

**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, 2019



**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, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 4 through 9 and the *budgetary comparison schedule* on pages 34 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delray Beach Community Redevelopment Agency's basic financial statements. The *other supplementary information* on pages 41 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020 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.

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

West Palm Beach, Florida
March 30, 2020

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, 2019.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$53,449,662 (*net position*).
- The CRA's total net position increased \$9,725,476. 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 \$24,102,855, an increase of \$9,081,548. Fund balance of \$3,941,115 or 17% is nonspendable for prepaid items and long-term receivables; \$1,950,000 or 8% is restricted for redevelopment projects; \$17,692,033 or 73% was assigned to the subsequent year's budget; and, \$519,707 or 2% is unassigned.
- The CRA's total noncurrent liabilities decreased by \$170,102 during the current fiscal year due to scheduled debt repayments in excess of draws on the Series 2015 Revenue Bond.

Overview of the Financial Statements

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

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

The *statement of net 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 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's budget to actual results for the General Fund for the current year. The CRA adopts an annual appropriated budget for its General Fund, for which a budgetary comparison schedule has been provided on pages 34 to 40 to demonstrate compliance with this budget. In addition, separate financial statements for the CRA's component unit, the Block 60 Parking Condominium Association, Inc., are presented as other supplementary information on pages 41 to 44.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$53,449,662 at the close of the most recent fiscal year.

Approximately 62% 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, 2019 and 2018 is summarized below:

**Net Position
September 30, 2019 and 2018**

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-----------------------------|-----------------------------|
| Assets | | |
| Current and other assets | \$ 26,662,870 | \$ 16,843,411 |
| Capital assets | <u>36,578,631</u> | <u>36,083,254</u> |
| Total assets | <u>\$ 65,191,501</u> | <u>\$ 52,926,665</u> |
| Liabilities | | |
| Noncurrent liabilities | \$ 7,157,637 | \$ 7,327,739 |
| Other liabilities | <u>4,584,202</u> | <u>1,874,740</u> |
| Total liabilities | <u>\$ 11,741,839</u> | <u>\$ 9,202,479</u> |
| Net position | | |
| Net investment in capital assets | \$ 33,178,089 | \$ 30,924,029 |
| Unrestricted | <u>20,271,573</u> | <u>12,800,157</u> |
| Total net position | <u>\$ 53,449,662</u> | <u>\$ 43,724,186</u> |

At the end of the current fiscal year, the CRA reported positive balances in each category of net position. Approximately 62% 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 \$20,271,573 or 38% may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net position increased by \$9,725,476 during the current fiscal year, which primarily represents the degree to which tax increment revenues exceeded current year expenses. There was a decrease of \$31,973 in net position reported in connection with the CRA's component unit, the Block 60 Parking Condominium Association, Inc. primarily as a result of the repaving of the parking lot.

Governmental activities. Governmental activities increased the CRA's net position by \$9,725,476. Key elements of this increase are as follows.

**Changes in Net Position
Years Ended September 30, 2019 and 2018**

| Revenue | <u>2019</u> | <u>2018</u> |
|------------------------------------|-------------------|-------------------|
| Program revenue | | |
| Charges for services | \$ 410,475 | \$ 429,176 |
| Operating contributions and grants | 524,571 | 260,589 |
| General revenue | | |
| Tax increment revenue | 22,176,796 | 19,899,355 |
| Interest and other income | <u>57,824</u> | <u>48,080</u> |
| Total revenue | 23,169,666 | 20,637,200 |

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|----------------------|----------------------|
| Expenses | | |
| General government | \$ 1,610,706 | \$ 1,558,132 |
| Property management | 167,872 | 112,662 |
| Economic development | <u>11,665,612</u> | <u>12,178,289</u> |
| | <u>13,444,190</u> | <u>13,849,083</u> |
| | | |
| Increase in net position | 9,725,476 | 6,788,117 |
| | | |
| Net position - beginning of year | <u>43,724,186</u> | <u>36,936,069</u> |
| | | |
| Net position - end of year | <u>\$ 53,449,662</u> | <u>\$ 43,724,186</u> |

Tax increment revenues increased by \$2,277,441 or approximately 11% for the year. Property values in the CRA's development area increased by approximately \$223 million or 11% in 2019, accounting for the increase in tax increment revenue.

General government expenses increased approximately \$53,000 (3%) resulting from an increase in personnel expenses. Property management expenses increased approximately \$55,000 (49%), and economic development expenses decreased approximately \$513,000 (4%). The CRA's economic development expenses include interest of approximately \$205,000 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 \$24,102,855, an increase of \$9,081,548 for the year. A total of \$3,941,115 or 17% of the total fund balance is *nonspendable* to indicate that it is not available for new spending because it represents prepaid items and long-term receivables and another \$1,950,000 is restricted for redevelopment projects which consists of unspent bond proceeds. In addition, there is \$17,692,033 of fund balance *assigned* for the 2019/2020 budget and unassigned fund balance of \$519,707 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, 2019, represented 114% of total General Fund expenditures for 2019.

The approximately \$9,082,000 increase in fund balance for the General Fund in 2019 was primarily related to the increase in tax increment revenues of approximately \$2,277,000 and other financing sources of approximately \$1,950,000 from an additional draw on the Series 2015 Revenue Bond.

General Fund Budgetary Highlights

During 2019, total revenues and other financing sources were approximately \$40,000 greater than the final budgetary estimates, excluding the General Fund carryforward of fund balance. Overall, total expenditures were approximately \$458,000 less than the final budgeted appropriations for the year ended September 30, 2019. This was largely due to expenditures being under budget for Areawide and Neighborhood Plans - Southwest Neighborhood Plan, Downtown Master Plan and Redevelopment Projects - Affordable/Workforce Housing Program. There was a decrease of approximately \$17.3 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, 2019, amounts to \$36,578,631 (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 increase in the CRA's investment in capital assets for the current fiscal year was \$495,377. Major capital asset transactions during 2019 consisted of capital outlay expenditures of approximately \$905,000 net of sales and disposals of various properties of approximately \$138,000 and depreciation of approximately \$271,000. Capital assets at September 30, 2019 and 2018 are summarized as follows:

| | Capital Assets (net of accumulated depreciation) | |
|--|--|-----------------------------|
| | <u>2019</u> | <u>2018</u> |
| Land and improvements | \$ 29,273,495 | \$ 28,888,962 |
| Construction in progress | 161,893 | - |
| Buildings and improvements, furniture and fixtures, and equipment | <u>7,143,243</u> | <u>7,194,292</u> |
| Total capital assets | <u>\$ 36,578,631</u> | <u>\$ 36,083,254</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 \$5,350,542, 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 \$1,807,095 for the CRA's contribution to the City's U.S. Highway 1 project. Noncurrent liabilities at September 30, 2019 and 2018 are summarized as follows:

| | Noncurrent Liabilities | |
|--|-------------------------------|----------------------------|
| | <u>2019</u> | <u>2018</u> |
| Revenue bonds | \$ 5,350,542 | \$ 5,159,225 |
| Note payable to the City of Delray Beach | <u>1,807,095</u> | <u>2,168,514</u> |
| Total noncurrent liabilities | <u>\$ 7,157,637</u> | <u>\$ 7,327,739</u> |

The CRA's total noncurrent liabilities decreased by \$170,102 (2%) during the current fiscal year due to scheduled payments on the bonds and note, net of an additional draw on the Series 2015 Revenue Bond

in the amount of \$1,950,000. 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 2019/2020 fiscal year.

