



Boynton Beach Community Redevelopment Agency

2019 Audit Results and Required Communications

Report to Those Charged With Governance



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Sanson, Kline, Jacomino, Tandoc & Gamarra, LLP

5805 Blue Lagoon Drive | Suite 220 | Miami, FL 33126

Tel: (305) 269-8633 | Fax: (305) 265-0652 | www.skjtg-cpa.com

December 12, 2019

Management and Board Members
Boynton Beach Community
Redevelopment Agency
710 North Federal Highway
Boynton Beach, Florida 33435

Dear Management and Board Members:

We are pleased to present the results of our audit of the basic financial statements of the Boynton Beach Community Redevelopment Agency (the Agency) for the year ended September 30, 2019.

This report summarizes our audit, the scope of our engagement, and key observations and findings from our audit procedures for the year ended September 30, 2019. This report also contains the communications required by our professional standards and by *Government Auditing Standards*.

The audit was designed to express an opinion on the Agency's 2019 basic financial statements. In accordance with professional standards, we obtained a sufficient understanding of internal control to plan the audit and to determine the nature, timing, and extent of tests to be performed. However, we were not engaged to and we did not perform an audit of internal control over financial reporting.

This report is intended solely for the information and use of those charged with governance of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to meet with you to discuss the contents of this report, and to answer any questions that you may have about this report or any other audit-related matters. If you have any questions, please contact Richie C. Tandoc, Partner in charge of the audit, at (305) 269-8633, ext. 8016.

Very truly yours,

Sanson Kline Jacomino Tandoc & Gamarra, LLP

**Boynton Beach Community Redevelopment Agency
2019 Audit Results and Required Communications**

Generally Accepted Auditing Standards and *Government Auditing Standards* require the auditor to communicate certain matters to those charged with governance that may assist in overseeing management’s financial reporting and disclosure process. Below is a summary of these required communications, and our response to each, as they apply to the Agency as of and for the fiscal year ended September 30, 2019.

Required Communication	Response
<p>Auditors’ Responsibilities Under Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS)</p> <p>Our responsibility is to express opinions on the Agency’s financial statements based on our audit conducted in accordance with auditing standards generally accepted in the United States and <i>Government Auditing Standards</i>. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.</p> <p>In addition, we are required to report on the Agency’s internal control over financial reporting and on compliance and other matters. However, providing assurance on the internal control or compliance with certain provisions of laws, regulations, contracts, and agreements was not an objective of our audits, and accordingly, we do not express such opinions.</p>	<p>We have issued an unmodified opinion (i.e. a clean opinion) on the Agency’s basic financial statements for the year ended September 30, 2019.</p> <p>We have also issued our report on the Agency’s internal control over financial reporting and on compliance and other matters for the year ended September 30, 2019. We noted no material weaknesses or material noncompliance issues.</p> <p>Both reports were dated December 12, 2019.</p>
<p>Significant Accounting Policies</p> <p>Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.</p> <p>In addition, we must discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the Agency’s financial reporting.</p>	<p>The Agency’s significant accounting policies are described in Note 1 to the financial statements.</p> <p>Accounting principles selected by management are consistent with those prescribed by government accounting standards, and the Agency’s financial statements and related disclosures are clearly presented in a complete manner.</p>
<p>Accounting Estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. We are required to inform the Board of such accounting estimates and about our conclusions regarding the reasonableness of those estimates.</p>	<p>For fiscal year ended September 30, 2019, management’s judgment was called upon to establish the useful lives of capital assets. We have determined that such estimates are reasonable.</p>
<p>Methods of Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p> <p>We are required to inform those charged with governance about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We did not identify any significant unusual transactions by the Agency or any significant accounting policies used by the Agency related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p>Significant and/or Unadjusted Audit Adjustments</p> <p>We are required to inform those charged with governance about auditor adjustments arising from the audit (whether recorded or not) that could, in our judgment, have a significant effect, individually or in the aggregate, on the Agency’s financial statements.</p>	<p>We did not identify any material audit adjustments during our audit of the financial statements as of and for the fiscal year ended September 30, 2019.</p>

