

**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, 2011

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

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY FINANCIAL INFORMATION

September 30, 2011

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency as listed in the table of contents. These basic financial statements are the responsibility of the management of the Delray Beach Community Redevelopment Agency. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2012 on our consideration of the internal control over financial reporting of the Delray Beach Community Redevelopment Agency and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the *management's discussion and analysis* on pages 3 through 8 and the *budgetary comparison schedule* on pages 27 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency. The *other supplementary information* on pages 34 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Delray Beach Community Redevelopment Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

February 29, 2012

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, 2011.

Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$25,900,911 (*net assets*).
- The CRA's total net assets increased \$2,376,768. Substantially all of this increase is attributable to tax increment revenue in excess of redevelopment expenses.
- As of the close of the current fiscal year, the CRA's General Fund reported ending fund balance of \$8,241,174 a decrease of \$486,637 in comparison with the prior year. A total of \$748,036 or 9.1% of the fund balance is nonspendable for long-term receivables and \$5,019,518 or 60.9% was assigned for the subsequent year's budget. The unassigned fund balance was \$2,473,620 or 30.1% of total fund balance and resulted primarily from revenue from other than tax increment revenue in excess of expenses.
- The CRA's total noncurrent liabilities decreased by \$1,842,947 (14.0%) during the current fiscal year due to the scheduled debt payments.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11-12 of this report. The reconciliation between the governmental fund change in fund balance and the governmental activities change in net assets can be found on page 13.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-26 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the CRA's budget to actual results for the General Fund for the current year. Required supplementary information can be found on pages 27-33 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the CRA, assets exceeded liabilities by \$25,900,911 at the close of the most recent fiscal year.

Approximately 68% of the CRA's net assets reflect its investment in capital assets (e.g., land, improvements and equipment). The CRA uses these capital assets for economic redevelopment; consequently, these assets are *not* immediately available for future spending, however, certain of the capital assets may be sold for private development in the future and the proceeds used for additional redevelopment projects or repayment of the related debt. Although the CRA's investment in its capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt may be provided from the sale of capital assets, as well as future tax increment revenues and other income.

Net Assets
September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 9,314,783	\$ 11,381,833
Capital assets	<u>28,959,952</u>	<u>27,943,259</u>
Total assets	<u>\$ 38,274,735</u>	<u>\$ 39,325,092</u>
Liabilities		
Noncurrent liabilities	\$ 11,274,752	\$ 13,117,699
Other liabilities	<u>1,099,072</u>	<u>2,683,247</u>
Total liabilities	<u>\$ 12,373,824</u>	<u>\$ 15,800,946</u>
Net assets		
Invested in capital assets, net of related debt	\$ 17,688,421	\$ 14,835,725
Unrestricted	<u>8,212,490</u>	<u>8,688,421</u>
Total net assets	<u>\$ 25,900,911</u>	<u>\$ 23,524,146</u>

At the end of the current fiscal year, the CRA reported positive balances in all categories of net assets. As noted previously, approximately 68% of the CRA's net assets reflect its investment in capital assets (e.g., land, improvements and equipment). The remaining balance of net assets of \$8,212,490 may be used to fund the CRA's ongoing redevelopment projects and to pay creditors.

The CRA's net assets increased by \$2,376,768 during the current fiscal year. Substantially all of this increase represents the degree to which increases in tax increment revenues have exceeded similar increases in ongoing expenses. The increase in net assets of \$2,376,768 was offset in part by a prior period adjustment of \$1,081,844 to beginning net assets related to a correction of capital assets, leaving an increase in net assets of \$1,294,924 from the amount previously reported. There was an increase of \$721 in net assets reported in connection with the CRA's component unit, the Block 60 Parking Condominium Association, Inc.

Governmental activities. Governmental activities increased the CRA's net assets by \$2,376,768. Key elements of this increase are as follows.

Changes in Net Assets
Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenue		
Charges for services	\$ 288,150	\$ 220,385
Operating contributions and grants	169,908	474,768
General revenue		
Tax increment revenue	10,645,402	11,879,297
Interest and other income	<u>19,968</u>	<u>26,851</u>
Total revenues	11,123,427	12,601,301

	<u>2011</u>	<u>2010</u>
Expenses		
General government	\$ 1,177,109	\$ 1,242,384
Property management	164,429	169,145
Economic development	<u>7,405,121</u>	<u>9,415,756</u>
Total expenses	<u>8,746,659</u>	<u>10,827,285</u>
Increase in net assets	2,376,768	1,774,016
Net assets - beginning of year	23,524,146	22,831,974
Prior period adjustment	<u>-</u>	<u>(1,081,844)</u>
Net assets - end of year	<u>\$ 25,900,911</u>	<u>\$ 23,524,146</u>

Tax increment revenues decreased by \$1,233,895 or approximately 10.4% for the year. This decrease resulted from decreased property values of approximately \$130.3 million in the CRA's development area due to the economic slowdown and declining real estate market in 2011.

General government expenses decreased \$65,275 (approximately 5.3%) and included a decrease in personnel expense of approximately \$70,500 (7.6%); a decrease of approximately \$11,000 (5.3%) in administration/operations expenses; and an increase of approximately \$16,500 in other expenses. Property management expense decreased \$4,715 (2.8%), and economic development expense decreased approximately \$2,010,635 (21.4%) attributable to less redevelopment projects in 2011. The CRA's economic development expense includes interest of approximately \$589,000 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 focus of *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the CRA's financing requirements. In particular, *unassigned fund balance* and *assigned fund balance designated for 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 noted previously, the CRA has only one governmental fund, the General Fund.

As of the end of the current fiscal year, the CRA's governmental fund reported ending fund balance of \$8,241,174, a decrease of \$486,637 in comparison with the prior year. A total of \$748,036 or 9.1% of the fund balance is *nonspendable* to indicate that it is not available for new spending because it represents long-term receivables. There is \$5,019,518 of *assigned* fund balance which is designated for the 2011-2012 budget and \$2,473,620 is *unassigned*.

As a measure of the General Fund's liquidity, it may be useful to compare unassigned and assigned fund balance to total fund expenditures. Unassigned and assigned fund balance at September 30, 2011 represented 21.2% and 43.0%, respectively, of total General Fund expenditures for the year.

The key factor in the decrease in fund balance for the General Fund was the reduction in tax increment revenues in 2011, which were approximately \$1.2 million less than the prior year.

