

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

Basic Financial Statements

September 30, 2008

(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, 2008

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FINANCIAL SECTION

Independent Auditor's Report



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Independent Auditor's Report

To the Board of Directors
Boynton Beach Community
Redevelopment Agency:

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 (the City), as of and for the year ended September 30, 2008, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 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 entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 and each major fund of the Agency as of September 30, 2008, 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 issued our report dated November 19, 2008 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* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 23 and 24 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sanson, Kline, Taccone & Company LLP

November 19, 2008

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

September 30, 2008

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 tax increment fund revenues increased by 4.8% (approximately \$432,000) to \$9,520,342 during the fiscal year. This resulted from increased commercial development in the redevelopment district.
- The Agency began the fiscal year with a net assets balance of \$4,365,210. The Agency's total revenues for the year ended September 30, 2008, were approximately \$11.37 million, while total expenses were approximately \$9.9 million, increasing net assets by approximately \$1.46 million.
- The Agency's total net investment in capital asset projects increased by approximately \$1.04 million. This increase included the purchase of land targeted for the development of low to moderate income for sale residential projects, and the elimination of slum and blight.

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 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 Assets* (balance sheet) presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets.

The *Statement of Activities* (income statement) presents information showing how the Agency's net assets 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

September 30, 2008

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 8 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, 2008, 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 Assets" 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 10 of this report. The reconciliations between the governmental funds and governmental activities are found on pages 11 and 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 the fund financial statements. These notes to the financial statements begin on page 14 of this report.

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

Management's Discussion and Analysis

September 30, 2008

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 23 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 Agency, assets exceeded liabilities by \$5,828,816 at the close of the most recent fiscal year.

However, the largest portion of the Agency's total assets, 69%, is reflected in its capital assets.

Summary of Net Assets

	September 30,	
	2008	2007
Assets		
Current and other assets	\$ 10,106,362	\$ 9,075,321
Investments	1,717,428	4,012,731
Capital assets	25,780,037	24,738,955
Total assets	<u>37,603,827</u>	<u>37,827,007</u>
Liabilities		
Current liabilities	328,375	485,559
Long term liabilities	31,446,636	32,976,238
Total liabilities	<u>31,775,011</u>	<u>33,461,797</u>
Net Assets		
Invested in capital assets, net of related debt	(1,831,211)	(3,773,316)
Restricted for:		
Capital projects	1,433,519	202,034
Debt service	3,011,700	228,480
Note receivable	100,000	100,000
Unrestricted	3,114,808	7,608,012
Total net assets	<u>\$ 5,828,816</u>	<u>\$ 4,365,210</u>

The Agency has restricted assets for various capital projects and the bond reserve fund requirement.

Governmental Activities

Governmental activities increased the Agency's net assets by \$1,463,606. Key elements of this increase are as follows.

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

Management's Discussion and Analysis

September 30, 2008

Summary of Changes in Net Assets

	Year Ended September 30,	
	2008	2007
Revenues		
Program Revenues		
Charges for services	\$ 1,406,035	\$ 1,040,032
General Revenues		
Tax increment revenues	9,520,342	9,088,068
Other revenues	442,207	957,632
Total revenues	<u>11,368,584</u>	<u>11,085,732</u>
Expenses		
General government	5,312,437	2,941,993
Redevelopment projects	2,939,796	1,949,672
Interest on long-term debt	1,540,857	1,550,825
Loss on sale of capital assets	111,888	-
Total expenses	<u>9,904,978</u>	<u>6,442,490</u>
Increase in net assets	1,463,606	4,643,242
Net assets beginning of year	4,365,210	(2,278,032)
Prior period adjustment	-	2,000,000
Net assets end of year	<u>\$ 5,828,816</u>	<u>\$ 4,365,210</u>

Tax increment revenues increased by \$ 432,274 during fiscal year 2008. Tax increment revenue increases are a result of increases in commercial development in the Agency's redevelopment area.