- The property valuations in the CRA district increased approximately \$223 million in 2019, which is an increase of approximately 11 percent. Overall property values compare favorably with those in other areas of Palm Beach County which continued to rise in 2019 and are expected to increase modestly in future years.
- The combined assigned and unassigned fund balance of the General Fund increased in 2019 by approximately \$8,797,000 due primarily to the increase in tax increment revenues and the additional draw on the Series 2015 Bonds. The CRA has assigned approximately \$17.7 million of the fund balance at September 30, 2019, to the 2019-2020 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 2019/2020 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, 2019

| | Primary Government Governmental Activities | Component Unit |
|--|---|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 22,667,578 | \$ 8,281 |
| Accounts receivable | | |
| City of Delray Beach | 6,309 | - |
| Grants and other | 12,982 | 879 |
| Prepaid expenses | 81,886 | - |
| Notes receivable | | |
| Delray Beach Community Land Trust | 325,249 | - |
| Delray Beach Chamber of Commerce | 175,096 | - |
| Village Square Elderly, Ltd. | 2,700,000 | - |
| Second mortgage loans | 658,884 | - |
| Cash restricted for redevelopment projects | 1,950,000 | - |
| Other assets | 34,886 | - |
| Capital assets | | |
| Capital assets not being depreciated | 29,435,388 | - |
| Depreciable capital assets, net | 7,143,243 | - |
| Total Assets | <u>65,191,501</u> | <u>9,160</u> |
| LIABILITIES | | |
| Accounts payable | 790,662 | 579 |
| Accrued expenses | 168,114 | - |
| Due to the City of Delray Beach | 3,603,983 | - |
| Refundable deposits and other | 21,443 | - |
| Noncurrent liabilities | | |
| Due within one year | 1,501,127 | - |
| Due in more than one year | 5,656,510 | - |
| Total Liabilities | <u>11,741,839</u> | <u>579</u> |
| NET POSITION | | |
| Net investment in capital assets | 33,178,089 | - |
| Unrestricted | 20,271,573 | 8,581 |
| Total Net Position | <u>\$ 53,449,662</u> | <u>\$ 8,581</u> |

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2019

| 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 | \$ 1,610,706 | \$ - | \$ - | \$ (1,610,706) | \$ - |
| Property management | 167,872 | 354,569 | - | 186,697 | - |
| Economic development | 11,665,612 | 55,906 | 524,571 | (11,085,135) | - |
| Total Primary Government | <u>\$ 13,444,190</u> | <u>\$ 410,475</u> | <u>\$ 524,571</u> | (12,509,144) | - |
| Component Unit | | | | | |
| Block 60 Parking Condominium | <u>\$ 45,466</u> | <u>\$ 13,493</u> | <u>\$ -</u> | - | (31,973) |
| General Revenue | | | | | |
| Tax increment revenue | | | | 22,176,796 | - |
| Interest and other income | | | | 57,824 | - |
| Total General Revenue | | | | <u>22,234,620</u> | - |
| Change in Net Position | | | | 9,725,476 | (31,973) |
| Net position at October 1, 2018 | | | | <u>43,724,186</u> | <u>40,554</u> |
| Net Position at September 30, 2019 | | | | <u>\$ 53,449,662</u> | <u>\$ 8,581</u> |

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2019

| | <u>General Fund</u> |
|--|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 22,667,578 |
| Accounts receivable | |
| City of Delray Beach | 6,309 |
| Grants and other | 12,982 |
| Prepaid items | 81,886 |
| Notes receivable | |
| Delray Beach Community Land Trust | 325,249 |
| Delray Beach Chamber of Commerce | 175,096 |
| Village Square Elderly, Ltd. | 2,700,000 |
| Second mortgage loans | 658,884 |
| Cash restricted for redevelopment projects | 1,950,000 |
| Other assets | 34,886 |
| | <u>28,612,870</u> |
| Total Assets | <u>\$ 28,612,870</u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable | \$ 790,662 |
| Accrued items | 93,927 |
| Due to the City of Delray Beach | 3,603,983 |
| Refundable deposits and other | 21,443 |
| | <u>4,510,015</u> |
| Total Liabilities | 4,510,015 |
| FUND BALANCE | |
| Nonspendable | |
| Prepaid items | 81,886 |
| Long-term notes receivable | 3,859,229 |
| Restricted | |
| Redevelopment projects | 1,950,000 |
| Assigned to | |
| Subsequent year's budget | 17,692,033 |
| Unassigned | 519,707 |
| | <u>24,102,855</u> |
| Total Fund Balance | 24,102,855 |
| 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 | 36,578,631 |
| Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund | (74,187) |
| Long-term liabilities are not due and payable in the current period and are not reported in the general fund | <u>(7,157,637)</u> |
| Net position of governmental activities | <u>\$ 53,449,662</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, 2019

| | | General Fund |
|---|----|-----------------|
| REVENUES | | |
| Tax increment revenue | \$ | 22,176,796 |
| Reimbursements | | 524,571 |
| Rental income | | 249,162 |
| Interest and other income | | 57,824 |
| Green Market revenue | | 55,906 |
| Arts Warehouse revenue | | 105,407 |
| Total Revenues | | 23,169,666 |
| EXPENDITURES | | |
| Current | | |
| General government | | 1,507,172 |
| Economic development | | 11,302,641 |
| Capital outlay | | 904,597 |
| Debt service | | |
| Principal | | 2,120,102 |
| Interest | | 205,161 |
| Total Expenditures | | 16,039,673 |
| Revenues in Excess of Expenditures | | 7,129,993 |
| OTHER FINANCING SOURCES | | |
| Proceeds from sales of purchased properties | | 1,555 |
| Issuance of revenue bonds | | 1,950,000 |
| Total Other Financing Sources | | 1,951,555 |
| Net Change in Fund Balance | | 9,081,548 |
| Fund Balance at October 1, 2018 | | 15,021,307 |
| Fund Balance at September 30, 2019 | | \$ 24,102,855 |

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, 2019

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

| | |
|--|--------------|
| Net change in fund balance - governmental fund | \$ 9,081,548 |
|--|--------------|

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 | \$ 904,597 | |
| Net book value of disposals | (137,814) | |
| Current year depreciation | <u>(271,406)</u> | 495,377 |

Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|-----------------|------------------|---------|
| Debt proceeds | \$ (1,950,000) | |
| Debt repayments | <u>2,120,102</u> | 170,102 |

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.

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ 9,725,476</u> |
|---|---------------------|

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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 intergovernmental revenue, and the activity of the legally separate *component unit* for which the CRA is financially accountable as the primary government. The CRA has no *business-type activities*. The Statement of Net Position presents the financial condition of the CRA, including all long-term assets and receivables as well as all long-term debt and obligations.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized in the period in which they become both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. The CRA considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Tax increment revenues, intergovernmental revenues, rents and charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the CRA.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Other Receivables: Grants and other receivables include amounts due from other governments for reimbursement basis grants and rental income. The CRA does not require collateral for accounts receivable. An allowance for doubtful accounts is determined based on the age of the individual receivable, and generally an allowance is established for accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the CRA deems them uncollectible. At September 30, 2019, management considers all receivables to be fully collectible.

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

Capital Assets: The CRA has reported all capital assets in the government-wide statement of net position. Capital assets are defined by the CRA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, 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, 2019.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan: The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code Section 457. The plan allows an employee to contribute pre-tax wages into the employees' personal retirement accounts. The CRA may, at the discretion of the Board of Commissioners, make matching contributions to the participants' accounts. For the year ended September 30, 2019, the CRA made contributions of \$73,563 to the employees' accounts. The CRA is not obligated to provide other postemployment benefits to employees upon termination of employment, except for federally mandated COBRA health insurance.