General Fund Budgetary Highlights

During the year, revenues and other financing sources were less than final budgetary estimates by approximately \$5,456,000. The final budgeted revenues and other financing sources were approximately \$179,000 less than the original budget primarily due to lower land sales proceeds than were originally anticipated. There was a decrease of approximately \$5,198,000 between the original budgeted expenditures and the final amended budget for the year, attributable primarily to certain economic development projects that did not take place in 2011 as originally anticipated. Expenditures were \$50,574 less than final appropriations for the year ended September 30, 2011.

Capital Asset and Debt Administration

Capital assets. The CRA's investment in capital assets as of September 30, 2011, amounts to \$28,959,952 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, furniture and fixtures. The net decrease in the CRA's investment in capital assets for the current fiscal year was \$65,151. Major capital asset events during the current fiscal year consisted of expenditures of approximately \$1.2 million for the purchase of various properties for future redevelopment projects and construction of new projects. Capital assets at September 30, 2011 are summarized as follows:

Capital Assets		
(net of accumulated depreciation)		
	2011	2010
Land and improvements	\$ 25,674,467	\$ 25,723,472
Construction in progress	-	884,823
Buildings and improvements	3,285,485	2,416,808
Total assets	\$ 28,959,952	\$ 29,025,103

During 2011 the CRA conducted a thorough inventory and accounting of the real estate properties owned by the CRA and identified certain properties that were purchased or sold in prior years and not recorded in the capital asset records. As a result, the reported balances for capital assets and net assets at October 1, 2009 and 2010 were decreased by \$ 1,081,844. There was no effect on the change in net assets for the years ended September 30, 2009 and 2010 and no effect on the fund financial statements.

Additional information on the CRA's capital assets can be found in Note D on page 20 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the CRA had total outstanding revenue bonds of \$11,105,000, which were secured by a pledge of the tax increment revenues received by the CRA. Noncurrent liabilities at September 30, 2011 are summarized as follows:

Noncurrent Liabilities		
	Governmental Activities	
	2011	2010
Revenue bonds	\$ 11,105,000	\$ 12,775,000
Note payable	166,531	332,534
Pollution remediation obligation	3,221	10,165
Total noncurrent liabilities	\$ 11,274,752	\$ 13,117,699

The CRA's total noncurrent liabilities decreased by \$1,842,947 (14.1%) during the current fiscal year, primarily due to the scheduled payments on outstanding debt. There are no legal or statutory debt limitations for the CRA.

Additional information on the CRA's long-term debt can be found in Note E on pages 21-23 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in establishing the CRA's budget for the 2011/2012 fiscal year.

- The property valuations in the CRA district decreased approximately \$160.3 million in 2011, which is a decrease of approximately 12.0 percent. Property values compare favorably with those in other areas of Palm Beach County which have also decreased overall.
- The combined assigned and unassigned fund balance of the General Fund decreased in 2011 by \$381,641.
- 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 2011-2012 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

September 30, 2011

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and cash equivalents	\$ 8,273,771	\$ 32,334
Receivable from the City of Delray Beach	50,000	-
Grants and other receivables	221,685	4,337
Receivable from Delray Beach Community Land Trust	444,532	-
Second mortgage receivables	303,504	-
Other assets	4,041	-
Unamortized bond issue costs	17,250	-
Capital assets		
Capital assets not being depreciated	25,674,467	-
Depreciable capital assets, net	3,285,485	-
Total Assets	<u>38,274,735</u>	<u>36,671</u>
LIABILITIES		
Accounts payable	363,772	-
Accrued expenses	64,893	-
Due to the City of Delray Beach	623,625	-
Contract retainage payable	24,724	-
Unearned revenue	6,154	-
Refundable tenant and bid deposits	15,904	-
Noncurrent liabilities		
Due within one year	1,764,752	-
Due in more than one year	9,510,000	-
Total Liabilities	<u>12,373,824</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	17,688,421	-
Unrestricted	8,212,490	36,671
Total Net Assets	<u>\$ 25,900,911</u>	<u>\$ 36,671</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenue		Net Revenue (Expenses) and Changes in Net Assets	
		Charges for Services	Operating Contributions and Grants	Primary Government Governmental Activities	Component Unit
Primary Government					
Governmental activities					
General government	\$ 1,177,109	\$ -	\$ -	\$ (1,177,109)	\$
Property management	164,429	267,186	-	102,757	
Economic development	<u>7,405,121</u>	<u>20,964</u>	<u>169,908</u>	<u>(7,214,249)</u>	
Total primary government	<u>\$ 8,746,659</u>	<u>\$ 288,150</u>	<u>\$ 169,908</u>	(8,288,601)	
Component unit					
Block 60 Parking Condominium	<u>\$ 12,782</u>	<u>\$ 13,493</u>	<u>\$ -</u>		711
General revenue					
Tax increment revenue				10,645,402	-
Interest and other income				<u>19,967</u>	<u>10</u>
Total General Revenue				<u>10,665,369</u>	<u>10</u>
Change in Net Assets				2,376,768	721
Net assets at October 1, 2010, as restated				<u>23,524,143</u>	<u>35,950</u>
Net assets at September 30, 2011				<u>\$ 25,900,911</u>	<u>\$ 36,671</u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET - GOVERNMENTAL FUND

September 30, 2011

	General Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 8,273,771
Receivable from the City of Delray Beach	50,000
Grants and other receivables	221,685
Receivable from Delray Beach Community Land Trust	444,532
Second mortgage receivables	303,504
Other assets	<u>4,041</u>
Total Assets	<u><u>\$ 9,297,533</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 363,772
Accrued items	22,180
Due to the City of Delray Beach	623,625
Contract retainage payable	24,724
Unearned revenue	6,154
Refundable tenant and bid deposits	<u>15,904</u>
Total Liabilities	1,056,359
 FUND BALANCE	
Nonspendable	
Long-term receivables	748,036
Assigned to	
Subsequent year's budget	5,019,518
Unassigned	<u>2,473,620</u>
Total Fund Balance	<u><u>8,241,174</u></u>
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the general fund	28,959,952
Issuance costs on long-term debt are capitalized and amortized over the term of the related debt in the statement of net assets	17,250
Accrued interest on long-term debt is not due and payable in the current period and is not reported in the general fund	(42,713)
Long-term liabilities are not due and payable in the current period and are not reported in the general fund	<u>(11,274,752)</u>
Net assets of governmental activities	<u><u>\$ 25,900,911</u></u>

See notes to financial statements.

