-	-
Code Officer (NW/SW Neighborhoods)	65,660	65,660	65,660	-
Streetscape maintenance	100,000	37,701	37,701	-
Housing Rehab Inspector	42,657	-	-	-
Clean & Safe program	2,354,291	2,343,424	2,343,424	-
Project Engineer	110,000	109,852	109,852	-
Fire Prevention and Life Safety Captain	184,061	147,372	147,372	-
Engineering Inspector	75,000	64,974	64,974	-
IT Services	110,000	110,000	110,000	-
Economic Development staff	125,000	28,980	28,980	-
	<u>3,216,669</u>	<u>2,907,963</u>	<u>2,907,963</u>	<u>-</u>
Community Resource Enhancement				
Community resource enhancement	50,000	11,987	11,987	-
A-Guide funding	1,787,639	1,750,139	1,750,139	-
	<u>1,837,639</u>	<u>1,762,126</u>	<u>1,762,126</u>	<u>-</u>
Economic Development Initiative				
Incentives	210,000	110,869	110,869	-
Outreach/communication	75,000	49,118	49,118	-
Arts Warehouse program	365,300	133,537	135,137	(1,600)
Tennis Tournament sponsorship	905,000	905,000	905,000	-
Legal fees	15,000	19,767	19,767	-
	<u>1,570,300</u>	<u>1,218,291</u>	<u>1,219,891</u>	<u>(1,600)</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development</i> (continued)				
Green Market				
Personnel and staff	\$ 100,000	\$ 89,923	\$ 94,376	\$ (4,453)
Entertainment/vendors	9,000	5,202	5,202	-
Program operations	20,000	15,993	16,029	(36)
Signs, banners and advertising	6,000	3,266	3,266	-
	<u>135,000</u>	<u>114,384</u>	<u>118,873</u>	<u>(4,489)</u>
<i>Total Community Improvement and Economic Development</i>	<u>7,209,608</u>	<u>6,365,180</u>	<u>6,371,269</u>	<u>(6,089)</u>
Total Economic Development	38,695,396	20,183,225	20,051,187	132,038
Debt service				
Principal and interest - US1 Improvements	420,149	420,149	420,149	-
City National line of credit (Series 2012 and 2015 bonds)	1,266,072	1,266,072	1,266,072	-
Total Debt Service	<u>1,686,221</u>	<u>1,686,221</u>	<u>1,686,221</u>	<u>-</u>
Total Expenditures	<u>42,883,217</u>	<u>23,651,589</u>	<u>23,602,219</u>	<u>49,370</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 674,683</u>	<u>\$ 686,967</u>	<u>\$ 12,284</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2020

NOTE A - BUDGETARY ACCOUNTING

The General Fund adopted budget is prepared on the modified accrual basis of accounting 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 \$19.2 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, 2020.

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, 2020.

**OTHER SUPPLEMENTARY INFORMATION -
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2020

ASSETS

Cash	\$	10,182
Accounts receivable		<u>5,362</u>

Total Assets	\$	<u><u>15,544</u></u>
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LIABILITIES

Accounts payable	\$	1,046
Due to CRA		<u>3,455</u>

Total Liabilities		4,501
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NET POSITION

Unrestricted		<u>11,043</u>
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Total Liabilities and Net Position	\$	<u><u>15,544</u></u>
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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2020

REVENUES

Assessments \$ 13,493

EXPENSES

Condominium properties 11,031

Change in Net Position 2,462

Net position at October 1, 2019 8,581

Net position at September 30, 2020 \$ 11,043

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2020

OPERATING ACTIVITIES

Change in net position	\$	2,462
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Increase in accounts receivable		(4,483)
Increase in accounts payable		467
Increase in due to CRA		3,455
	Net Cash Provided By	
	Operating Activities	<u>1,901</u>
	Increase in Cash	1,901
Cash at October 1, 2019		<u>8,281</u>
Cash at September 30, 2020	\$	<u><u>10,182</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments				
Delray Beach Community Redevelopment Agency	\$ 7,480	\$ 7,480	\$ 7,480	\$ -
City of Delray Beach	1,760	1,760	1,760	-
Delray New Wave, Inc.	1,320	1,320	1,320	-
Manimal, Inc.	1,320	1,320	1,320	-
Intercard Resources	880	880	880	-
42 North Swinton, Inc.	733	733	733	-
Assessment Revenues	<u>13,493</u>	<u>13,493</u>	<u>13,493</u>	<u>-</u>
EXPENSES				
Current				
Landscape maintenance	3,000	2,115	2,115	-
Maintenance	1,743	-	-	-
Licenses	150	61	61	-
Water for irrigation system	900	1,482	1,481	1
Electric for lights	2,100	2,707	2,707	-
Insurance	3,500	2,745	2,745	-
Property management fee	700	700	700	-
Accounting	1,400	1,210	1,210	-
Bank and filing fees	-	12	12	-
Total Expenses	<u>13,493</u>	<u>11,032</u>	<u>11,031</u>	<u>1</u>
Revenues Over Expenses	<u>\$ -</u>	<u>\$ 2,461</u>	<u>\$ 2,462</u>	<u>\$ 1</u>