**Boynton Beach Community Redevelopment Agency
2019 Audit Results and Required Communications**

Required Communication	Response
<p>Fraud and Illegal Acts</p> <p>We are required to inform those charged with governance about any and all fraud and illegal acts involving senior management and any fraud and illegal acts (whether caused by management or other employees) that cause a material misstatement of financial resources.</p>	<p>We are not aware of any fraud or illegal acts that occurred during the fiscal year involving senior management, or any fraud or illegal acts involving any employee that would cause a material misstatement of the financial statements.</p>
<p>Disagreements or Difficulties with Management</p> <p>We are required to inform those charged with governance about any significant disagreements or difficulties encountered with management.</p>	<p>We did not encounter any significant disagreements or difficulties with management during the course of the audit.</p>
<p>Major Issues Discussed with Management Prior to Retention</p> <p>We are required to inform those charged with governance about any major issues discussed with management prior to retaining us as auditors.</p>	<p>We did not discuss any major issues with management prior to retaining us as your auditors.</p>
<p>Independence</p> <p>We are required to communicate with those charged with governance, at least annually, the following:</p> <ol style="list-style-type: none"> 1. Disclose, in writing, all relationships between us and the Agency and its related entities that, in our professional judgment, may reasonably be thought to impede our independence; 2. Confirm in writing that, in our professional judgment, we are independent of the Agency in accordance with generally accepted auditing standards and <i>Government Auditing Standards</i>; and 3. Disclose any non-audit services performed for the Agency. 	<ol style="list-style-type: none"> 1. There are no relationships between us and the Agency and its related entities that, in our professional judgment, may reasonably be thought to impede our independence. 2. With regards to our audit of the Agency as of September 30, 2019, we are independent with respect to the Agency, in accordance with Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings, and <i>Government Auditing Standards</i>. 3. We have not performed any non-audit services for the Agency during the fiscal year ended September 30, 2019, or thereafter.
<p>Management Letter</p> <p>We are required to issue a management letter responding to certain requirements in accordance with the <i>Rules of the Auditor General</i> of the State of Florida.</p>	<p>We have issued a management letter in accordance with the <i>Rules of the Auditor General</i> of the State of Florida, dated December 12, 2019.</p>
<p>Management Representations</p> <p>We are required to communicate with those charged with governance about representations requested from management.</p>	<p>We requested certain representations from management that are included in the management representation letter dated December 12, 2019.</p>

BOYNTON BEACH
COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Basic Financial Statements

September 30, 2019

(With Independent Auditor's Report Thereon)

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

For the Year Ended September 30, 2019

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FINANCIAL SECTION

Independent Auditor's Report



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Sanson, Kline, Jacomino, Tandoc & Gamarra, LLP
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Tel: (305) 269-8633 | Fax: (305) 265-0652 | www.skjtg-cpa.com

Independent Auditor's Report

To the Board of Commissioners
Boynton Beach Community
Redevelopment Agency:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Boynton Beach Community Redevelopment Agency (the Agency), a component unit of the City of Boynton Beach, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 23 through 24 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the Agency's internal control over financial reporting and 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* in considering the Agency's internal control over financial reporting.

Sanson Kline Jacqueline Landee S Gamarra, CPA

Miami, Florida
December 12, 2019

Management's Discussion and Analysis

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2019

The Management's Discussion and Analysis (MD&A) of the Boynton Beach Community Redevelopment Agency (the "Agency") is designed to provide an objective and easy to read analysis of the financial activities based on currently known facts, decisions, and conditions. The MD&A provides a broad overview, short-term and long-term analysis of the Agency's activities based on information presented in the financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the Agency's financial activity and identify changes in the Agency's financial position and its ability to address the next year's challenges. Finally, the MD&A will identify any material deviations from the approved budget.

The Agency is an independent agency and a component unit of the City of Boynton Beach, Florida ("City"). The Agency has presented its financial statements in accordance with the reporting model required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The information contained in this MD&A is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the footnotes and required supplementary information provided.

FINANCIAL HIGHLIGHTS

The Agency's tax increment revenues increased by 6% or \$772 thousand to approximately \$12.5 million during the fiscal year. This resulted primarily from increased property values by 11% within the CRA district from residential, multi-family, condominiums and commercial properties.

The Agency began the fiscal year with a net position balance of approximately \$22.02 million. The Agency's total revenues for the year ended September 30, 2019 were approximately \$14.39 million, while total expenses were approximately \$12.78 million, increasing net position by approximately \$1.61 million.

The CRA's guiding document for annual budgeting, programs and projects is the CRA Redevelopment Plan. The CRA Redevelopment Plan is organized into six separate districts, each identified according to their character, history, location, land use make-up and intended purpose; 1) the Industrial Craft District; 2) the Heart of Boynton District; 3) the Cultural District; 4) the Boynton Beach Boulevard District; 5) the Downtown District; and 6) the Federal Highway District. While the Redevelopment Plan can be revised, it will remain the planning document used by the CRA for the next twenty years.

The Boynton Harbor Marina, Marina Open Space project was completed in January 2017 and will require ongoing maintenance while under the CRA's ownership. This project provides green space and seating areas for patrons waiting to board the fishing and dive charters, or for those who choose to enjoy watching the boats go by. The new attraction continues to boost the visitor's overall experience in beautiful downtown Boynton Beach.

The CRA, in cooperation with the City of Boynton Beach Police Department, continues to fund the Neighborhood Officer Program (NOP) Innovative Policing Initiative in the Heart of Boynton. In 2018-2019, the partnership funded a Sergeant and two officers to enhance the Unit's ability to provide a positive presence in the community. The goal of the program is to address crime holistically within the Heart of Boynton by promoting an atmosphere that emphasizes a sense of trust, caring and community investment. Public safety cultivates personal relationships between police personnel assigned to the neighborhood on foot and bike patrols.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2019

Downtown redevelopment within the CRA boundaries continues at a rapid pace. In February 2018, the CRA celebrated the completion of 500 Ocean, a mixed-use development located at 101 S. Federal Highway, Boynton Beach, FL 33435. The land, which was once an eyesore to the community and now features 341 luxury apartments and approximately 20,000 square feet of retail and office space. The CRA was recognized by the Florida Redevelopment Association by receiving the Roy F. Kenzie Award for Outstanding New Development Project for our planning and financial partnership with the project. When the CRA purchased the Historic Woman's Club of Boynton Beach in FY 17-18 we took on the challenge of much needed improvements and renovations. The CRA, along with funding from the Solid Waste Authority Grant, began the roof and balcony replacement in August 2018. Ongoing capital improvements are scheduled throughout 2019 so that it can be reopened to the public for civic activities, social events, family gatherings and other special events.