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

Year Ended September 30, 2011

		General Fund
REVENUES		
Tax increment revenue	\$	10,645,402
Grants and reimbursements		169,908
Rental property income		267,186
Green Market revenue		20,964
Interest and other income		19,967
Total Revenues		11,123,427
EXPENDITURES		
Current		
General government		1,054,460
Property management		164,429
Economic development		6,784,056
Capital outlay		1,244,008
Debt service		
Principal		1,836,003
Interest		595,026
Total Expenditures		11,677,982
Expenditures over Revenues		(554,555)
OTHER FINANCING SOURCE		
Proceeds from sales of purchased properties		67,918
Expenditures Over Revenues and Other Financing Source		(486,637)
Fund Balance at October 1, 2010		8,727,811
Fund Balance at September 30, 2011	\$	8,241,174

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, 2011

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

Net change in fund balance - governmental fund	\$ (486,637)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,121,359
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each asset disposal.	(104,666)
Payment of pollution remediation liabilities is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.	6,944
Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt repayments exceed debt additions.	1,836,003
Debt issuance costs are an expenditure in the governmental fund, but are capitalized and amortized over the term of the related debt in the statement of net assets. This is the amount of current year amortization of debt issue costs.	(2,195)
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental fund, an interest expenditure is reported when the payment is due. This is the net change in accrued interest expense.	<u>5,960</u>
Change in net assets of governmental activities	<u><u>\$ 2,376,768</u></u>

See notes to financial statements.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit

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

Jointly Governed Organization

The CRA is party to an agreement with the City, Delray Beach Downtown Development Authority and Greater Delray Beach Chamber of Commerce to fund the economic development programs of the Delray Beach Downtown Marketing Cooperative, Inc. (the "DMC") in downtown Delray Beach. The DMC is a 501(c)(3) not-for-profit organization and the CRA has no ongoing financial interest in or financial responsibility for the DMC. For the year ended September 30, 2011, the CRA contributed approximately \$280,000 to the joint venture and paid approximately \$58,000 to vendors for services on behalf of the DMC.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Grants and Other Receivables: Grants and other receivables include amounts due from other governments for reimbursement basis grants for rental income. The CRA does not require collateral for accounts receivable. An allowance for doubtful accounts is determined based on the age of the individual receivable, and generally an allowance is established for accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the CRA deems them uncollectible. At September 30, 2011 management considers all receivables to be fully collectible.

Capital Assets: The CRA has reported all capital assets in the government-wide statement of net assets. Capital assets are defined by the CRA as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenditures, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net assets. Depreciation is computed on all reported capital assets, except land and improvements, using the straight-line method over the assets' estimated useful lives. The estimated useful life of equipment, furniture and fixtures is 5 to 7 years and buildings are 20 to 30 years.

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

Postemployment Benefits: The CRA has established a deferred compensation plan for employees pursuant to the provisions of Internal Revenue Code Section 457. The plan allows an employee to contribute pre-tax wages and salary into the employees' personal retirement accounts. The CRA may, at the discretion of the Board of Commissioners, make matching contributions to the participants' accounts. For the year ended September 30, 2011 the CRA made contributions of \$49,362 to the employees' accounts. The CRA is not obligated to provide other postemployment benefits to employees upon termination of employment, except for federally mandated COBRA health insurance.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance/Net Assets

Fund Balance

Change in Accounting - The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting requirements for all governmental funds and establishes criteria for classifying fund balances. The CRA implemented Statement No. 54 for the fiscal year ended September 30, 2011.

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

- ❖ *Nonspendable* - Nonspendable fund balances include amounts that cannot be spent because they are either 1) not in spendable form; or, 2) legally or contractually required to be maintained intact.
- ❖ *Restricted* - Restricted fund balances include amounts that are restricted to specific purposes either by 1) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or, 2) imposed by law through constitutional provisions or enabling legislation. The CRA had no restricted fund balances.
- ❖ *Committed* - Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by the CRA Board of Directors or through an ordinance or resolution. The CRA had no committed fund balances.
- ❖ *Assigned* - Assigned fund balances include amounts that are constrained by the CRA's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance are made by CRA management based upon direction by the CRA Board of Directors.
- ❖ *Unassigned* - Unassigned fund balances include amounts that are not assigned to other funds and have not been restricted, committed, or assigned to specific purposes within the General Fund.

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

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets - Net assets of the government-wide statements are categorized as invested in capital assets, net of related debt, restricted or unrestricted. Invested in capital assets, net of related debt is that portion of net assets that relates to the CRA's capital assets reduced by the portion of the assets that has been acquired through the use of long-term debt. This amount is offset by any unspent proceeds that are outstanding at fiscal year-end. Restricted net assets are that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports governmental activities net assets of \$17,753,572 invested in capital assets, net of related debt, and no restricted net assets. Unrestricted net assets consist of net assets not included in invested in capital assets, net of related debt.

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

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

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

Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the CRA.

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

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash: Cash at September 30, 2011, includes deposits with financial institutions with a bank balance of approximately \$8,607,165 and a book balance of \$8,273,521 and \$250 of petty cash. The deposits with financial institutions were entirely covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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

Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to a percentage of the average daily balance of all government deposits in excess of any federal deposit insurance. In the event of a default by a qualified public depository, the amount of public funds would be covered by the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured or collateralized in accordance with the provisions of GASB Statement No. 3. Cash balances of the component unit at September 30, 2011, are deposits with financial institutions that are fully covered by federal depository insurance. For financial statement purposes cash equivalents include an investment of \$218 with the Florida Prime Fund.

Investments: The CRA follows the provisions of Florida Statutes for its investment policy. Florida Statutes authorize the CRA to invest in the Florida Prime Fund (formerly known as the Local Government Investment Pool or LGIP), 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.

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.

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.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE C - RECEIVABLE FROM DELRAY BEACH COMMUNITY LAND TRUST

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

The CRA also provides advances to the CLT to finance the construction of affordable housing units by the CLT. The construction advances are to be repaid by the CLT from the proceeds of the sale of the home. These advances are non-interest bearing mortgages on the property and have no fixed repayment date, although the advances are generally not expected to be repaid within one year. In the event that the proceeds from the sale of a home are not sufficient to repay the CRA's mortgage for the construction advance, the balance of the unpaid mortgage is forgiven by the CRA and the uncollectible amount is charged to expenditures. At September 30, 2011, the total construction advances receivable from the CLT were \$535,494. The CRA recorded an allowance of \$90,962 for estimated uncollectible amounts at September 30, 2011, resulting in a net receivable from the CLT of \$444,532.