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
PATRICK E. MANGAN, CPA
JAMES F. MULLEN, IV, CPA
MICHAEL J. NALEZYTY, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA
MARTIN R. WOODS, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301
STUART, FL 34994-1019
TELEPHONE: (772) 872-2123

info@cdlcpa.com

MEMBERS
AMERICAN INSTITUTE OF
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FLORIDA INSTITUTE OF
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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 (CRA), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Delray Beach Community Redevelopment Agency's basic financial statements, and have issued our report thereon dated March 26, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to those charged with governance in a separate management letter dated March 26, 2021.

Delray Beach Community Redevelopment Agency's Response to Findings

The CRA's response to the findings identified in our audit as noted above is described in the accompanying Response to Management Letter. The CRA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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

West Palm Beach, Florida
March 26, 2021



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, CPA
LOUIS M. COHEN, CPA
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505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301
STUART, FL 34994-1019
TELEPHONE: (772) 872-2123

info@cdlcpa.com

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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, 2020, and have issued our report thereon dated March 26, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Reports on Investment Compliance and Redevelopment Trust Fund Compliance on our examinations conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 26, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. The following recommendations made in the prior year management letter dated March 20, 2019 were addressed by the CRA and no longer apply: 2018-001 *Bank Reconciliations*, 2019-001 *Locking QuickBooks*, 2019-002 *Segregation of Duties*, 2019-003 *Mathematical Accuracy of Budgets*, 2019-004 *Financial Statement Review*, 2019-006 *Backdating of Checks*, 2019-008 *Account Signers*, 2019-009 *CRA Trust Fund Monies* and 2019-010 *Capital Outlay Coding*.

The following findings reported in the prior year management letter require further action:

2019-005 Payroll Tax Return Reconciliation

We noted that the CRA's payroll tax returns were generated by its payroll service company but the returns were not reconciled to the general ledger during the year. Quarterly payroll tax returns should be reconciled to the general ledger to ensure compliance and proper recording. We recommend that the CRA reconcile the payroll tax returns to the general ledger quarterly.

2020 Update: This comment still needs to be addressed.

2019-007 Segregation of Unspent Debt Proceeds

Debt proceeds are currently held in the same cash account as revenue from other sources. We recommend that debt proceeds be maintained in a separate bank account and general ledger account in order to facilitate the tracking of amounts received and expenses incurred, as well as to provide clear documentation of the funds remaining.

2020 Update: The CRA established an account for debt proceeds during the year but did not utilize the account to facilitate the tracking of amounts received and expenses incurred. We recommend debt proceeds be paid from the designated account or that the amounts spent be transferred out of the account monthly in order to provide clear documentation of the funds remaining.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

2020-001 Month End Reconciliations

During our review of reconciliations at September 30, 2020, we noted the following: 1) the payroll accrual for September 30, 2020 had been prepared but had not been posted to QuickBooks, and 2) there was a payable to the CRA recorded on the Block 60 Parking Condominium Association, Inc. ("Block 60") books that was not recorded as a receivable on the CRA's books. Month end

reconciliations are a key control in preparing accurate financial statements. We recommend that the detailed month end checklist that the CRA has established be utilized to ensure that all asset and liability accounts are reconciled and that all required entries are prepared and posted in QuickBooks prior to the generation of financial statements and closing of the fiscal period.

2020-002 Duplicate Check Numbers

We noted two check numbers that were duplicated and used twice in QuickBooks and posted to the general ledger. Failure to compare the beginning check number entered into QuickBooks to the first check number on the physical checks to be printed can result in the wrong check number being assigned to checks posted in the software or the same check number being entered more than once. We recommend that the check number on the physical checks to be printed be compared to the first check number entered into QuickBooks prior to printing the check run.

2020-003 Accounts Receivable Review

We noted that there were a significant number of receivables which were over ninety days past due at September 30, 2020. In response to our inquiry, management noted that the majority of the accounts needed to be adjusted or written off as uncollectible. We recommend that accounts receivable balances be reviewed on a monthly basis and any accounts that are deemed uncollectible be written off.