The Heart of Boynton District redevelopment efforts continue with the Ocean Breeze East project and Martin Luther King, Jr. Boulevard Corridor project for the development of new, affordable multifamily rental housing. These efforts also included pre-development improvements for the Cottage District and Model Block Projects which will provide new affordable home ownership opportunities in the area. The Model Block Project is a partnership between the City and the CRA to revitalize an entire block west of Seacrest and along west Martin Luther King, Jr. Boulevard this will include building for-sale single-family homes, constructing streetscape, installing new utilities and extending N.W. 11th Avenue from Seacrest to N.W. 1st Street. The key goal of the Heart of Boynton redevelopment efforts is to create affordable housing and improve neighborhoods within the Boynton Beach Community Redevelopment Area.

The Town Square Project site area encompasses 16.5 acres of City-owned properties within a key redevelopment area of downtown Boynton Beach. A total of \$8.3 Million was allocated in the last three CRA fiscal year budgets for the design drawings, permitting and renovation of the historic Boynton Beach High School building. The CRA has made a significant commitment to provide funding for completion of the Town Square Project over the next twenty years. The new City Hall/Library building should be open for business by the end of fiscal year 2019-2020. Economic development assistance programs targeted to existing and new businesses within the CRA district continue to be successful. A total of 22 commercial grant awards were approved and approximately \$346,333 was disbursed during the fiscal year to businesses for facade improvements, interior and exterior renovations, and rent reimbursement subsidies

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's basic financial statements are comprised of the 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. In addition, the government-wide statements are prepared using the accrual basis of accounting. The *Statement of Net position* (balance sheet) presents information on the Agency's assets and liabilities, with the difference between the two reported as net position.

The *Statement of Activities* (income statement) presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in revenues are reported as soon as underlying events giving rise to the change occur regardless of the timing of related cash flows. The expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2019

The government-wide financial statements present functions of the Agency that are principally supported by tax increment financing (governmental activities). The governmental activities of the Agency include general government activities, public safety and redevelopment projects. Thus, the Agency has no business-type activities.

The government-wide financial statements are found beginning on page 9 of this report.

Fund Financial Statements

The governmental fund financial statements provide readers with an overview of each fund and its related function in a traditional format. A fund is a grouping of related accounts that maintain control over resources that are segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate legal compliance with finance-related legal requirements. The Agency utilizes three funds for the fiscal year ending September 30, 2019, the *General Fund*, which is a governmental fund, the *Debt Service Fund*, used for servicing all debt payments and the *Projects Fund*, from which all capital outlays financed from Bond proceeds or other sources of financing are spent.

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.

The focus of governmental funds is narrower than government-wide financial statements, and it is therefore useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By comparing and contrasting, readers may better understand the long-term impact of the Agency's near term financing decisions. The "Balance Sheet – Governmental Funds" and "Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Funds" are reconciled as shown on the "Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net position" and the "Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Funds to the Statement of Activities" to facilitate the comparison between the *governmental funds* and *governmental activities*.

The Agency adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule provided for the General Fund demonstrates compliance with this budget.

The basic governmental funds financial statements can be found beginning on page 11 of this report. The reconciliations between the governmental funds and governmental activities are found on pages 12 and 14.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. These notes to the basic financial statements begin on page 15 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency's budget to actual results for the General Fund for the current year. The required supplementary information can be found on page 24 and 25 of this report.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by approximately \$23.6 million at the close of the most recent fiscal year. However, the largest portion of the Agency's total assets, 58%, is reflected in its capital assets.

Summary of Net Position

	September 30,	
	2019	2018
Assets		
Current and other assets	\$ 15,645,131	\$ 13,824,257
Capital assets	21,791,746	23,014,578
Total assets	<u>37,436,877</u>	<u>36,838,835</u>
Deferred outflows of resources	<u>838,263</u>	<u>958,015</u>
Liabilities		
Current liabilities	2,542,088	1,936,093
Long-term liabilities	12,106,216	15,554,628
Total liabilities	<u>14,648,304</u>	<u>15,779,721</u>
Net position		
Invested in capital assets, net of related debt	8,977,483	8,318,563
Restricted for:		
Capital projects	11,849,341	11,105,679
Debt service	109,356	91,183
Unrestricted	2,690,656	2,501,704
Total net position	<u>\$ 23,626,836</u>	<u>\$ 22,017,129</u>

The Agency has restricted assets for various capital projects.