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

Recent Accounting Pronouncements: The following Governmental Accounting Standards Board (GASB) Statements were effective for the CRA for the fiscal year ended September 30, 2019:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Statement No. 83 also requires disclosure of information about the government's AROs, including the methods and assumptions used for estimating liabilities and the estimated remaining useful life of the associated tangible capital assets.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the disclosure of information in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

The implementation of these GASB Statements had no impact on the CRA's financial statements for the year ended September 30, 2019, other than additional debt disclosures.

The Governmental Accounting Standards Board 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, 2020.
- 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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2021.
- 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. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2020.
- GASB Statement No. 91, *Conduit Debt Obligations*, establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The requirements of this Statement will be effective for the CRA for the fiscal year ending September 30, 2022.
- 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 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, 2020 and the remaining requirements will be effective for the CRA for the fiscal year ending September 30, 2021.

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, 2019, includes deposits with financial institutions with a bank balance of \$24,964,648 and a book balance of \$24,610,441, including \$1,950,000 of cash bond proceeds restricted for redevelopment projects. For financial statement purposes cash includes an investment of \$7,137 with Florida Prime, a 2a7-like external investment pool administered by the State of Florida pursuant to

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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

statutory requirements. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as a Qualified Public Depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured or collateralized in accordance with the provisions of GASB Statements. Cash balances of the component unit at September 30, 2019, 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, 2019, 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, 2019

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, 2019, 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. At September 30, 2019 the balance of the note receivable from the Chamber was \$175,096.

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 will be 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 shall commence 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 in an amount equal to the remaining cash flow from the Property after the required payments on the Property's first mortgage and payment of the deferred developer fee, but not less than \$25,000 per year. The loan 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 first construction draw was made in 2017 and the total receivable at September 30, 2019 was \$2,700,000.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

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, 2019, 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, 2019.

NOTE G - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2019, was as follows:

| | Balance at Beginning of Year | Increases | Decreases | Balance at End of Year |
|--|------------------------------------|-------------------|---------------------|------------------------------|
| Capital assets not being depreciated | | | | |
| Land and improvements | \$ 28,888,962 | \$ 522,347 | \$ (137,814) | \$ 29,273,495 |
| Construction in progress | - | 161,893 | - | 161,893 |
| Total capital assets not being depreciated | 28,888,962 | 684,240 | (137,814) | 29,435,388 |
| Depreciable capital assets | | | | |
| Buildings and improvements | 8,634,774 | 203,855 | - | 8,838,629 |
| Equipment | 135,591 | 11,201 | (7,433) | 139,359 |
| Furniture and fixtures | 70,249 | 5,301 | - | 75,550 |
| Total depreciable capital assets | 8,840,614 | 220,357 | (7,433) | 9,053,538 |
| Less accumulated depreciation | (1,646,322) | (271,406) | 7,433 | (1,910,295) |
| Depreciable capital assets, net of accumulated depreciation | 7,194,292 | (51,049) | - | 7,143,243 |
| Total capital assets | <u>\$ 36,083,254</u> | <u>\$ 633,191</u> | <u>\$ (137,814)</u> | <u>\$ 36,578,631</u> |

Depreciation expense was charged to governmental activities functions as follows:

| | |
|----------------------------|-------------------|
| General government | \$ 103,534 |
| Property management | <u>167,872</u> |
| Total depreciation expense | <u>\$ 271,406</u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2019, 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 | \$ 50,000 | \$ 1,950,000 | \$ (198,490) | \$ 1,801,510 | \$ 382,983 |
| Series 2012 | 3,919,225 | - | (370,193) | 3,549,032 | 756,725 |
| Series 2004A | 880,000 | - | (880,000) | - | - |
| Series 1999A | <u>310,000</u> | <u>-</u> | <u>(310,000)</u> | <u>-</u> | <u>-</u> |
| Total revenue bonds | 5,159,225 | 1,950,000 | (1,758,683) | 5,350,542 | 1,139,708 |
| Loan Payable to the City of Delray Beach | | | | | |
| U.S. Highway 1 project | <u>2,168,514</u> | <u>-</u> | <u>(361,419)</u> | <u>1,807,095</u> | <u>361,419</u> |
| Total noncurrent liabilities | 7,327,739 | <u>\$ 1,950,000</u> | <u>\$ (2,120,102)</u> | 7,157,637 | <u>\$ 1,501,127</u> |
| Current maturities | <u>(1,923,277)</u> | | | <u>(1,501,127)</u> | |
| Net long-term debt | <u>\$ 5,404,462</u> | | | <u>\$ 5,656,510</u> | |

Revenue Bonds: The outstanding tax increment redevelopment revenue bonds payable by the CRA at September 30, 2019, consisted of the following:

Series 2015: In January 2016, the CRA issued the Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2015, (the "Series 2015 Bond") in the amount of \$2,000,000. The Series 2015 Bond was issued as a draw-down bond to a financial institution, such that the financial institution will advance the purchase price of the 2015 Series Bond pursuant to each draw request submitted by the CRA, provided that the maximum amount of the Series 2015 Bond outstanding at any one time shall not exceed an aggregate principal amount of \$2,000,000. The Series 2015 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The CRA will be able to draw down funds until 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, beginning April 1, 2016 through October 1, 2023, the maturity date of the Series 2015 Bond. Interest is tax-exempt to the bondholder for federal income tax purposes. Principal is payable in equal installments each April 1st and October 1st, commencing April 1, 2019 and 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, 2019, the outstanding balance on the Series 2015 Bond was \$1,801,510.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - NONCURRENT LIABILITIES (Continued)

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 382,983 | \$ 48,230 | \$ 431,213 |
| 2021 | 393,978 | 37,235 | 431,213 |
| 2022 | 405,162 | 26,051 | 431,213 |
| 2023 | 416,663 | 14,550 | 431,213 |
| 2024 | <u>202,724</u> | <u>3,209</u> | <u>205,933</u> |
| | <u>\$ 1,801,510</u> | <u>\$ 129,275</u> | <u>\$ 1,930,785</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 shall not exceed an aggregate principal amount of \$4,000,000.

The Series 2012 Bond was issued for the purpose of financing the costs of acquisition and construction of certain redevelopment projects. The original final draw date was March 30, 2015 with interest payable semi-annually on April 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, commencing April 1, 2019 and 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, 2019, the outstanding balance on the Series 2012 Bond was \$3,549,032 and is due as follows:

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 756,725 | \$ 78,134 | \$ 834,859 |
| 2021 | 774,416 | 60,443 | 834,859 |
| 2022 | 792,528 | 42,331 | 834,859 |
| 2023 | 811,071 | 23,788 | 834,859 |
| 2024 | <u>414,292</u> | <u>4,803</u> | <u>419,095</u> |
| | <u>\$ 3,549,032</u> | <u>\$ 209,499</u> | <u>\$ 3,758,531</u> |

Series 2004A: \$10,000,000 Delray Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Improvement Bond, Series 2004A, dated May 19, 2004. The Series 2004A Bond was issued to a financial institution for an aggregate principal amount of \$10,000,000 for the purpose of financing the costs of acquisition and construction of certain

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - NONCURRENT LIABILITIES (Continued)

redevelopment projects. Interest was payable semi-annually on March 1st and September 1st at 4.2982% on the outstanding principal balance. Interest was tax-exempt to the bondholder for federal income tax purposes. The Series 2004A Bond was repaid in full on September 1, 2019, the maturity date of the Bond.