Year to year expenses increased by \$3,462,488 due primarily to rollover funds from 2007 and budget increases due to: full year of marina operations and increase in fuel sales costs; associated property taxes and association dues; the addition of a CRA policing program; full cost of events and related personnel (in 2007 expenses were shared with the City); expansion of the trolley route; additional property maintenance costs; and increase in community grant programs.

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 2008, the Agency's governmental funds reported an ending fund balance of \$11,134,326, a decrease of \$1,084,848 in comparison with prior year. The decrease is attributable to increased redevelopment projects and program activity due to the continued efforts to eliminate the slum and blight.

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

Management's Discussion and Analysis

September 30, 2008

GENERAL BUDGETARY HIGHLIGHTS

Actual total revenues were under budgetary estimates by approximately \$75,000. Actual total expenditures were over budgetary estimates by approximately \$11,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Agency will continue to assemble properties throughout the redevelopment district to create development opportunities. During the year ended September 30, 2008, the Agency made acquisitions of real property of \$1.2 million. The property acquisitions are targeted for the development of low to moderate income for sale residential projects, and the elimination of slum and blight.

Long-Term Debt

At the end of fiscal year 2008, the Agency has total bond debt and loans payable outstanding of \$31,345,673. Of this amount, \$16,795,000 and \$10,795,000 represents the 2004 and 2005 Series Tax Increment Revenue Bonds, respectively. In addition, there are two loans payable of totaling approximately \$3.15 million. The Agency's total debt decreased by approximately \$1.6 million during the current fiscal year and is expected to decrease by approximately \$1.6 million in fiscal year 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Agency Board approved the 2008-2009 budget, which included a \$1.2 million decrease in tax increment revenues (TIF). Tax increment revenue projections were based upon actual values from the tax appraiser's office and the City of Boynton Beach. The TIF decrease is attributable to a 9.7% loss in residential property valuations within the Agency district, which includes a market correction by the Palm Beach County property appraiser and tax reform measures by the State of Florida.

Despite the downturn in the market, the Agency anticipates capturing TIF revenues from several projects that are in the development pipeline and are expected to be realized in the upcoming fiscal years.

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 Susan Harris, Finance Director at 915 S. 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 Assets

September 30, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,637,726
Investments	1,717,428
Accounts receivables	3,547
Note receivable	100,000
Prepays	4,000
Unamortized bond issuance costs	361,089
Capital assets, net of accumulated depreciation:	
Land	25,665,382
Furniture and equipment	51,938
Renovations	34,735
Leasehold improvements	27,982
Total assets	<u>37,603,827</u>
LIABILITIES	
Accounts payable and accrued expenses	118,964
Deposits payable	4,980
Due to other governments	204,431
Long-term liabilities:	
Due within one year	1,590,221
Due in more than one year	29,856,415
Total liabilities	<u>31,775,011</u>
NET ASSETS	
Invested in capital assets, net of related debt	(1,831,211)
Restricted for:	
Capital projects	1,433,519
Debt service	3,011,700
Note receivable	100,000
Unrestricted	3,114,808
Total net assets	<u>\$ 5,828,816</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, 2008

Functions/Programs	Expenses	Program Revenues	Net (Expense)
		Charges For Services	Revenue and Changes in Net Assets
Governmental Activities:			
General government	\$ 5,312,437	\$ 1,406,035	\$ (3,906,402)
Redevelopment projects	2,939,796	-	(2,939,796)
Interest on long-term debt	1,540,857	-	(1,540,857)
Loss on sale of capital assets	111,888	-	(111,888)
Total	<u>\$ 9,904,978</u>	<u>\$ 1,406,035</u>	<u>\$ (8,498,943)</u>
General Revenues:			
			\$ 9,520,342
Tax increment revenue			442,207
Interest and other income			<u>9,962,549</u>
Total general revenues			1,463,606
Change in net assets			<u>4,365,210</u>
Net assets - beginning of year			<u>\$ 5,828,816</u>
Net assets - end of year			