NOTE D - CAPITAL ASSETS

The capital asset activity for the year ended September 30, 2011 was as follows:

	Balance at Beginning of Year	Increases	Decreases	Balance at End of Year
Capital assets not being depreciated				
Land and improvements	\$ 24,641,628	\$ 1,137,505	\$ (104,666)	\$ 25,674,467
Construction in progress	<u>884,823</u>	<u>-</u>	<u>(884,823)</u>	<u>-</u>
Total capital assets not being depreciated	25,526,451	1,137,505	(989,489)	25,674,467
Depreciable capital assets				
Buildings and improvements	2,817,240	991,326	-	3,808,566
Equipment	85,494	-	-	85,494
Furniture and fixtures	<u>28,868</u>	<u>-</u>	<u>-</u>	<u>28,868</u>
Total depreciable capital assets	2,931,602	991,326	-	3,922,928
Less accumulated depreciation	<u>(514,794)</u>	<u>(122,649)</u>	<u>-</u>	<u>(637,443)</u>
Depreciable capital assets, net of accumulated depreciation	<u>2,416,808</u>	<u>868,677</u>	<u>-</u>	<u>3,285,485</u>
Total capital assets	<u>\$ 27,943,259</u>	<u>\$ 2,006,182</u>	<u>\$ (989,489)</u>	<u>\$ 28,959,952</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE D - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government \$ 122,649

Prior Period Adjustment - During 2011 the CRA conducted a thorough inventory and accounting of the real estate properties owned by the CRA and identified certain properties that were purchased or sold in prior years and not recorded in the capital asset records. As a result, the reported balances for capital assets and net assets at October 1, 2010 were decreased by \$ 1,081,844. There was no effect on the change in net assets for the year ended September 30, 2010 and no effect on the fund financial statements.

NOTE E - NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended September 30, 2011 are summarized as follows:

	Balance at Beginning of Year	<u>Additions</u>	<u>Retirements</u>	Balance at End of Year	Amounts Due Within One Year
Revenue Bonds					
Series 2004A	\$ 6,735,000	\$ -	\$ (630,000)	\$ 6,105,000	\$ 655,000
Series 2004B	1,220,000	-	(305,000)	915,000	165,000
Series 1999A	<u>4,820,000</u>	-	<u>(735,000)</u>	<u>4,085,000</u>	<u>775,000</u>
Total revenue bonds	12,775,000	-	(1,670,000)	11,105,000	1,595,000
Note Payable	332,534	-	(166,003)	166,531	166,531
Pollution Remediation Obligation	<u>10,165</u>	-	<u>(6,944)</u>	<u>3,221</u>	<u>3,221</u>
Total noncurrent liabilities	<u>\$ 13,117,699</u>	<u>\$ -</u>	<u>\$ (1,842,947)</u>	<u>\$ 11,274,752</u>	<u>\$ 1,764,752</u>

Revenue Bonds: Tax increment redevelopment revenue bonds payable by the CRA at September 30, 2011 consisted of the following:

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E - NONCURRENT LIABILITIES (Continued)

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

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

Note Payable: The note payable to the South Florida Regional Planning Council (the "Council") is based on an interlocal agreement between the CRA and the Council to provide funding to the CRA for the brownfield remediation and redevelopment of 20 platted lots in the Carver Square subdivision within the CRA boundaries of the City. Interest at 3.0% on the outstanding principal balance is payable semi-annually on June 2nd and December 2nd, commencing June 2, 2009. Principal and interest payments are due in equal installments of \$87,763 on June 2nd and December 2nd, commencing December 2, 2009 and through maturity on December 2, 2011.

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

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE E - NONCURRENT LIABILITIES (Continued)

Principal Maturities: Principal maturities of long-term debt with scheduled maturities at September 30, 2011 were as follows:

<u>Year Ending September 30,</u>	<u>Revenue Bonds, Series 2004A</u>	<u>Revenue Bonds, Series 2004B</u>	<u>Revenue Bonds, Series 1999A</u>	<u>Note Payable</u>
2012	\$ 655,000	\$ 165,000	\$ 775,000	\$ 166,531
2013	680,000	175,000	815,000	
2014	710,000	185,000	855,000	
2015	745,000	190,000	485,000	
2016	780,000	200,000	270,000	
2017	810,000		280,000	
2018	845,000		295,000	
2019	880,000		310,000	
	<u>\$ 6,105,000</u>	<u>\$ 915,000</u>	<u>\$ 4,085,000</u>	<u>\$ 166,531</u>

Pledged Revenues: The CRA has pledged a portion of future tax increment revenues to repay its outstanding revenue bonds issued in 1999 and 2004 to finance various redevelopment projects within the redevelopment district. The revenue bonds are payable solely from the tax increment revenues generated by increased property values in the redevelopment district as described in more detail in Note F. Tax increment revenues were projected to produce more than 200 percent of the debt service requirements over the life of the revenue bonds. Total principal and interest remaining on the bonds at September 30, 2011 was \$13,377,396, payable through September 1, 2019. For the current year, principal and interest paid and the total tax increment revenues were \$2,254,076 and \$10,645,402, respectively.

Interest Expense: Total interest costs incurred and interest paid on all CRA debt for the year ended September 30, 2011, were \$593,598 and \$658,813, respectively. All interest costs were expensed as a direct expense of redevelopment projects.

Annual Debt Service: The aggregate, annual debt service requirements at September 30, 2011 for the Revenue Bonds and Note Payable to the South Florida Regional Planning Council are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,761,531	\$ 516,299	\$ 2,277,830
2013	1,670,000	437,454	2,107,454
2014	1,750,000	358,764	2,108,764
2015	1,420,000	276,274	1,696,274
2016	1,250,000	209,746	1,459,746
2017-2019	3,420,000	307,328	3,727,328
	<u>\$ 11,271,531</u>	<u>\$ 2,105,865</u>	<u>\$ 13,377,396</u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE F - TAX INCREMENT REVENUES

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

Each governmental entity is required to pay 95% of these incremental property taxes to the CRA. The increase in assessed valuations of property within the CRA boundaries over the 1985 base year valuations is presumed to be the result of the redevelopment efforts of the CRA. The tax base of the CRA is the layer of assessed valuations of properties over the 1985 base year assessed valuations, but does not include any portion of the base. The assessed value of properties subject to incremental property taxes for the year ended September 30, 2011 was as follows:

Assessed property value for 2011	\$ 1,180,783,406
Assessed property value for 1985 base year	<u>245,631,067</u>
Increase in assessed property value	<u>\$ 935,152,339</u>
Assessed property value subject to incremental property tax (95%)	<u>\$ 935,152,339</u>

NOTE G - RELATED PARTY TRANSACTIONS

City of Delray Beach: The CRA is a component unit of the City of Delray Beach, Florida. For the year ended September 30, 2011, the CRA's tax increment revenues include \$6,418,010 received from the City. CRA expenditures for the year ended September 30, 2011, include charges of \$1,439,617 for contractual services provided by the City to the CRA in connection with various administrative and redevelopment activities and \$595,400 for sponsorship of City tennis tournaments. The CRA also received approximately \$128,000 in reimbursements from the City for completed projects.