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

Loan Payable to the City of Delray Beach: The outstanding loan payable to the City of Delray Beach by the CRA at September 30, 2019, consisted of the following:

U.S. Highway 1 Project: The CRA entered into an interlocal agreement with the City in October 2011 to provide a portion of the funding for the U.S. Highway 1 project planned by the City. The agreement was subsequently amended in January 2013 based on a final project cost of approximately \$14.0 million, of which the CRA agreed to fund \$3,614,190, plus financing costs. The CRA agreed to pay the City interest only on the CRA share of the amount financed by the City through May 31, 2014. Thereafter, the CRA pays the City an amount equal to the principal and interest on the CRA's share of the funding for a period of twelve years. Principal on the loan is payable by the CRA semi-annually on June 1st and December 1st in the amount of \$180,709, commencing December 1, 2014 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, commencing December 1, 2014. At September 30, 2019, the outstanding balance on this loan was \$1,807,095.

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

| Year Ending September 30, | Principal | Interest | Total |
|------------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 361,419 | \$ 58,730 | \$ 420,149 |
| 2021 | 361,419 | 58,730 | 420,149 |
| 2022 | 361,419 | 58,730 | 420,149 |
| 2023 | 361,419 | 58,730 | 420,149 |
| 2024 | 361,419 | 58,730 | 420,149 |
| | <u>\$ 1,807,095</u> | <u>\$ 293,650</u> | <u>\$ 2,100,745</u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE H - NONCURRENT LIABILITIES (Continued)

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, 2019, was \$5,689,316, payable through October 1, 2023. For the current year, principal and interest paid on the revenue bonds and the total tax increment revenues were \$1,905,114 and \$22,176,796, respectively.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2019, for the outstanding noncurrent liabilities with scheduled maturities are as follows:

| Year Ending September 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 1,501,127 | \$ 185,094 | \$ 1,686,221 |
| 2021 | 1,529,813 | 156,408 | 1,686,221 |
| 2022 | 1,559,109 | 127,112 | 1,686,221 |
| 2023 | 1,589,153 | 97,068 | 1,686,221 |
| 2024 | <u>978,435</u> | <u>66,742</u> | <u>1,045,177</u> |
| | <u>\$ 7,157,637</u> | <u>\$ 632,424</u> | <u>\$ 7,790,061</u> |

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2019, were \$183,610 and \$205,161, 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, 2019, was as follows:

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE I - TAX INCREMENT REVENUES (Continued)

| | |
|--|-------------------------|
| Assessed property value as of January 1, 2018 | \$ 2,266,901,510 |
| Assessed property value for 1985 base year | <u>(245,631,067)</u> |
| Assessed property value subject to incremental property tax | <u>\$ 2,021,270,443</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, 2019, the CRA's tax increment revenues include \$12,995,327 received from the City. CRA expenditures for the year ended September 30, 2019, include charges of \$3,182,717 for contractual and other services provided by the City to the CRA in connection with various administrative and redevelopment activities, \$3,027,511 for construction services related to redevelopment projects, \$387,176 for the downtown shuttle, and \$905,000 for sponsorship of City tennis tournaments. The CRA also received approximately \$409,000 in reimbursements from the City for various projects.

At September 30, 2019, the CRA had accounts receivable due from the City of \$6,309, accounts payable to the City of \$3,603,983 for reimbursement of certain administrative and redevelopment expenditures and loans payable to the City of \$1,807,095.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2019, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

Lease Commitment as Lessor: The CRA had the following lease commitments as lessor at September 30, 2019:

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, 2019.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

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 \$4,850,000 at September 30, 2019.

Prime Delray Hotel: On April 2, 2012, the CRA entered into a Ground Lease Agreement with Prime Delray Hotel, LLC (the "Company") for a 40 year term. The Company 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, 2019 was approximately \$2,420,000.

Monogram Closet: 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 amendment was executed in 2019, which extended the lease until June 20, 2020. The carrying value of the leased property at September 30, 2019 was approximately \$190,000.

CareerSource Palm Beach County, Inc.: On August 24, 2017, the CRA entered into an agreement to lease the property located at 186 NW 5th Ave to CareerSource Palm Beach County, Inc. The lease term is for a three year period, commencing on September 1, 2017 with a monthly base rent amount of \$1. An advance payment of \$36 was due for the full rental term. The parties may extend the terms of the lease for an additional one year term upon execution of an amendment. The carrying value of the leased property at September 30, 2019 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 parties may extend the terms of the lease for two additional one year terms upon execution of a written amendment. The carrying value of the leased property at September 30, 2019 was approximately \$100,000.

Emanuel Jackson Sr. Project, Inc.: On November 9, 2017, the CRA entered into an agreement to lease Unit 700 of the property at 700 West Atlantic Avenue, to Emanuel Jackson Sr. Project, Inc. The lease term is for a twenty-five month period, commencing December 20, 2017 with a total rent amount of \$2 which was due on commencement of the lease. The carrying value of the leased property at September 30, 2019 was approximately \$246,000.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2020. The carrying value of the leased property at September 30, 2019 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 carrying value of the property at September 30, 2019 was approximately \$365,000.

The total carrying value of leased property listed above was approximately \$8,711,000 at September 30, 2019. 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 leases extending through January 2, 2021 with monthly base rents of \$379, as well as other month-to-month leases. The net carrying value of leased property at September 30, 2019 was \$1,962,414 (cost of \$2,065,699 less accumulated depreciation of \$103,285). Rental income for all leased properties for 2019 totaled \$344,478. Future annual minimum rental income is as follows: 2020 - \$56,661 and 2021 - \$4,812.

Contract Commitments: At September 30, 2019, the CRA had outstanding contract commitments consisting of the following:

| Project | Total Project Authorization | Expended Through September 30, 2019 | Retainage Payable at September 30, 2019 | Remaining Commitment at September 30, 2019 |
|--|-----------------------------|-------------------------------------|---|--|
| Historic Home Relocation | \$ 218,100 | \$ 129,420 | \$ - | \$ 88,680 |
| Carver Square Housing | 179,861 | 124,848 | - | 55,013 |
| SW 14 th Ave Streetscape | 148,657 | 138,929 | - | 9,728 |
| Wayfinding Signage | 147,850 | 29,539 | - | 118,311 |
| 98 NW 5 th Ave Renovation | 115,060 | 56,993 | - | 58,067 |
| Andella Housing Design | 73,600 | 58,676 | - | 14,924 |
| Artists Alley | 29,998 | 23,903 | - | 6,095 |
| NE 3 rd St & 3 rd Ave Design | 22,794 | 20,013 | - | 2,781 |
| NW 6 th Ave Plan Analysis | 14,000 | - | - | 14,000 |
| Personnel consulting | 13,625 | 6,000 | - | 7,625 |
| 51 NW 9 th Ave Assessment | 10,500 | 890 | - | 9,610 |
| Total contract commitments | \$ 974,045 | \$ 589,211 | \$ - | \$ 384,834 |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

The CRA also entered into an interlocal agreement with the City of Delray Beach to provide funding for certain construction projects and related professional services totaling \$20,616,000 for the year ending September 30, 2020.

Transportation Agreements: The CRA entered into the following agreements for transportation services during the year ended September 30, 2019.

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 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 interior or exterior of 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 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. Under the contract, the CRA will pay the provider at a rate of \$55.28 per hour at an estimated cost of \$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.