Governmental Activities

Governmental activities increased the Agency's net position by approximately \$1.61 million. Key elements of this decrease are detailed as follows:

Summary of Changes in Net Position

	Year Ended September 30,	
	2019	2018
Revenues		
Program Revenues		
Charges for services	\$ 1,304,480	\$ 1,267,068
General Revenues		
Tax increment revenues	12,549,087	11,776,329
Other revenues	540,026	355,124
Total revenues	<u>14,393,593</u>	<u>13,378,521</u>

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2019

Summary of Changes in Net Position (continued)

	Year Ended September 30,	
	2019	2018
Expenses		
General government	3,615,970	3,422,366
Redevelopment projects	7,295,491	5,508,718
Interest on long-term debt	542,461	588,538
Loss on sale and disposal of capital assets	1,329,964	5,059,932
Total expenses	<u>12,783,886</u>	<u>14,579,554</u>
Change in net position	1,609,707	(1,201,033)
Net position beginning of year	22,017,129	23,218,162
Net position end of year	<u>\$ 23,626,836</u>	<u>\$ 22,017,129</u>

Tax increment revenues increased by approximately \$773 thousand during fiscal year 2019, the result of increased taxable values.

Year-to-year expenses decreased by approximately \$1.79 million. This was due primarily to the increase in redevelopment projects and decrease in loss on sale of capital assets.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of fiscal year 2019, the Agency's governmental funds reported an ending fund balance of approximately \$14.86 million, of which approximately \$256.6 thousand is nonspendable, \$4.95 million is committed, \$9.25 million is assigned and \$411 thousand is unassigned funds.

GENERAL BUDGETARY HIGHLIGHTS

In fiscal year 2018-2019, actual total revenues were favorable over budgetary estimates by approximately \$726 thousand, and actual total expenditures were favorable over budgetary estimates by \$418 thousand. Refer to page 24 for budgetary comparison schedule.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year end September 30, 2019, the Agency spent approximately \$331 thousand in capital assets and transferred \$31 thousand from Construction in Progress to Building. This includes approximately \$14.5 thousand for properties acquired in the CRA district targeted for Plan for MLK Corridor and Community Caring Center and approximately \$279 thousand which are primarily the result of the Woman's Club roof replacement. The CRA transferred 1 property to the Habitat of Humanity with book value of approximately \$9,300, Land & Land Improvement transfers to the City of Boynton Beach with approximate values of \$1.3 Million, demolition of building on land to be used as part of MLK project of \$115 thousand and furniture and fixtures write-off and disposal of approximately \$155 thousand.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Management's Discussion and Analysis - Unaudited

September 30, 2019

Long-Term Debt

At the end of fiscal year 2019, the Agency has total bond debt outstanding of approximately \$13.74 million. Of this amount, approximately \$10.20 million represents the 2012 refunding Revenue Bonds and \$3.54 million represents the 2015 Revenue Bonds.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

Assessed property valuations within the community redevelopment district increased approximately 11.2% versus prior year resulting in an increase in tax increment revenues of \$1.39 Million, net of estimated adjustments for tax roll certifications. The Agency's Board approved the 2019-2020 budget including utilization of tax increment revenues for a number of projects including key acquisition funding, funding for the Town Square project, infrastructure improvements, community police program, Heart of Boynton initiatives and the continuation of business and economic incentive programs.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Vicki Hill, Finance Director at 710 North Federal Highway, Boynton Beach, Florida 33435.

Basic Financial Statements

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Statement of Net Position

September 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 15,381,916
Accounts receivables	6,536
Prepays	256,679
Capital assets, net of accumulated depreciation:	
Land	16,304,445
Furniture and equipment	116,730
Renovations	741,401
Leasehold improvements	23,542
Construction in progress	41,708
Building	3,571,733
Land improvements	981,152
Vehicle	11,035
Total assets	<u>37,436,877</u>
 DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	<u>838,263</u>
 LIABILITIES	
Accounts payable and accrued expenses	767,002
Deposits payable	13,086
Long-term liabilities:	
Due within one year	1,762,000
Due in more than one year	
Bonds and loans payable	11,976,000
Compensated absences	130,216
Total liabilities	<u>14,648,304</u>
 NET POSITION	
Net Investment in capital assets	8,977,483
Restricted for:	
Capital projects	11,849,341
Debt service	109,356
Note receivable	-
Unrestricted	<u>2,690,656</u>
Total net position	<u>\$ 23,626,836</u>

The notes to the basic financial statements are an integral part of this statement.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Statement of Activities

For the Year Ended September 30, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges For Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:			
General government	\$ 3,615,970	\$ 1,304,480	\$ (2,311,490)
Redevelopment projects	7,295,491	-	(7,295,491)
Interest on long-term debt	542,461	-	(542,461)
Total	<u>\$ 11,453,922</u>	<u>\$ 1,304,480</u>	<u>\$ (10,149,442)</u>
General Revenues:			
Tax increment revenue			\$ 12,549,087
Transfers and Loss on sale of capital assets			(1,329,964)
Interest and other income			540,026
Total general revenues			<u>11,759,149</u>
Change in net position			1,609,707
Net position - beginning of year			<u>22,017,129</u>
Net position - end of year			<u>\$ 23,626,836</u>

The notes to the basic financial statements are an integral part of this statement.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Balance Sheet
Governmental Funds