At September 30, 2011, the CRA had a payable to the City of \$623,625 for reimbursement of certain administrative and redevelopment expenditures and a receivable of \$50,000 from the City for a construction advance.

In addition, the CRA entered into an interlocal agreement with the City to provide funding of \$3,897,500 to the City for various City construction projects planned for the year ending September 30, 2011. The CRA also contracted with the City for various administrative services and budgeted approximately \$300,000 for those services for the year ending September 30, 2011.

Component Unit: The Block 60 Parking Condominium Association, Inc. is a component unit of the CRA. For the year ended September 30, 2011, the Block 60 Parking Condominium Association, Inc. received assessments from the CRA and the City totaling \$7,480 and \$1,760, respectively.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE H - COMMITMENTS AND CONTINGENCIES

Operating Grants: The CRA entered into grant agreements with the following organizations to provide funding for their operations during the year ending September 30, 2012:

City of Delray Beach – Clean and Safe Program	\$ 1,144,795
City of Delray Beach – International Tennis Championships	535,000
City of Delray Beach – Irrigation and Landscape Maintenance	23,000
Delray Beach Community Land Trust, Inc.	250,000
Delray Beach Public Library Association, Inc.	308,000
Downtown Marketing Cooperative, Inc.	280,000
Old School Square, Inc.	285,000
EPOCH, Inc.	<u>118,180</u>
Total grant commitments	<u>\$ 2,943,975</u>

The CRA also entered into a grant agreement with Village Square Family, LTD. to provide \$100,000 of assistance with the funding for the development of a site formerly known as Carver Estates. The grant is contingent upon Village Square Family, LTD obtaining tax exempt financing in conjunction with the issuance of tax exempt bonds.

Contract Commitments: At September 30, 2011 the CRA had outstanding construction commitments consisting of the following:

	Total Project <u>Authorization</u>	Expended Through September 30, <u>2011</u>	Retainage Payable at September 30, <u>2011</u>	Remaining Commitment at September 30, <u>2011</u>
NE 3 rd Avenue Parking Lot	\$ 151,391	\$ 46,024	\$ 2,714	\$ 102,653
SW 5 th Avenue Parking Lot	257,510	86,562	6,597	164,351
Spady	160,420	138,725	15,413	6,282
Other projects	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>1,375</u>
	<u>\$ 570,696</u>	<u>\$ 271,311</u>	<u>\$ 24,724</u>	<u>\$ 274,661</u>

Property Acquisition: At September 30, 2011 the CRA had a contract to purchase redevelopment property for \$96,000. The purchased was closed in October 2011.

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.

Lease Commitment as Lessor: On August 26, 2010 the CRA entered into an agreement to sublease 5,000 square feet of the Old School Square parking garage to the Puppetry Arts Center of the Palm Beaches, Inc. for \$400 per month for a two year term commencing December 1, 2010 (or upon the issuance of a certificate of occupancy). The sublease includes two options to extend the lease through January 31, 2015.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE H - COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitment as Lessee: The CRA entered into a lease agreement with the City on January 11, 2010 for 10,289 square feet of commercial space on the first floor of the Old School Square parking garage. The term of the lease is 5 years from February 1, 2010 through January 31, 2015 and rent is \$150,000 annually, payable in arrears on the anniversary date of the lease. Rent expense for the year ended September 30, 2011 was \$150,000. The CRA built out the space to sublease to not-for-profit organizations for arts related uses. The CRA has sublet 5,000 square feet of the space to the Puppetry Arts Center of the Palm Beaches, Inc.

Creative City Collaborative: The CRA entered into an agreement with Creative City Collaborative of Delray Beach, Inc. (the "CCC"), a 501(c)(3) not-for-profit organization, to provide staffing, funding and operational support for a two year period ending December 21, 2012 in connection with development of an Arts Center in a warehouse owned by the CRA in the Pineapple Grove Arts District.. Pursuant to the agreement with CCC, the CRA will fund the planning and design of the warehouse space and employ personnel to work on the planning, funding and development for the Arts Center. The funding commitment by the CRA to CCC is determined as part of the annual budget process. For the year ended September 30, 2011 the CRA had expenditures of \$15,399 for the design of the warehouse space and \$184,129 for personnel and operational support of CCC.

In addition, the CRA, in conjunction with CCC, operates an Arts Garage, a multi-disciplinary arts and cultural venue in 5,289 square feet of the commercial space on the first floor of the Old School Square parking garage leased from the City.

Delray Beach Public Library: The CRA entered into an agreement dated July 1, 2003, with the City and the Delray Beach Public Library Association, Inc. (the "Library") for relocation of the Delray Beach Public Library to its current location on West Atlantic Avenue. Under the terms of the agreement, the CRA in 2005 exchanged the parcel of property owned by the CRA on West Atlantic Avenue with a carrying value of approximately \$509,000 for the former library site owned by the City. The CRA also agreed that in the event it disposes of the former library site, any proceeds in excess of \$1.7 million, plus all related selling expenses incurred by the CRA, will be paid to the City. The CRA also assumed the City's lease agreement with the Greater Delray Beach Chamber of Commerce (the "Chamber") for former the library site. The lease requires no payment from the Chamber and expires on January 31, 2060.