Tax Increment Incentive Agreements: The CRA reimbursed \$117,237 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 eligible commercial project, up to an amount not to exceed 50% of the projected Tax Increment Funds generated by the improvements over a 5 year period following project completion. The projects must be located in CRA Sub-Areas #3, #4, #5, #6, #7, or #8 and the final incentive agreement must be approved by the CRA Board. The following agreements were in effect as of September 30, 2019:

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 2019. At September 30, 2019, the outstanding amount under this grant agreement was \$132,939.

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 2019. At September 30, 2019, the outstanding amount under this grant agreement was \$172,647.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

Grant 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, 2020:

| | |
|--|---------------------|
| City of Delray Beach - International Tennis Championships | \$ 905,000 |
| City of Delray Beach - Information Technology Services | 110,000 |
| City of Delray Beach - Public Outreach CRA Plan | 64,500 |
| Delray Beach Community Land Trust, Inc. | 273,695 |
| Delray Beach Public Library Association, Inc. | 418,000 |
| Delray Beach Public Library Association, Inc. - Matching Grant | 50,000 |
| EPOCH, Inc. | 92,139 |
| 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>\$ 3,053,334</u> |

Job Creation Bonus Program Grant: A Job Creation Bonus Program grant was awarded to Cloud Computing Concepts, LLC for an amount equal to 5% of all certifiable annual wages for a minimum of 5 qualifying jobs up to a maximum of 13 qualifying jobs. Grant funds to be paid by the CRA will not exceed \$7,605 on an annual basis and \$38,024 over a five year period. Payments of \$7,605 were made each year for 2015 through 2019. At September 30, 2019, there were no additional amounts due under this grant.

Contracts for Sale of Properties: The CRA entered into three contracts for the sale of property prior to September 30, 2019 (contracts will close during the 2019-2020 fiscal year), as follows:

BH3, LLC: At September 30, 2019, the CRA had a contract with BH3, LLC, a Florida limited liability company, for the sale of certain property for \$10 in accordance with their redevelopment proposal for a mixed use facility that will include a grocery store, 165 residential rental units, residential amenity space, ground floor retail, food and beverage, public open space including pedestrian greenways and pocket parks, parking spaces, 18 workforce housing units adjacent to the project and 12 workforce housing units within the project. The agreement is subject to certain conditions precedent to closing, including documentation of financial commitment and a letter of credit or performance bond by the purchaser. Earnest money of \$250,000 was paid upon approval of the agreement. Closing shall occur no later than thirty days after the permit date. The CRA has a right to repurchase the property for \$100 in the event the purchaser fails to commence construction of the project within sixty days following the later of the closing or the permit date or fails to commence installation of the concrete foundation within 180 days following the later of the commencement of construction or the issuance of the building permits. In consideration of the nominal purchase price, a restrictive covenant will be executed and recorded against the property at closing. The restrictive covenant shall require the purchaser to pay the CRA \$4,000,000 in the event the purchaser conveys more than a 49% interest in the property and where the principals of the purchaser are no longer principals of the grantee. The carrying value of the property under contract at September 30, 2019 is \$8,078,798.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

Delray Beach Community Land Trust, Inc.: At September 30, 2019, the CRA had a contract with the Delray Beach Community Land Trust, Inc. (CLT), a Florida not-for-profit corporation, for the sale of certain property for \$5,000 in accordance with their redevelopment proposal to construct ten single-family homes in the SW Neighborhood for Workforce Housing project known as Corey Isle. The carrying value of the property under contract at September 30, 2019 is \$496,010.

Habitat for Humanity of South Palm Beach County, Inc.: At September 30, 2019, the CRA had a contract with Habitat for Humanity of South Palm Beach County, Inc., a Florida not-for-profit corporation, for the sale of two lots for \$2,000 in accordance with their redevelopment proposal. The carrying value of the property under contract at September 30, 2019 is \$95,249.

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

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Tax increment revenue | | | | |
| City of Delray Beach | \$ 13,067,003 | \$ 12,995,327 | \$ 12,995,327 | \$ - |
| Palm Beach County | 9,231,997 | 9,181,469 | 9,181,469 | - |
| Total tax increment revenue | 22,299,000 | 22,176,796 | 22,176,796 | - |
| Reimbursements | | | | |
| Reimbursements from City of Delray Beach | 105,000 | 408,946 | 408,946 | - |
| Other reimbursements | - | 75,625 | 115,625 | 40,000 |
| Total reimbursements | 105,000 | 484,571 | 524,571 | 40,000 |
| Rental income | | | | |
| Rental property income | 150,000 | 135,616 | 135,616 | - |
| Land lease revenue | 80,000 | 83,953 | 83,953 | - |
| In-kind rent revenue | - | 29,593 | 29,593 | - |
| Total rental income | 230,000 | 249,162 | 249,162 | - |
| Interest and other income | | | | |
| Interest income | 20,000 | 46,635 | 46,635 | - |
| Loan interest | 10,000 | 7,378 | 7,329 | (49) |
| Other income | - | 3,860 | 3,860 | - |
| Total interest and other income | 30,000 | 57,873 | 57,824 | (49) |
| Green Market revenue | 50,000 | 55,906 | 55,906 | - |
| Arts Warehouse revenue | 56,300 | 105,416 | 105,407 | (9) |
| Total Revenues | 22,770,300 | 23,129,724 | 23,169,666 | 39,942 |
| OTHER FINANCING SOURCES | | | | |
| Issuance of revenue bonds | 3,657,587 | 1,950,000 | 1,950,000 | - |
| General Fund carryforward fund balance | 6,977,412 | 11,365,186 | - | (11,365,186) |
| Land sales | - | 1,555 | 1,555 | - |
| Total Other Financing Sources | 10,634,999 | 13,316,741 | 1,951,555 | (11,365,186) |
| Total Revenues and Other Financing Sources | 33,405,299 | 36,446,465 | 25,121,221 | (11,325,244) |
| EXPENDITURES | | | | |
| General government | | | | |
| Personnel | | | | |
| Salaries | 1,200,000 | 1,020,243 | 984,686 | 35,557 |
| Payroll taxes | 90,000 | 79,163 | 78,984 | 179 |
| Health, dental and life insurance | 90,000 | 81,276 | 81,276 | - |
| Retirement contribution | 102,000 | 72,281 | 73,563 | (1,282) |
| Travel allowance | 6,500 | 6,329 | 6,079 | 250 |
| Cell allowance | 8,000 | 5,160 | 5,160 | - |
| Personnel | 1,496,500 | 1,264,452 | 1,229,748 | 34,704 |
| Supplies and materials | | | | |
| Office supplies | 15,000 | 9,243 | 9,243 | - |
| Postage/express mail | 3,500 | 1,275 | 1,275 | - |
| Supplies and materials | 18,500 | 10,518 | 10,518 | - |

(Continued)