September 30, 2019

	<u>General Fund</u>	<u>Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,770,526	\$ 12,502,034	\$ 109,356	\$ 15,381,916
Accounts receivables	6,536	-	-	6,536
Prepays	184,488	72,191	-	256,679
Total assets	<u>\$ 2,961,550</u>	<u>\$ 12,574,225</u>	<u>\$ 109,356</u>	<u>\$ 15,645,131</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 42,328	\$ 724,674	\$ -	\$ 767,002
Deposits payable	12,876	210	-	13,086
Total liabilities	<u>55,204</u>	<u>724,884</u>	<u>-</u>	<u>780,088</u>
Fund Balances:				
Nonspendable	184,488	72,191	-	256,679
Committed	884,693	3,956,936	109,356	4,950,985
Assigned	1,425,909	7,820,214	-	9,246,123
Unassigned	411,256	-	-	411,256
Total fund balances	<u>2,906,346</u>	<u>11,849,341</u>	<u>109,356</u>	<u>14,865,043</u>
Total liabilities and fund balances	<u>\$ 2,961,550</u>	<u>\$ 12,574,225</u>	<u>\$ 109,356</u>	<u>\$ 15,645,131</u>

The notes to the basic financial statements are an integral part of this statement.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

For the Year Ended September 30, 2019

Fund balance - governmental funds	\$ 14,865,043
Amounts reported for governmental activities in the statement of net asset are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital assets - net of accumulated depreciation	21,791,746
Deferred outflow of resources - reported as deferred amount on refunding	838,263
Long-term liabilities are not reported in the governmental funds.	
Compensated absences	(130,216)
Bonds and notes payable	<u>(13,738,000)</u>
Net position of governmental activities	<u>\$ 23,626,836</u>

The notes to the basic financial statements are an integral part of this statement.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Tax increment revenue	\$ 12,549,087	\$ -	\$ -	\$ 12,549,087
Charges for services	1,304,480	-	-	1,304,480
Interest and other income	294,159	230,450	15,417	540,026
Total revenues	<u>14,147,726</u>	<u>230,450</u>	<u>15,417</u>	<u>14,393,593</u>
EXPENDITURES				
General government	3,366,813	-	-	3,366,813
Redevelopment projects	-	7,295,491	-	7,295,491
Debt service:				
Principal	-	-	1,711,000	1,711,000
Interest and other charges	-	-	422,709	422,709
Capital outlay	38,101	293,600	-	331,701
Total expenditures	<u>3,404,914</u>	<u>7,589,091</u>	<u>2,133,709</u>	<u>13,127,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,742,812</u>	<u>(7,358,641)</u>	<u>(2,118,292)</u>	<u>1,265,879</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	8,102,303	2,136,465	10,238,768
Transfers out	<u>(10,238,768)</u>	<u>-</u>	<u>-</u>	<u>(10,238,768)</u>
Total other financing sources (uses)	<u>(10,238,768)</u>	<u>8,102,303</u>	<u>2,136,465</u>	<u>-</u>
Net change in fund balances	504,044	743,662	18,173	1,265,879
Fund balances - beginning of year	2,402,302	11,105,679	91,183	13,599,164
Fund balances - end of year	<u>\$ 2,906,346</u>	<u>\$ 11,849,341</u>	<u>\$ 109,356</u>	<u>\$ 14,865,043</u>

The notes to the basic financial statements are an integral part of this statement.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Reconciliation of the Statements of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2019

Net changes in fund balances - total governmental funds	\$	1,265,879
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets		331,701
Less current year depreciation expense		(224,569)
Disposal of capital assets		(1,329,964)
For governmental funds, the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal payments on long-term debt		1,711,000
Amortization on deferred amount on refunding		(119,752)
Some expenses reported in the statement of activities do not require the use of current financial resource and, therefore, are not reported as expenditures in governmental funds.		
Net change in long-term compensated absences.		(24,588)
Change in net position of governmental activities	\$	<u>1,609,707</u>

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Boynton Beach Community Redevelopment Agency (the “Agency”) significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements. The accounting policies of the Agency conform to U.S. generally accepted accounting principles applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Organization and reporting entity

The Agency is a component unit established by the City of Boynton Beach, Florida (the “City”) under the authority granted by Florida Statutes 163, Section III. The purpose of the Agency is to promote and guide physical and economic redevelopment in the City and part of Palm Beach County, Florida (the “District”). The Agency is a legally separate entity established by Ordinance number 83-41 of the City on December 20, 1983.

The Agency has adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, for the purpose of evaluating whether it has any component units. Based on the criteria therein, the Agency has determined that there are no component units that meet criteria for inclusion in the Agency’s financial statements.

The Agency is governed by a board comprised of elected officials. The City is considered to be financially accountable for the Agency and in accordance with GASB Statement No. 61, and therefore the Agency is considered to be a blended component unit in the City’s comprehensive annual financial report.

B. Reporting model

The Agency’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The statement of net position and the statement of activities report information on all of the activities of the Agency. Governmental activities are reported separately from business-type activities which rely on fees charged to external parties as their primary revenues. The Agency has no business-type activities.