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, 2008

	<u>General Fund</u>	<u>Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 6,874,382	\$ 1,469,072	\$ 1,294,272	\$ 9,637,726
Investments	-	-	1,717,428	1,717,428
Accounts receivables	3,547	-	-	3,547
Note receivable	100,000	-	-	100,000
Prepays	4,000	-	-	4,000
Total assets	<u>\$ 6,981,929</u>	<u>\$ 1,469,072</u>	<u>\$ 3,011,700</u>	<u>\$ 11,462,701</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued expenses	83,411	35,553	-	118,964
Deposits payable	4,980	-	-	4,980
Due to other governments	204,431	-	-	204,431
Total liabilities	<u>292,822</u>	<u>35,553</u>	<u>-</u>	<u>328,375</u>
Fund Balances:				
Reserved for:				
Prepays	4,000	-	-	4,000
Capital projects	-	718,958	-	718,958
Debt service	-	-	3,011,700	3,011,700
Note receivable	100,000	-	-	100,000
Encumbrances	436,504	714,561	-	1,151,065
Unreserved	6,148,603	-	-	6,148,603
Total fund balances	<u>6,689,107</u>	<u>1,433,519</u>	<u>3,011,700</u>	<u>11,134,326</u>
Total liabilities and fund balances	<u>\$ 6,981,929</u>	<u>\$ 1,469,072</u>	<u>\$ 3,011,700</u>	<u>\$ 11,462,701</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 Assets

For the Year Ended September 30, 2008

Fund balance - governmental funds	\$	11,134,326
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 fund.		
Capital assets - net of accumulated depreciation		25,780,037
Unamortized bond issuance costs are not reported in the governmental funds.		361,089
Long-term liabilities are not reported in the governmental funds.		
Compensated absences		(100,963)
Bonds and notes payable		<u>(31,345,673)</u>
Net assets of governmental activities	\$	<u><u>5,828,816</u></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, 2008

	General Fund	Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Tax increment revenue	\$ 9,520,342	\$ -	\$ -	\$ 9,520,342
Charges for services	1,406,035	-	-	1,406,035
Interest and other income	261,393	29,377	113,421	404,191
Total revenues	<u>11,187,770</u>	<u>29,377</u>	<u>113,421</u>	<u>11,330,568</u>
EXPENDITURES				
General government	5,248,948	-	-	5,248,948
Redevelopment projects	-	4,100,979	-	4,100,979
Debt service:				
Principal	-	-	1,524,463	1,524,463
Interest and other charges	-	-	1,541,026	1,541,026
Total expenditures	<u>5,248,948</u>	<u>4,100,979</u>	<u>3,065,489</u>	<u>12,415,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,938,822</u>	<u>(4,071,602)</u>	<u>(2,952,068)</u>	<u>(1,084,848)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,960,106	3,065,538	7,025,644
Transfers out	<u>(7,025,644)</u>	<u>-</u>	<u>-</u>	<u>(7,025,644)</u>
Total other financing sources (uses)	<u>(7,025,644)</u>	<u>3,960,106</u>	<u>3,065,538</u>	<u>-</u>
Net change in fund balances	(1,086,822)	(111,496)	113,470	(1,084,848)
Fund balances - beginning of year	7,775,929	1,545,015	2,898,230	12,219,174
Fund balances - end of year	<u>\$ 6,689,107</u>	<u>\$ 1,433,519</u>	<u>\$ 3,011,700</u>	<u>\$ 11,134,326</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, 2008

Net changes in fund balances - total governmental funds	\$	(1,084,848)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital assets		1,075,077
Less current year depreciation expense		(33,995)
<p>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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,540,418
<p>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.</p>		
Change in long-term compensated absences.		<u>(33,046)</u>
Change in net assets of governmental activities	\$	<u><u>1,463,606</u></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, 2008

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 of Boynton Beach 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. 14, *the Financial Reporting Entity*, for the purpose of evaluating its component unit financial statements. Based on the criteria in GASB Statement No. 14, 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 the elected officials of the City of Boynton Beach. The City is considered to be financially accountable for the Agency and in accordance with GASB Statement No. 14, the Agency is considered as 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 assets 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 assets 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 assets reports the Agency’s financial position as of the end of the fiscal year. In this statement, the Agency’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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

Notes to the Basic Financial Statements

September 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting model (Continued)

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.