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

Year Ended September 30, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------------|-------------------------|---|
| | Original | Final | | |
| General government (continued) | | | | |
| Office space | | | | |
| Storage | \$ 3,500 | \$ 3,513 | \$ 3,513 | \$ - |
| Maintenance | 150,000 | 16,248 | 16,248 | - |
| Telephone | 7,000 | 6,879 | 6,879 | - |
| Utilities | 7,000 | 4,636 | 4,636 | - |
| Security | 3,000 | 2,574 | 2,574 | - |
| | <u>170,500</u> | <u>33,850</u> | <u>33,850</u> | <u>-</u> |
| Administration/Operations | | | | |
| Accounting | 26,300 | 28,138 | 28,138 | - |
| Board administration | 30,000 | 15,400 | 15,400 | - |
| Legal | 80,000 | 62,568 | 62,568 | - |
| Capital outlay | - | 355,956 | 355,956 | - |
| Contractual services | 300,000 | 40,887 | 40,887 | - |
| Printing | 6,000 | 3,177 | 3,177 | - |
| Publications/subscriptions | 1,500 | 1,684 | 1,684 | - |
| Advertising | 7,000 | 4,869 | 4,869 | - |
| Bank services | 5,000 | 593 | 593 | - |
| Organization/member dues | 8,500 | 5,042 | 5,042 | - |
| Public relations and communication | 15,000 | 15,938 | 15,938 | - |
| Insurance: commercial, D&O | 25,000 | 19,273 | 19,273 | - |
| Meetings | 2,500 | 1,499 | 1,499 | - |
| Seminars and workshops | 15,000 | 16,308 | 16,308 | - |
| Travel | 5,000 | 4,572 | 4,572 | - |
| | <u>526,800</u> | <u>575,904</u> | <u>575,904</u> | <u>-</u> |
| Equipment, property and maintenance | | | | |
| Computer equipment and supplies | 3,000 | 6,284 | 6,284 | - |
| Equipment rentals | 15,000 | 9,496 | 9,496 | - |
| Repairs and maintenance | 2,000 | - | - | - |
| Furniture and fixtures | 2,000 | 5,140 | 5,140 | - |
| Office equipment | 10,000 | 18,482 | 18,482 | - |
| | <u>32,000</u> | <u>39,402</u> | <u>39,402</u> | <u>-</u> |
| Total General Government | <u>2,244,300</u> | <u>1,924,126</u> | <u>1,889,422</u> | <u>34,704</u> |
| Economic Development | | | | |
| <i>Areawide and Neighborhood Plans</i> | | | | |
| Osceola Park Neighborhood Plan | | | | |
| Plan update | 1,000,000 | 80,447 | 79,797 | 650 |
| Legal fees | 3,000 | - | - | - |
| | <u>1,003,000</u> | <u>80,447</u> | <u>79,797</u> | <u>650</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|------------------|-------------------|---|
| | Original | Final | | |
| Economic Development (continued) | | | | |
| <i>Areawide and Neighborhood Plans (continued)</i> | | | | |
| West Atlantic Avenue Redevelopment | | | | |
| Land acquisition | \$ 1,500,000 | \$ 443,537 | \$ 443,537 | \$ - |
| Project development/implementation | 50,000 | 43,689 | 43,689 | - |
| In-kind build-out/rent | - | 29,593 | 29,593 | - |
| Legal fees | 50,000 | 80,056 | 80,056 | - |
| | <u>1,600,000</u> | <u>596,875</u> | <u>596,875</u> | <u>-</u> |
| Downtown Master Plan | | | | |
| OSS campus/park improvements | 700,000 | 69,665 | 69,665 | - |
| SE 1st Street two way conversion signal | - | 250,000 | 250,000 | - |
| Downtown mobility | 975,000 | 567,945 | 543,399 | 24,546 |
| Wayfinding signage | 400,000 | 29,539 | 29,539 | - |
| Project development/implementation | 20,000 | 1,804 | 1,804 | - |
| NE 3rd St/Ave alley improvements | 2,000,000 | 29,779 | 29,779 | - |
| Swinton/ Atlantic intersections | 500,000 | 180,499 | 180,499 | - |
| Legal fees | 25,000 | 5,285 | 5,285 | - |
| | <u>4,620,000</u> | <u>1,134,516</u> | <u>1,109,970</u> | <u>24,546</u> |
| Southwest Neighborhood Plan | | | | |
| Village Square Elderly | - | 372,283 | - | 372,283 |
| SW 3rd Ct, 4th St, 6th St, and 7th Ave | 6,888,200 | - | - | - |
| SW Neighborhood Alleys | 930,000 | 60,424 | 60,424 | - |
| Merritt Park playground | 200,000 | 198,447 | 198,447 | - |
| Block 63 Alley | 265,000 | 355,831 | 355,831 | - |
| Legal fees | 20,000 | 26,023 | 26,023 | - |
| | <u>8,303,200</u> | <u>1,013,008</u> | <u>640,725</u> | <u>372,283</u> |
| Other | | | | |
| Land acquisitions | 500,000 | - | - | - |
| NW neighborhood design | 1,000,000 | 1,590,860 | 1,590,860 | - |
| Swinton Ave complete street | 200,000 | - | - | - |
| NW/SW neighborhood identification signs | 170,000 | - | - | - |
| Pompey Park master plan | 550,000 | - | - | - |
| Hilltopper Stadium restrooms concssion bldg | 600,000 | - | - | - |
| Legal fees | 3,000 | - | - | - |
| | <u>3,023,000</u> | <u>1,590,860</u> | <u>1,590,860</u> | <u>-</u> |
| Total Areawide and Neighborhood Plans | 18,549,200 | 4,415,706 | 4,018,227 | 397,479 |

(Continued)

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

Year Ended September 30, 2019

| | 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 | \$ 740,000 | \$ 223,084 | \$ 223,084 | \$ - |
| 98 NW 5th Ave Renovation | 150,000 | 57,667 | 57,667 | - |
| Project development/implementation | 50,000 | - | - | - |
| Legal fees | 5,000 | 2,464 | 2,464 | - |
| 95 SW 5th Avenue construction | - | 43,115 | 43,115 | - |
| | <u>945,000</u> | <u>326,330</u> | <u>326,330</u> | <u>-</u> |
| | | | | |
| Affordable/ Workforce Housing Program | | | | |
| Resident relocations | 15,000 | - | - | - |
| Subsidies - Affordable Housing | 150,000 | 25,000 | - | 25,000 |
| Land acquisitions - Affordable Housing | 500,000 | 102,878 | 102,878 | - |
| Community Land Trust (CLT) | 261,550 | 261,550 | 261,550 | - |
| Eagle Nest | 50,000 | - | - | - |
| Legal fees | 10,000 | 16,833 | 16,833 | - |
| | <u>986,550</u> | <u>406,261</u> | <u>381,261</u> | <u>25,000</u> |
| | | | | |
| Redevelopment Sites | | | | |
| Maintenance | 240,000 | 190,354 | 190,354 | - |
| Business relocation | 30,000 | - | - | - |
| Project development/implementation | 10,000 | - | - | - |
| Property insurance | 125,000 | 92,101 | 92,101 | - |
| Property taxes | 100,000 | 50,540 | 50,540 | - |
| Legal fees | 5,000 | 560 | 560 | - |
| West Settlers Condo Association | 14,000 | 9,648 | 9,648 | - |
| Utilities | 30,000 | 23,718 | 23,718 | - |
| Block 60 Parking Lots | 8,000 | 7,481 | 7,480 | 1 |
| | <u>562,000</u> | <u>374,402</u> | <u>374,401</u> | <u>1</u> |
| | | | | |
| Carver Square Neighborhood | | | | |
| Carver Square workforce housing construction | 1,000,000 | 80,613 | 97,413 | (16,800) |
| Corey Isle housing construction | - | 81,940 | 65,140 | 16,800 |
| Legal fees | 10,000 | 38 | 38 | - |
| | <u>1,010,000</u> | <u>162,591</u> | <u>162,591</u> | <u>-</u> |
| Total Redevelopment Projects | <u>3,503,550</u> | <u>1,269,584</u> | <u>1,244,583</u> | <u>25,001</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2019