The statement of net position reports the Agency’s financial position as of the end of the fiscal year. In this statement, the Agency’s net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Agency. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services that are directly related to a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Tax increment revenue and other items not meeting the definition of program revenue are reported instead as general revenue.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting model (Continued)

Fund financial statements

For the fiscal year ending September 30, 2019, the Agency reports three major funds, the General Fund, the Debt Service Fund, and the Projects Fund. The General Fund is classified as a governmental fund and accounts for all financial resources controlled by the Agency. The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal and interest on long-term obligation debt. The Projects Fund accounts for financial resources to be used for redevelopment programs and the acquisition or construction of capital projects. The governmental fund statement includes reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

C. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Cash, cash equivalents and investments

Cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less from the date of purchase. Cash and cash equivalents consist of petty cash and deposits with financial institutions qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Investments made locally consist of amounts placed in obligations of United States Government Agencies and Instrumentalities, and are reported at fair value. The Agency is authorized to invest in direct obligations of the United States of America or any agency thereof, interest bearing time or demand deposits with any qualified depository institution, commercial paper, bankers' acceptances, state and/or local government taxable debt, mutual funds, repurchase agreements and the State Treasurer's investment pool, which has the characteristics of a money market fund.

E. Capital assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are depreciated using the straight-line method over the assets' estimated useful lives of all reported capital assets, except land and land improvements. The estimated useful life of furniture, fixtures and equipment is four to ten years.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund equity / net position

Fund equity

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent, as follows:

- Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance - amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.
- Assigned fund balance - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purpose within the general fund.

When both restricted and unrestricted amounts are available for use, it is the Agency's practice to use restricted resources first. Additionally, the Agency would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

Net position

The government-wide financial statements utilize a net position presentation. Net position can be categorized as net investment in capital assets, restricted, or unrestricted. The first category represents capital assets, less accumulated depreciation and net of any outstanding debt associated with the acquisition of capital assets. Restricted net position represents amounts that are restricted by requirement of debt indenture or enabling legislation. Unrestricted net position represents the net position component of the Agency which is not restricted for any project or purpose.

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

G. Bond premiums, discounts and issuance costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures in the fund financial statements and redevelopment projects expense in the government-wide financial statements.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Deferred outflows of resources

The statement of financial position reports a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and is not recognized as an outflow of resources in the current period. The Agency has only one item that qualifies for reporting in this category, the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of refunded debt.

I. Revenue sources

Tax increment revenues are the primary source of revenue for the Agency. Tax increment revenues are collected from two governmental entities that levy property taxes within the legally defined redevelopment area of the Agency, which is the City of Boynton Beach, Florida and Palm Beach County, Florida.

J. Compensated absences

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay. Employees may, depending on their level of service and policy of the Agency, be paid for various amounts of their total accrued leave by the end of each fiscal year, upon termination or retirement. The Agency accrues a liability for leave hours that meet the criteria for payment at the eligible employees' current rates of pay.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

L. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

All of the Agency's bank deposits are insured by the Federal Deposit Insurance Corporation or collateralized in accordance with Florida Security for Public Deposits Act (the "Act"). Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral having a market value equal to 50% of the average daily balance for each month that all public deposits are in excess of any applicable deposit insurance. If the public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits.

The Agency's investment policy is designed to ensure the prudent management of funds, and the availability of operating and capital funds when required, while earning a competitive return within the policy framework. The primary objectives, in order of priority, of investment activity shall be safety, interest rate risk, liquidity and yield. As of September 30, 2019, the Agency does not have any investments.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019, is as follows:

	<u>Balance at 9/30/2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance at 9/30/2019</u>
Capital assets, not being depreciated:				
Land	\$ 17,049,742	\$ 14,501	\$ (759,798)	\$ 16,304,445
Construction in progress	73,193	-	(31,485)	41,708
Total capital assets, not being depreciated	<u>17,122,935</u>	<u>14,501</u>	<u>(791,283)</u>	<u>16,346,153</u>
Capital assets, being depreciated:				
Building	3,636,409	310,584	(115,877)	3,831,116
Renovations	1,090,247	-	-	1,090,247
Land improvements	1,710,389	-	(589,089)	1,121,310
Leasehold improvements	147,145	-	-	147,145
Furniture and equipment	375,247	38,101	(155,641)	257,707
Vehicle	15,850	-	-	15,850
Total capital assets, being depreciated	<u>6,975,287</u>	<u>348,685</u>	<u>(860,597)</u>	<u>6,463,375</u>
Less accumulated depreciation for:				
Building	(167,595)	(93,357)	1,569	(259,383)
Renovations	(313,480)	(35,336)	-	(348,846)
Land improvements	(224,563)	(56,319)	140,724	(140,158)
Leasehold improvements	(110,950)	(12,653)	-	(123,603)
Furniture and equipment	(265,471)	(23,644)	148,138	(140,977)
Vehicle	(1,585)	(3,230)	-	(4,815)
Total accumulated depreciation	<u>(1,083,644)</u>	<u>(224,569)</u>	<u>290,431</u>	<u>(1,017,782)</u>
Total capital assets, being depreciated, net	<u>5,891,643</u>	<u>124,116</u>	<u>(570,166)</u>	<u>5,445,593</u>
Total capital assets, net of accumulated depreciation	<u>\$ 23,014,578</u>	<u>\$ 138,617</u>	<u>\$ (1,361,449)</u>	<u>\$ 21,791,746</u>

Depreciation expense of \$224,569 was charged to general government for fiscal year 2019.

4. LONG-TERM LIABILITIES

At September 30, 2019, bonds and loans payable consist of the following:

BONDS:

2012 Tax Increment Refunding Revenue Bonds dated October 18, 2012, due in annual principal installments of \$143,000 to \$1,530,000 through October 1, 2026, bearing an interest rate of 2.56%.