In February 2008, the CRA entered into a Purchase and Sale Agreement (the "Agreement") to sell the former library property to a private developer for \$3 million. In connection with the Agreement, the CRA entered into a Relocation Agreement with the Chamber whereby the Chamber will cancel its lease and vacate the former library site and move to new commercial space on the first floor of the Old School Square parking garage. At the time of closing on the Agreement, the CRA will pay the City \$315,450 for the commercial space to be occupied by the Chamber. Closing on the Agreement will occur after completion of the development project as outlined in the Agreement, which has a termination date of September 1, 2012. The carrying value of the property is approximately \$700,000 at September 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Tax increment revenue				
City of Delray Beach	\$ 6,433,535	\$ 6,418,010	\$ 6,418,010	\$ -
Palm Beach County	4,250,249	4,227,392	4,227,392	-
Total Tax Increment Revenue	10,683,784	10,645,402	10,645,402	-
Grants and reimbursements				
Pineapple Grove reimbursement	-	15,060	15,060	-
Creative City Collaborative	-	2,500	2,500	-
Reimbursements from City of Delray Beach	-	128,081	128,081	-
Other reimbursements	-	24,267	24,267	-
Total Grants and Reimbursements	-	169,908	169,908	-
Rental property income	270,000	267,186	267,186	-
Green Market revenue	15,000	20,964	20,964	-
Interest income	25,000	17,360	17,337	(23)
Other income	700	720	2,630	1,910
Total Revenues	10,994,484	11,121,540	11,123,427	1,887
Other Financing Sources				
General Fund carryforward fund balance	5,283,569	5,283,569	-	(5,283,569)
Land sales - miscellaneous	547,500	241,818	67,918	(173,900)
	5,831,069	5,525,387	67,918	(5,457,469)
Total Revenues and Other Financing Sources	16,825,553	16,646,927	11,191,345	(5,455,582)
EXPENDITURES				
General government				
Personnel				
Salaries	722,580	669,838	669,838	-
Payroll taxes	65,000	55,255	55,255	-
Health and dental insurance	80,000	69,495	69,495	-
Retirement contribution	56,000	49,362	49,362	-
Travel allowance	12,000	9,625	9,625	-
Cell allowance	4,500	2,724	2,724	-
Casual labor	1,000	-	-	-
	941,080	856,299	856,299	-
Supplies and materials				
Office supplies	10,000	7,942	7,942	-
Postage/express mail	2,500	1,774	1,774	-
	12,500	9,716	9,716	-

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
General government (continued)				
Office space				
Storage	\$ 4,000	\$ 2,235	\$ 2,235	\$ -
Maintenance	20,000	27,732	27,732	-
Telephone	7,500	8,107	8,107	-
Utilities	9,000	4,727	4,727	-
Security	2,500	1,640	1,640	-
	<u>43,000</u>	<u>44,441</u>	<u>44,441</u>	<u>-</u>
Administration/Operations				
Accounting	20,000	20,100	20,100	-
Legal	65,000	40,092	40,092	-
Capital outlay	5,000	899	899	-
Contractual services	15,000	32,033	32,033	-
Printing	6,000	3,287	3,287	-
Publications/subscriptions	1,500	211	211	-
Advertising	4,000	6,026	6,026	-
Bank services	1,500	1,100	1,100	-
Employee recruitment	1,000	1,037	1,037	-
Organization/member dues	6,200	3,648	3,648	-
Public relations and communication	7,500	6,670	6,670	-
Insurance: commercial, D&O	17,000	4,709	4,709	-
Meetings	2,500	2,750	2,750	-
Seminars and workshops	15,000	5,724	5,724	-
Travel	6,000	4,333	4,333	-
	<u>173,200</u>	<u>132,619</u>	<u>132,619</u>	<u>-</u>
Equipment, property and maintenance				
Computer equipment and supplies	2,200	164	164	-
Equipment rentals	10,000	10,666	10,666	-
Repairs and maintenance	5,000	555	555	-
Furniture and fixtures	2,000	-	-	-
Office equipment	5,000	-	-	-
	<u>24,200</u>	<u>11,385</u>	<u>11,385</u>	<u>-</u>
Total General Government	<u>1,193,980</u>	<u>1,054,460</u>	<u>1,054,460</u>	<u>-</u>
Property management				
Rental property operations	153,000	164,429	164,429	-
Total Property Management	<u>153,000</u>	<u>164,429</u>	<u>164,429</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development				
<i>Areawide and Neighborhood Plans</i>				
West Atlantic Avenue Redevelopment				
Land acquisition	\$ 750,000	\$ 244,980	\$ 244,980	\$ -
Project development and implementation	50,000	68,388	68,388	-
Legal fees	13,000	14,658	14,658	-
Beautification - NW 12th Ave	200,000	24,139	24,139	-
Southwest 9th Avenue Parking Lot	100,000	10,458	10,458	-
Beautification - West Atlantic (Median)	70,000	-	-	-
	<u>1,183,000</u>	<u>362,623</u>	<u>362,623</u>	<u>-</u>
Downtown Master Plan				
SE/NE 1st Street (one-way pair)	50,000	-	-	-
SE/NE 5th Avenue (Federal Hwy pairs)	100,000	-	-	-
Gateway Feature (Construction & Art)	600,000	58,530	58,530	-
Downtown shuttle	250,000	246,738	246,738	-
Old library site	215,000	-	-	-
Fire Headquarters Public Plaza	35,000	-	-	-
Project Development/Implementation	20,000	-	-	-
Northeast 3rd Street / Alley Improvements	300,000	-	-	-
Downtown parks	100,000	-	-	-
Cultural Loop and MLK	100,000	-	-	-
Arts Incubator Parking Lot	170,000	184,816	184,816	-
Legal fees	8,000	1,619	1,619	-
	<u>1,948,000</u>	<u>491,703</u>	<u>491,703</u>	<u>-</u>
Southwest Neighborhood Plan				
Parks	200,000	-	-	-
Project Development/Implementation	50,000	7,995	7,995	-
SW 12th Auburn Avenue Beautification	1,500,000	1,085,524	1,085,524	-
SW 14th Avenue Beautification	30,000	-	-	-
SW 2nd Street Beautification	380,000	14,468	14,468	-
Block 32 Alley	130,000	3,250	3,250	-
133 SW 12th Avenue Triplex	175,000	7,685	7,685	-
Legal fees	10,000	31,735	31,735	-
	<u>2,475,000</u>	<u>1,150,657</u>	<u>1,150,657</u>	<u>-</u>
Del Ida Park				
Seacrest / Del Ida	80,000	365	365	-
	<u>80,000</u>	<u>365</u>	<u>365</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Areawide and Neighborhood Plans (continued)</i>				
Other				
Land acquisitions	\$ 400,000	\$ 77,868	\$ 77,868	\$ -
Bus shelter	150,000	-	-	-
Miscellaneous predevelopment costs	10,000	-	-	-
Legal fees	7,000	2,546	2,546	-
	<u>567,000</u>	<u>80,414</u>	<u>80,414</u>	<u>-</u>
<i>Total Areawide and Neighborhood Plans</i>	<u>6,253,000</u>	<u>2,085,762</u>	<u>2,085,762</u>	<u>-</u>
Redevelopment Projects				
NW/SW 5th Avenue Beautification				
Spady/Muse project	200,000	161,174	161,174	-
95 Southwest 5th Avenue Parking Lot	85,000	83,135	83,135	-
Mt Olive Parking Lot	75,000	137,626	137,626	-
57 Southwest 5th Avenue Parking Lot	200,000	284,772	284,772	-
Harvel Cottage 186 Northwest 5th Avenue	50,000	95,612	95,612	-
Beautification and planning	200,000	1,420	1,420	-
Project development	40,000	370	370	-
Legal fees	15,000	1,541	1,541	-
	<u>865,000</u>	<u>765,650</u>	<u>765,650</u>	<u>-</u>
Affordable/Workforce Housing Program				
Relocations	25,000	22,500	22,500	-
Subsidies - Affordable housing	100,000	8,000	8,000	-
Franklin House	-	48,147	73,147	(25,000)
Land acquisitions - CLT	200,000	147,559	253,081	(105,522)
SW 9th Ave Apartments	-	120,611	120,611	-
Community Land Trust (CLT)	300,000	300,000	300,000	-
Eagle Nest	130,000	130,000	50,000	80,000
Legal fees	16,000	8,580	8,580	-
	<u>771,000</u>	<u>785,397</u>	<u>835,919</u>	<u>(50,522)</u>
Redevelopment Sites				
Maintenance	73,615	47,197	47,197	-
Project development / implementation	5,000	285	285	-
Property insurance	7,800	7,974	7,974	-
Property taxes	16,700	-	-	-
Legal fees	3,000	215	215	-
Utilities	11,500	11,900	11,900	-
Block 60 parking lots	7,480	7,480	7,480	-
	<u>125,095</u>	<u>75,051</u>	<u>75,051</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Redevelopment Projects (continued)</i>				
Carver Square Neighborhood				
Remediation and site development	\$ 15,000	\$ 6,944	\$ 6,944	\$ -
Legal fees	15,000	8,083	8,083	-
	<u>30,000</u>	<u>15,027</u>	<u>15,027</u>	<u>-</u>
Total Redevelopment Projects	1,791,095	1,641,125	1,691,647	(50,522)
Community Improvement and Economic Development				
Grant Programs				
Curb appeal assistance grant	50,000	50,211	50,211	-
Site & grants	75,000	62,969	62,969	-
Bus assistance startup	40,000	29,000	29,000	-
Paint-up assistance grants	5,000	7,475	7,475	-
Community activities	15,000	3,954	3,955	(1)
Community resource enhancement	30,000	11,820	11,820	-
Historic facade grants	75,000	-	-	-
	<u>290,000</u>	<u>165,429</u>	<u>165,430</u>	<u>(1)</u>
Downtown Marketing and Promotions				
Downtown Marketing Cooperative	240,000	250,000	250,000	-
DMC Art & Jazz	30,000	30,000	30,000	-
Christmas tree maintenance	32,000	32,000	32,000	-
Banners, signage, lights	30,000	25,517	25,517	-
	<u>332,000</u>	<u>337,517</u>	<u>337,517</u>	<u>-</u>
EPOCH				
Program grant	108,150	124,819	124,819	-
Contractual services	74,160	74,104	74,104	-
	<u>182,310</u>	<u>198,923</u>	<u>198,923</u>	<u>-</u>
City Contractual Services				
Planning, IT and parking manager	110,000	110,000	110,000	-
Clean & Safe program	75,310	75,310	75,310	-
Lobbyist	500,000	-	-	-
Project Engineer	1,116,717	1,118,307	1,118,307	-
Plan Reviewer II	91,750	91,750	91,750	-
Neighborhood Planner (Resource Center)	36,750	36,750	36,750	-
	<u>1,948,027</u>	<u>1,439,617</u>	<u>1,439,617</u>	<u>-</u>
Pineapple Grove Administration				
Organizational support	-	9,930	9,930	-
	<u>-</u>	<u>9,930</u>	<u>9,930</u>	<u>-</u>