| | 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 | \$ 75,000 | \$ 75,000 | \$ 75,000 | \$ - |
| Site Assistance Grants | 170,000 | 96,135 | 96,135 | - |
| Business Assistance Startup | 34,000 | (500) | (500) | - |
| Paint-Up and Signage assistance grants | 15,000 | 6,279 | 6,279 | - |
| Community sponsorship program | 6,000 | 4,500 | 4,500 | - |
| Historic Façade Grants | 125,000 | - | - | - |
| | <u>425,000</u> | <u>181,414</u> | <u>181,414</u> | - |
| City Contractual Services | | | | - |
| City Demolition | 50,000 | - | - | - |
| Planning, IT and Parking manager | 110,000 | 110,000 | 110,000 | - |
| Code Officer (NW/SW Neighborhoods) | 65,660 | 65,660 | 65,660 | - |
| Streetscape maintenance | 100,000 | 34,883 | 34,883 | - |
| Housing Rehab Inspector | 42,656 | 42,656 | 42,656 | - |
| Clean & Safe program | 2,513,291 | 2,414,404 | 2,414,404 | - |
| Project Engineer | 100,000 | 100,000 | 100,000 | - |
| Fire Prevention and Life Safety Captain | 184,061 | 147,666 | 147,666 | - |
| Engineering Inspector | 75,000 | 63,388 | 63,388 | - |
| Purchasing Agent | 67,728 | - | - | - |
| | <u>3,308,396</u> | <u>2,978,657</u> | <u>2,978,657</u> | - |
| Community Resource Enhancement | | | | |
| Community Resource Enhancement | 175,000 | 31,250 | 31,250 | - |
| A-Guide funding | 1,734,000 | 1,744,000 | 1,744,000 | - |
| | <u>1,909,000</u> | <u>1,775,250</u> | <u>1,775,250</u> | - |
| Economic Development Initiative | | | | |
| Incentives | 210,000 | 188,910 | 188,910 | - |
| Outreach/communication | 75,000 | 51,821 | 51,821 | - |
| Arts Warehouse program | 395,000 | 351,581 | 351,367 | 214 |
| Tennis Tournament sponsorship | 1,005,000 | 905,000 | 905,000 | - |
| Legal fees | 40,000 | 2,867 | 2,867 | - |
| | <u>1,725,000</u> | <u>1,500,179</u> | <u>1,499,965</u> | <u>214</u> |

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

Year Ended September 30, 2019

| | 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 | 95,000 | 93,565 | 93,565 | - |
| Entertainment/vendors | 10,000 | 8,950 | 8,950 | - |
| Supplies and materials | - | - | 956 | (956) |
| Administration and operations | 10,000 | 16,254 | 15,123 | 1,131 |
| Signs, banners and advertising | 8,000 | 8,298 | 8,298 | - |
| | <u>123,000</u> | <u>127,067</u> | <u>126,892</u> | <u>175</u> |
| <i>Total Community Improvement and Economic Development</i> | <u>7,490,396</u> | <u>6,562,567</u> | <u>6,562,178</u> | <u>389</u> |
| Total Economic Development | 29,543,146 | 12,247,857 | 11,824,988 | 422,869 |
| Debt service | | | | |
| Tax exempt bond principal and interest | 1,242,704 | 1,242,704 | 1,242,704 | - |
| Principal and interest - US1 Improvements | 420,149 | 420,149 | 420,149 | - |
| City National line of credit (Series 2012 bonds) | 350,000 | 662,410 | 662,410 | - |
| Total Debt Service | <u>2,012,853</u> | <u>2,325,263</u> | <u>2,325,263</u> | <u>-</u> |
| Total Expenditures | <u>33,800,299</u> | <u>16,497,246</u> | <u>16,039,673</u> | <u>457,573</u> |
| Net Change in Fund Balance | <u>\$ (395,000)</u> | <u>\$ 19,949,219</u> | <u>\$ 9,081,548</u> | <u>\$ (10,867,671)</u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO BUDGETARY COMPARISON SCHEDULE

September 30, 2019

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 \$17.3 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, 2019.

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, 2019.

**OTHER SUPPLEMENTARY INFORMATION -
COMPONENT UNIT**

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2019

ASSETS

| | | |
|---------------------|----|------------|
| Cash | \$ | 8,281 |
| Accounts receivable | | <u>879</u> |

| | | |
|---------------------|-----------|---------------------|
| Total Assets | \$ | <u>9,160</u> |
|---------------------|-----------|---------------------|

LIABILITIES

| | | |
|------------------|----|------------|
| Accounts payable | \$ | <u>579</u> |
|------------------|----|------------|

| | | |
|--------------------------|--|------------|
| Total Liabilities | | 579 |
|--------------------------|--|------------|

NET POSITION

| | | |
|--------------|--|--------------|
| Unrestricted | | <u>8,581</u> |
|--------------|--|--------------|

| | | |
|---|-----------|---------------------|
| Total Liabilities and Net Position | \$ | <u>9,160</u> |
|---|-----------|---------------------|

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2019

| | | |
|------------------------------------|------------------------|---------------------|
| REVENUES | | |
| Assessments | \$ | 13,493 |
| EXPENSES | | |
| Condominium properties | | <u>45,466</u> |
| | Change in Net Position | (31,973) |
| Net position at October 1, 2018 | | <u>40,554</u> |
| Net position at September 30, 2019 | \$ | <u><u>8,581</u></u> |

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2019

OPERATING ACTIVITIES

| | | |
|--|----|---------------------|
| Change in net position | \$ | (31,973) |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | |
| Increase in accounts receivable | | (879) |
| Decrease in accounts payable | | (1,453) |
| Decrease in unearned income | | (220) |
| | | <u> </u> |
| Net Cash Used In Operating Activities | | <u>(34,525)</u> |
| | | <u> </u> |
| Decrease in Cash | | (34,525) |
| | | <u> </u> |
| Cash at October 1, 2018 | | <u>42,806</u> |
| | | <u> </u> |
| Cash at September 30, 2019 | \$ | <u><u>8,281</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, 2019

| | 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 | 7,000 | 7,000 | 1,650 | 5,350 |
| Maintenance | 34,583 | 34,583 | 36,361 | (1,778) |
| Licenses | 100 | 100 | 123 | (23) |
| Water for irrigation system | 700 | 700 | 803 | (103) |
| Electric for lights | 2,200 | 2,200 | 1,814 | 386 |
| Insurance | 4,000 | 4,000 | 2,805 | 1,195 |
| Property management fee | 700 | 700 | 700 | - |
| Accounting | 1,210 | 1,210 | 1,210 | - |
| Total Expenses | <u>50,493</u> | <u>50,493</u> | <u>45,466</u> | <u>5,027</u> |
| Revenues Over Expenses | <u>\$ (37,000)</u> | <u>\$ (37,000)</u> | <u>\$ (31,973)</u> | <u>\$ 5,027</u> |

**COMPLIANCE REPORT AND
MANAGEMENT LETTER**



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

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MEMBERS
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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, 2019, 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 30, 2020.

Internal Control Over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiencies in internal control that we consider to be significant deficiencies.