\$ 10,203,000

2015 Tax Increment Refunding Revenue Bonds, dated March 26, 2015 due in annual principal installments of \$360,000 to \$725,000 through October 1, 2026, bearing an interest rate of 3.3%.

3,535,000

13,738,000

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

4. LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize bonds and loans payable outstanding as of September 30, 2019, are as follows:

Fiscal Year(s)	2012 Tax Increment		2015 Tax Increment		Totals	
	Refunding Revenue Bonds Principal	Interest	Refunding Revenue Bonds Principal	Interest	Principal	Interest
2020	\$ 1,367,000	\$ 261,197	\$ 395,000	\$ 116,655	\$ 1,762,000	\$ 377,852
2021	1,397,000	226,202	410,000	103,620	1,807,000	329,822
2022	1,439,000	190,438	420,000	90,090	1,859,000	280,528
2023	1,471,000	153,600	435,000	76,230	1,906,000	229,830
2024	1,512,000	115,942	445,000	61,875	1,957,000	177,817
2025-2026	3,017,000	116,403	1,430,000	71,115	4,447,000	187,518
	<u>\$ 10,203,000</u>	<u>\$ 1,063,782</u>	<u>\$ 3,535,000</u>	<u>\$ 519,585</u>	<u>\$ 13,738,000</u>	<u>\$ 1,583,367</u>

The changes in long-term liabilities for the year ended September 30, 2019 are summarized as follows:

	Balance at 9/30/18	Additions	Deletions	Balance at 9/30/19	Due within one year
Bonds payable	\$ 15,449,000	\$ -	\$ (1,711,000)	\$ 13,738,000	\$ 1,762,000
Compensated absences	105,628	24,588	-	130,216	-
Total long-term liabilities	<u>\$ 15,554,628</u>	<u>\$ 24,588</u>	<u>\$ (1,711,000)</u>	<u>\$ 13,868,216</u>	<u>\$ 1,762,000</u>

Prior years' defeasance of debt

In fiscal years 2015 and 2013, the Agency defeased certain increment revenue bonds, placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service on the refunded portions of the increment revenue bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Agency's financial statements. The refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt, which is being charged to operations through 2026 using the effective-interest method. As of September 30, 2019, there are no outstanding balances on either of the defeased bonds.

5. FUND BALANCES

At September 30, 2019, the Agency reported the following governmental fund balances:

- Nonspendable fund balance - These amounts cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by the Board of the Agency. The items cannot be removed unless the Board removes it in the same manner it was implemented.
- Assigned fund balance - these amounts are approved and constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance - These amounts have not been assigned to other funds and have not been restricted, committed, or assigned for a specific purpose.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

5. FUND BALANCES (Continued)

Below is a table of fund balance categories and classifications, by fund, at September 30, 2019:

	General Fund	Projects Fund	Debt Service Fund
Nonspendable	\$ 184,488	\$ 72,191	\$ -
Committed	884,693	3,956,936	109,356
Assigned	1,425,909	7,820,214	-
Unassigned	411,256	-	-
Total	\$ 2,906,346	\$ 11,849,341	\$ 109,356

6. INTERFUND TRANSFERS

During the fiscal year ended September 30, 2019, the General Fund transferred \$8,102,303 and \$2,136,465 to the Projects Fund and Debt Service Fund, respectively. The transfers made to the Projects Fund were to fund the costs of ongoing redevelopment projects. The transfers made to the Debt Service Fund were to fund the annual debt service expenditures on the bonds and loans payable.

7. HOMEBUYER ASSISTANCE PROGRAM

The Agency established the Homebuyer Assistance Program to assist local residents with the purchase of a home by providing a subsidy in an amount not to exceed \$50,000 per homeowner. The subsidy is secured by a mortgage, which is required to be paid back only under certain circumstances outlined in the mortgage agreement. The mortgage is forgiven if the homeowner remains in the home during the full term outlined in the agreement. The amount of mortgages receivable outstanding at September 30, 2019 total \$1,394,672. Given the nature of these loans, collection is uncertain, and therefore an allowance for uncollectible mortgages has been established at 100% of the value of the mortgages receivable outstanding. Consequently, these mortgages are not recognized on the financial statements.

8. RISK MANAGEMENT

The Agency 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 Agency purchases commercial insurance for the risks of loss to which it is exposed. Policy limits and deductibles are reviewed by management and established at amounts to provide reasonable protection from significant financial loss. Settlements did not exceed insurance coverage in the past three fiscal years.

9. COMMITMENTS AND CONTINGENCIES

A. Economic development programs

The Agency established Economic Development Programs in an effort to promote the redevelopment of and retain existing businesses located in the CRA area as well as attract new businesses to Boynton Beach. These programs for commercial businesses include Facade Programs, Rent Subsidy, Interior Build-Out and Signage. During fiscal year 2019, the Agency closed and disbursed \$310,094 in Economic Development Grants.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Basic Financial Statements

September 30, 2019

9. COMMITMENTS AND CONTINGENCIES (Continued)

B. Lease commitments

The Agency leases a building under a ten-year commercial lease agreement with a remaining term of six years and base rent increases of 4% a year plus expenses for real estate taxes, insurance and maintenance of the property. The lease is non-cancelable until year 7. If terminated during years 7 through 10, the Agency is obligated to pay a portion of the monthly rent dependent on the termination year. Under the terms of the lease, the Agency was responsible for interior renovations totaling \$88,000. The landlord will credit the Agency a total of \$73,000 proportionately in years 8, 9 and 10 of the lease, unless the Agency terminates the lease. Rental costs for the year ended September 30, 2019 totaled \$79,920.