(Continued)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)

Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic Development (continued)				
<i>Community Improvement and Economic Development (continued)</i>				
Old School Square				
Organizational support	\$ 285,000	\$ 285,000	\$ 285,000	\$ -
	285,000	285,000	285,000	-
Delray Beach Public Library Administration	308,000	308,000	308,000	-
Economic Development Initiative				
Property acquisitions	500,000	-	-	-
Incentives	300,000	37,813	37,813	-
Programming	-	8,700	8,700	-
Old School Square Retail Space Rent	150,000	150,000	150,000	-
Old School Square Retail Space Build Out Warehouse	410,000	469,193	469,193	-
	250,000	15,399	15,399	-
Creative City Collaborative (CCC)	168,040	184,079	184,129	(50)
International Tennis Tournament	-	595,400	595,400	-
Legal fees	5,000	14,223	14,223	-
	1,783,040	1,474,807	1,474,857	(50)
Green Market				
Personnel and staff	7,000	7,485	7,485	-
Entertainment/vendors	6,000	6,200	6,200	-
Supplies and materials	3,000	5,086	5,086	-
Administration and operations	500	1,085	1,085	-
Signs, banners and advertising	10,000	11,525	11,525	-
	26,500	31,381	31,381	-
<i>Total Community Improvement and Economic Development</i>	5,154,877	4,250,604	4,250,655	(51)
Total Economic Development	13,198,972	7,977,491	8,028,064	(50,573)
Debt service				
Tax exempt bond principal and interest	1,872,628	1,297,718	1,297,718	-
Taxable bond principal and interest	231,448	957,786	957,786	-
Loan principal and interest	175,525	175,525	175,525	-
Total Debt Service	2,279,601	2,431,029	2,431,029	-
Total Expenditures	16,825,553	11,627,409	11,677,982	(50,573)
Net Change in Fund Balance	\$ -	\$ 5,019,518	\$ (486,637)	\$ (5,506,155)

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

NOTE TO BUDGETARY COMPARISON SCHEDULE

September 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Budgets: The General Fund budget is prepared on the modified accrual basis of accounting, except that investment income is recorded when received and encumbrances may be recorded for some expenditures. The CRA Board of Commissioners must approve changes or amendments to the total budgeted expenditures of the CRA. Expenditures may not legally exceed budgeted appropriations for the CRA in total.