2019-001 Locking QuickBooks

The CRA uses QuickBooks for its general ledger and accounting software package. During our audit procedures, we noted that the CRA was not consistently utilizing the Closing Date function in QuickBooks. The Closing Date procedure provides a significant control to prevent unauthorized changes to recorded transactions prior to the closing date and also protects against inadvertent data errors. We recommend that the Executive Director be assigned her own password and permissions to enter a password protected Closing Date on a monthly basis after reviewing the bank reconciliation and internal financial statements. Persons responsible for entering transactions in the QuickBooks program, such as the Finance and Operations Director and the Finance Coordinator, should not have the password or permission to change transactions prior to the Closing Date. Any changes that must be made to prior transactions should be handled through journal entries in the current period. Using the Closing Date procedure will minimize the possibility of unauthorized and/or inadvertent changes to the CRA's reconciled accounting records.

2019-002 Segregation of Duties

During our review of controls, we noted that the Executive Director, Director of Finance and Operations, the Finance Coordinator and the Contracts Manager all have full access to QuickBooks and are able to make changes in the accounting system. The Director of Finance and Operations also maintains the blank check stock and performs the bank reconciliations, and the Executive Director and the Director of Finance and Operations are both authorized signers on the accounts. For proper segregation of duties, an individual should not have access to any two of these functions. We understand from management that subsequent to year end the blank check stock is now maintained by the Assistant Director who does not have access to QuickBooks and is not an authorized signer. We also understand that the signatures are now able to be printed directly on the checks from QuickBooks. Management has informed us that after the checks are printed with the signature on them, each check is attached to a purchase order (PO) generated by QuickBooks and then two authorized check signers are required to sign on the PO, indicating their approval of the check and its release for mailing. We recommend that access to make changes in the accounting system be limited to finance staff who do not have access to blank check stock. We also recommend that the QuickBooks rights to print checks be assigned to one individual that has no other QuickBooks access and no one within the accounting department should have administrator rights.

Compliance and Other Matters

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

We noted certain additional matters that we reported to those charged with governance in a separate management letter dated March 30, 2020.

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.

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

West Palm Beach, Florida
March 30, 2020



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

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Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated March 30, 2020.

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 Report on Investment Compliance on our examination 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 30, 2020, 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: 2017-003 *Annual Leave* and 2018-002 *Check Signers*.

Finding 2018-001 *Bank Reconciliations* reported in the prior year management letter requires further action as follows:

2018-001 Bank Reconciliations

Bank reconciliations reviewed during the audit did not tie to the general ledger balances for the associated months due to transactions that were posted subsequent to the original reconciliation. A second reconciliation was prepared by management to document the accuracy of the balances. We recommend that management lock each month in QuickBooks in order to prevent changes to the reconciled accounts. Any subsequent changes should be made via journal entry in the month identified.

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:

2019-003 Mathematical Accuracy of Budgets

The CRA's original approved budget for the fiscal year ended September 30, 2019 was not mathematically accurate due to errors in a formula used for calculating the total budgeted expenses. As a result of the error, the original September 30, 2019 budget was out of balance by \$395,000. This error was corrected in the first budget amendment. We recommend that the CRA follow the control instituted whereby someone other than the preparer of the budget is responsible for approving and signing off on the mathematical accuracy of the budget prior to submission to the Board. Consideration should also be given to entering the budget into QuickBooks to verify its mathematical accuracy.

2019-004 Financial Statement Review

We noted that management's review of the monthly financial statements is not currently documented. Management has indicated that a change in the procedures from a manual to electronic transfer of the monthly financial packages from the Finance and Operations Director to the Executive Director and ultimately to the Board, resulted in the review no longer being documented. We recommend that the Executive Director document her review of the monthly financial package manually or electronically to provide evidence of review and approval.

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.

2019-006 Backdating of Checks

During our review of cash and accounts payable for the year ended September 30, 2019, we noted a check that was dated September 30, 2019, but was issued at a later date. We recommend that all checks be dated the date they are prepared and issued. This will ensure the accuracy and integrity of the cash disbursements process. If an expense needs to be posted to a prior period, it should be recorded as an accrued expense through an adjusting journal entry.

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.

2019-008 Account Signers

During our review of cash controls, we noted that the signature cards for the SBA account still included the former Executive Director as an authorized signer. In order to maintain proper internal control over access to CRA assets, accounts should be updated as soon as possible after a change in management or the Board. We recommend that management update the authorized signers on the SBA account and maintain a list of account changes that need to be made when there are changes in management or Board members.

2019-009 CRA Trust Fund Monies

Section 163.387(7) Florida Statutes provides that on the last day of a CRA's fiscal year, any money remaining in the CRA trust fund after the payment of expenses in the CRA plan for the year must be (a) returned to each taxing authority, (b) used to reduce the amount of any indebtedness to which increment revenues are pledged, (c) deposited into an escrow account for the purpose of later reducing indebtedness to which increment revenues are pledged or (d) appropriated to a specific redevelopment project pursuant to an approved CRA plan. At September 30, 2019, the CRA had \$17,692,033 assigned to the subsequent year's budget for redevelopment projects but the reconciliation did not include all of the unspent funds. We recommend that the CRA prepare a reconciliation annually during the budget process that reconciles the prior year carryforward amount to the current year's budgeted carryforward in order to document that all funds have been accounted for and properly appropriated to a specific redevelopment project.

2019-010 Capital Outlay Coding

We noted that some of the CRA's capital outlay expenditures were not budgeted in capital outlay accounts, and accordingly, were not coded to capital outlay expenditure accounts when the expenditure was incurred. We recommend that such expenditures be budgeted in and charged to capital outlay accounts. This allows for an easier identification of such expenditures when reconciling capital outlay to the capital asset records.

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.

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

West Palm Beach, Florida
March 30, 2020



April 10, 2020

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**.

(2018-001)

Systems have been instituted to ensure that QuickBooks is locked monthly and any changes are recorded by journal entries. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

(2019-001)

Systems have been instituted to ensure that QuickBooks is locked monthly and any changes are recorded by journal entries. The Executive Director is the administrator in QuickBooks and will lock QuickBooks monthly after reviewing the bank reconciliations and the internal financial statements prepared and approved by the Finance & Operations Director. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

(2019-002)

User access to QuickBooks has been updated to selective (limited) and no access to ensure that there are no changes to transactions prior to the closing date. In addition, signatures are no longer being printed directly on the checks from QuickBooks and blank check stock and check log will be maintained by the Executive Director's Executive Coordinator. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

(2019-003)

Controls that have been established in which the Finance Coordinator will review budget and sign off on the mathematical accuracy of the budget prepared by the Finance & Operations Director. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

(2019-004)

Systems have been instituted to document managements review of the monthly financial statements. The Finance & Operations Director will prepare and approved the monthly financial package then transfer to the Executive Director for approval.

(2019-005)

Quarterly payroll tax returns will be reconciled to the general ledger. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

(2019-006)

Checks printed with an incorrect date that are identified and never issued will be rectified in that same month.

(2019-007)

A separate account has been established for unspent debt proceeds.

(2019-008)

The SBA account maintenance form was updated.

(2019-009)

The CRA will prepare a reconciliation annually during the budget process that will reconcile the prior year carryforward amount to the current year carryforward to document that all funds have been accounted for and property appropriated to a specific redevelopment project. The process will be included in an update to the CRA Accounting Policies and Procedures Manual.

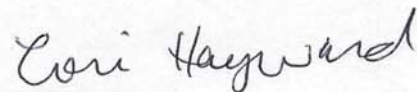
(2019-010)

We agree with the recommendation.

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 Jacobson
Executive Director



Lori Hayward
Finance & Operations Director



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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, during the year ended September 30, 2019. 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, during the year ended September 30, 2019.

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 30, 2020