Future minimum lease payments are as follows:

<u>FYE September 30,</u>		
2020	\$	76,993
2021		77,672

10. RETIREMENT CONTRIBUTIONS

The Agency participates in a 401(a) defined contribution retirement plan and a 457(b) deferred compensation plan (the "Plans"). The Plans are qualified under Sections 401(1), 403 (a) and 501(a) of the Internal Revenue Code. The Plans are administered by independent trustees. All employees who meet the requirements are qualified to participate. Employees make voluntary contributions to the 457(b) plan. The Agency's required contribution is 25% of the total salaries of qualified participants. Employer contributions to both plans in fiscal year 2019 totaled \$194,437.

11. RELATED PARTY TRANSACTIONS

The Agency is a blended component unit of the City of Boynton Beach, Florida. For the year ended September 30, 2019, the Agency's tax increment revenues include \$7,817,513 received from the City. In addition, the Agency reimbursed the City for services performed on behalf of the Agency such as recording, information technology services, Clean & Safe program, landscape and maintenance services, festival expenses, human resource and payroll services, facility rental and permitting fees paid during the year. Payments to the City for these services during the year ended September 30, 2019 totaled \$5,163,014.

12. SUBSEQUENT EVENTS

The Agency evaluated subsequent events through December 12, 2019, the date the financial statements were available to be issued, and does not believe that there are any such events or transactions that require disclosure.

13. NEW PRONOUNCEMENTS ISSUED

The following new pronouncements effective for the fiscal year ending September 30, 2019 were adopted by the Agency, but were determined by management that such pronouncements did not have an effect on the Agency's financial reporting:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Placements*

Required Supplementary Information

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Budgetary Comparison Schedule (Unaudited)
General Fund

For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Tax increment revenue	\$ 12,421,686	\$ 12,421,686	\$ 12,549,087	\$ 127,401
Charges for services	1,000,000	1,000,000	1,304,480	304,480
Interest and other income	-	-	294,159	294,159
Total revenues	<u>13,421,686</u>	<u>13,421,686</u>	<u>14,147,726</u>	<u>726,040</u>
EXPENDITURES				
General government	3,822,918	3,822,918	3,366,813	456,105
Capital Outlay	-	-	38,101	(38,101)
Total expenditures	<u>3,822,918</u>	<u>3,822,918</u>	<u>3,404,914</u>	<u>418,004</u>
Excess of revenues over expenditures	<u>9,598,768</u>	<u>9,598,768</u>	<u>10,742,812</u>	<u>308,036</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(9,598,768)	(10,238,768)	(10,238,768)	-
Fund balance allocation	-	640,000	-	640,000
Total other financing sources (uses)	<u>(9,598,768)</u>	<u>(9,598,768)</u>	<u>(10,238,768)</u>	<u>640,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>504,044</u>	<u>\$ 948,036</u>
Fund balances - beginning of year			<u>2,402,302</u>	
Fund balances - end of year			<u>\$ 2,906,346</u>	

The notes to the Budgetary Comparison Schedule are an integral part of this schedule.

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Boynton Beach, Florida)

Notes to the Budgetary Comparison Schedule

September 30, 2019

1. BUDGETARY INFORMATION

The Agency is required to establish a budgetary system and an approved annual budget for the General Fund, Debt Service Fund and Project Fund. The Agency's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. In accordance with generally accepted accounting principles, budgetary comparison information is disclosed only for the General Fund.

The budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles, with the exception of compensated absences. Compensated absences are budgeted only to the extent expected to be paid, rather than on the modified accrual basis. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board.

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate.

Compliance Section



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Sanson, Kline, Jacomino, Tandoc & Gamarra, LLP

5805 Blue Lagoon Drive | Suite 220 | Miami, FL 33126

Tel: (305) 269-8633 | Fax: (305) 265-0652 | www.skjtg-cpa.com

**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
Boynton Beach Community
Redevelopment Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Boynton Beach Community Redevelopment Agency (the Agency), a component unit of the City of Boynton Beach, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sanson Kline Jacomine Landee & Hamarra, LLP

Miami, Florida
December 12, 2019



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**Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida**

To the Board of Commissioners
Boynton Beach Community
Redevelopment Agency:

Report on the Financial Statements

We have audited the financial statements of the Boynton Beach Community Redevelopment Agency (the Agency), a component unit of the City of Boynton Beach, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report dated December 12, 2019.

Auditor's Responsibility

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

Other Report

We have issued our Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that reports, which is dated December 12, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosures are made in note 1(A) to the Agency's financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Agency 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 Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures as of September 30, 2019. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Purpose of this Letter

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

Sanson Kline Jacomine Landee S. Hamarra, LLP

Miami, Florida
December 12, 2019