The adopted budget is prepared on the modified accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). The General Fund budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget based on legally authorized revisions to the original budget during the year. Unexpended appropriations lapse at year end. The CRA made amendments of approximately \$5 million to reduce the budgeted appropriations during the year related primarily to construction and redevelopment projects that were not started.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as assignments of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end.

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

September 30, 2011

ASSETS

Cash	\$	32,334
Accounts receivable		<u>4,337</u>
Total Assets	\$	<u><u>36,671</u></u>

LIABILITIES

Accounts payable	\$	0
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NET ASSETS

Unrestricted		<u>36,671</u>
Total Liabilities and Net Assets	\$	<u><u>36,671</u></u>

DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2011

REVENUES

Assessments	\$	13,493
Interest income		<u>10</u>

Total Revenues		13,503
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EXPENSES

Condominium properties		<u>12,782</u>
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Change in Net Assets		721
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Net assets at October 1, 2010		<u>35,950</u>
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Net assets at September 30, 2011	\$	<u><u>36,671</u></u>
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DELRAY BEACH COMMUNITY REDEVELOPMENT AGENCY

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

Year Ended September 30, 2011

OPERATING ACTIVITIES

Change in net assets	\$	721
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Increase in accounts receivable		<u>(2,970)</u>
Net Cash Used In Operating Activities		<u>(2,249)</u>
Decrease in Cash		(2,249)
Cash at October 1, 2010		<u>34,583</u>
Cash at September 30, 2011	\$	<u><u>32,334</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Assessments				
Delray Beach Community Redevelopment Agency	\$ 7,480	\$ 7,480	\$ 7,480	\$ -
City of Delray Beach	1,760	1,760	1,760	-
Delray New Wave, Inc.	1,320	1,320	1,320	-
Manimal, Inc.	1,320	1,320	1,320	-
On-Card	880	880	880	-
42 North Swinton, Inc.	733	733	733	-
Assessment Revenues	<u>13,493</u>	<u>13,493</u>	<u>13,493</u>	-
Interest income	10	10	10	-
Total Revenues	<u>13,503</u>	<u>13,503</u>	<u>13,503</u>	-
EXPENSES				
Current				
Landscape maintenance	2,055	2,055	2,055	-
Tree Maintenance	1,285	1,285	1,285	-
Legal	61	61	61	-
Water for irrigation system	1,567	1,567	1,567	-
Electric for lights	1,804	1,804	1,804	-
Insurance	3,978	3,978	3,978	-
Property management fee	700	700	700	-
Accounting	1,210	1,210	1,210	-
Bank and filing fees	122	122	122	-
Total Expenses	<u>12,782</u>	<u>12,782</u>	<u>12,782</u>	-
Revenues Over Expenses	<u>\$ 721</u>	<u>\$ 721</u>	<u>\$ 721</u>	<u>\$ -</u>

**OTHER SUPPLEMENTARY INFORMATION -
COMPONENT UNIT**



CALER, DONTEN, LEVINE,
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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, major fund and discretely presented component unit of the Delray Beach Community Redevelopment Agency, a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the Delray Beach Community Redevelopment Agency, and have issued our report thereon dated February 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting and described below as finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

2011-01 Review, Approval and Tracking of Property Records

During our review of capital assets and the related property transactions, we noted that there was one property which had been purchased and documented in the Board meeting minutes that did not appear on the CRA's property schedule. We also noted that during the CRA's review and inventory of their property listings during the year, they identified a specific property which was listed twice on the detailed property records. The CRA implemented a policy during 2011 whereby the Development Manager updates and maintains the detailed property records on a quarterly basis. In addition to that procedure, we recommend that the CRA designate another employee to track and compare all purchase, sale and transfer activity approved by the Board and documented in the minutes, to the detailed property records on a quarterly basis to ensure that all property transactions are properly accounted for and recorded. All procedures and reviews of the property records should be documented by a signature of the person performing the procedure and the date. We further recommend that the CRA's detailed property records utilize the property control number (PCN) assigned by the Palm Beach County Property Appraiser's office rather than property addresses alone to track all properties. The use of the PCN will ensure accurate identification of individual properties and further minimize any possible duplication or confusion resulting from similar property addresses.

Compliance and Other Matters

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

We noted certain matters that we have reported to management in a separate management letter dated February 29, 2012.

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

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

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

February 29, 2012



CALER, DONTEN, LEVINE,
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Management Letter

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

We have audited the financial statements of the Delray Beach Community Redevelopment Agency (the "CRA"), a component unit of the City of Delray Beach, Florida, as of and for the year ended September 30, 2011 and have issued our report thereon dated February 29, 2012.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated February 29, 2012, should be considered in assessing the results of our audit.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

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

We noted that our recommendations related to comment 2010-01 *Property Records and Transactions* included in our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated March 18, 2011, and comments 2009-03 *Account Policies and Procedures*, 2010-03 *Negative Expenditure Budget* and 2010-04 *Expenditures Over Appropriations* included in our management letter dated March 18, 2011, for the year ended September 30, 2010, were implemented by the CRA in the current year or no longer apply.

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

2011-02 Segregation of Duties in Accounts Payable

During our inquiry and review of the cash disbursements process, we noted that the Finance Coordinator enters invoices into QuickBooks, prints the checks and mails the checks. Internal control over financial reporting could be improved in this process by providing for further segregation of duties. We recommend that the signed checks be given to the receptionist or another employee not involved in the process to distribute and prepare for mailing in order to separate a portion of the procedures related to the cash disbursements process.

4. Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
5. Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note A to the financial statements.
7. Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2011.
8. Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2011. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on the representations made by management and the review of financial information provided by management. The results of our procedures disclosed no matters that are required to be reported.

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. U.S. generally accepted auditing standards require us to indicate that this report is intended solely for the information and use of the Board of Commissioners and management of the Delray Beach Community Redevelopment Agency and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Cale, Danten, Levine,
Porter & Veil, P.A.*

February 29, 2012

March 21, 2012

Board of Commissioners
Delray Beach Community Redevelopment Agency

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

Management Letter – Response

2011-01 – Along with the Development Manager updating and maintaining the detailed property records on a quarterly basis the Project Administrator will track and compare all purchase, sale and transfer activity approved by the Board and documented in the minutes, to the detailed property records on a quarterly basis. The CRA will also utilize the property control number (PNC) assigned by the Palm Beach County Property Appraiser’s office along with the property address on the property records.

2011-02 – In order to separate a portion of the procedures related to the cash disbursements process, signed checks will be given to the Administrative Assistant to distribute and prepare for mailing.

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


Diane Colonna
Executive Director


Lori Hayward
Finance and Operations Director