2020-004 Village Square Elderly, Ltd. Note Receivable

The repayment terms in the promissory note with Village Square Elderly, Ltd. state that payments shall equal the “remaining cash flow from the property after payment of the required payments on the first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year”. We noted that no calculation of the amount due had been prepared for 2020 but that the minimum payment of \$25,000 was received by the CRA. The promissory note does not provide a definition of the term “remaining cash flow from the property” or indicate how that amount should be calculated and therefore the amount due for 2020 is unclear. We recommend that the CRA obtain a legal opinion to provide clarification regarding the components of the calculation to determine the amount due for 2020 and future years.

2020-005 Debt Service Fund

The CRA Accounting Policies and Procedures were revised in 2020 and require that debt must be accounted for in a debt service fund. The CRA has not established a debt service fund and accounts for debt in the general fund. We recommend that the CRA review the policy and either comply with the policy or revise the policy to reflect the use of the general fund for all debt service activity.

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

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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

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

West Palm Beach, Florida
March 26, 2021



April 28, 2021

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**.

(2019-005)

Quarterly payroll tax returns will be reconciled to the general ledger on a quarterly basis.

(2019-007)

A separate account has been established on April 2, 2020 for unspent debt proceeds. The amounts spent were transferred out of the account on February 28, 2021.

(2020-001)

We will utilize our detailed month end checklist to ensure that all assets and liability accounts are reconciled and that all entries are prepared and posted in QuickBooks prior to the closing of the fiscal year end.

(2020-002)

We have implemented a procedure to verify check numbers prior to the release of the actual check for payment.

(2020-003)

We agree with the recommendation. We will review receivable balances on a monthly basis.

(2020-004)

The CRA will obtain a legal opinion to provide clarification regarding the components of the calculation to determine the amount due for fiscal year 2020-2021 and future periods.

(2020-005)

The CRA Accounting Policies and Procedures Manual was updated on April 27, 2021 to clarify that debt is paid through the general fund and that there is no debt fund.

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.


Renee Jadusingh
Executive Director


Lori Hayward
Finance & Operations Director



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
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SCOTT L. PORTER, CPA
MARK D. VEIL, CPA
MARTIN R. WOODS, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301
STUART, FL 34994-1019
TELEPHONE: (772) 872-2123

info@cdlcpa.com

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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, for the year ended September 30, 2020. Management of the CRA is responsible for the CRA's compliance with the specified requirements. Our responsibility is to express an opinion on the CRA's compliance with the specified requirements based on our examination.

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

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

In our opinion, the CRA complied, in all material respects, with Section 218.415, Florida Statutes, as of and for the year ended September 30, 2020.

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

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

West Palm Beach, Florida
March 26, 2021



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

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. CALER, JR., CPA
LAURA E. CLARK, CPA
LOUIS M. COHEN, CPA
JOHN C. COURTNEY, CPA, JD
DAVID S. DONTEN, CPA
JAMES B. HUTCHISON, CPA
JOEL H. LEVINE, CPA
PATRICK E. MANGAN, CPA
JAMES F. MULLEN, IV, CPA
MICHAEL J. NALEZYTY, CPA
THOMAS A. PENCE, JR., CPA
SCOTT L. PORTER, CPA
MARK D. VEIL, CPA
MARTIN R. WOODS, CPA

505 SOUTH FLAGLER DRIVE, SUITE 900
WEST PALM BEACH, FL 33401-5948
TELEPHONE: (561) 832-9292

759 SW FEDERAL HIGHWAY, SUITE 301
STUART, FL 34994-1019
TELEPHONE: (772) 872-2123

info@cdlcpa.com

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Independent Accountant's Report on Redevelopment Trust Fund 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 Sections 163.387(6) and (7), Florida Statutes, for the year ended September 30, 2020. Management of the CRA is responsible for the CRA's compliance with the specified requirements. Our responsibility is to express an opinion on the CRA's compliance with the specified requirements based on our examination.

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

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

In our opinion, the CRA complied, in all material respects, with Sections 163.387(6) and (7), Florida Statutes, as of and for the year ended September 30, 2020, except that the CRA's actual expenditures exceeded budgeted amounts for the General Government cost center by \$82,668.

This report is intended to describe our testing of compliance with Sections 163.387(6) and (7), Florida Statutes, and is not suitable for any other purpose.

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

West Palm Beach, Florida
March 26, 2021