Fund financial statements

For the fiscal year ending September 30, 2008, 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 and Cash Equivalents

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.

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

Notes to the Basic Financial Statements

September 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

Investments made locally consist of amounts placed in obligations of United States Government Agencies and Instrumentalities, and are reported at fair value. Investments for the Agency funds consist of monies placed in certificates of deposit.

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.

F. Capital assets

Capital assets are defined by the Agency as assets with an initial, individual cost of \$1,000 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 estimated fair 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 five to ten years.

G. Bond premiums, discounts and issuance costs

In the government-wide financial statements, bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

H. 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.

I. Compensated absences

It is the Agency's policy to permit employees to accumulate earned but unused vacation, sick pay and comp time benefits. Employees may, depending on their level of service, be paid for various amounts of their total accrued leave 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.

J. Long-term liabilities

All long-term debt and other long-term obligations are reported 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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definitions of the classifications previously described.

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.

L. 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.

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.

Investments of the Agency include deposits and guaranteed contracts with banks or other financial institutions which meet standards for deposits stipulated in investment agreements.

	<u>Fair value</u>
Cash and cash equivalents:	
Cash in bank	\$ 9,637,726
Investments:	
Certificates of deposit	<u>1,717,428</u>
Total deposits and investments	<u><u>\$ 11,355,154</u></u>

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

Notes to the Basic Financial Statements

September 30, 2008

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency’s investment policy to minimize interest rate risk is to structure the investment portfolio so that the securities mature to meet cash requirements for current budgeted needs, thereby avoiding the need to sell securities on the open market prior to maturity.

Investment type	Fair value	Investment Maturities (in years)	
		Less than 1	1-10
Certificates of deposit	\$ 1,717,428	\$ 1,717,428	-

B. Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Agency does not hold foreign currency or foreign currency investments and therefore is not subject to foreign currency risk.

C. Credit risk

The Agency also mitigates credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of investment or collateral securities that are held in the possession of an outside party.

D. Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Agency diversifies its investment portfolio, where necessary, to minimize the impact of potential losses from one type of security or individual issuer, excluding U.S. Treasuries, and Federally Guaranteed Obligation. The implementation of GASB Statement No. 40 requires the disclosure of investments in any one issuer that represents five percent or more of total investments. As of September 30, 2008, all of the Agency’s investments were held with Commerce Bank (bond reserves).

3. NOTE RECEIVABLE

The Agency holds a mortgage as security for a non-interest bearing promissory note from Delray Boynton Academy (the “Academy”) in the amount of \$100,000. During fiscal year 2008, the promissory note became due as a result of the Academy’s failure to comply with the terms of the Grant Agreement, entered into by and between the Agency and the Academy.

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

Notes to the Basic Financial Statements

September 30, 2008

4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008, was as follows:

	Balance at 10/1/07	Additions	Deletions	Balance at 9/30/2008
Capital assets, not being depreciated:				
Land	\$ 24,616,086	\$ 1,161,184	\$ (111,888)	\$ 25,665,382
Capital assets, being depreciated:				
Furniture and equipment	110,477	4,390	-	114,867
Renovations	40,606	-	-	40,606
Leasehold improvements	29,088	21,391	-	50,479
Total capital assets, being depreciated	<u>180,171</u>	<u>25,781</u>	<u>-</u>	<u>205,952</u>
Less accumulated depreciation for:				
Furniture and equipment	(42,163)	(20,766)		(62,929)
Renovations	(2,232)	(3,639)		(5,871)
Leasehold improvements	(12,907)	(9,590)	-	(22,497)
Total accumulated depreciation	<u>(57,302)</u>	<u>(33,995)</u>	<u>-</u>	<u>(91,297)</u>
Total capital assets, being depreciated, net	<u>122,869</u>	<u>(8,213)</u>	<u>-</u>	<u>114,655</u>
Total capital assets, net of accumulated depreciation	<u>\$ 24,738,955</u>	<u>\$ 1,152,970</u>	<u>\$ (111,888)</u>	<u>\$ 25,780,037</u>

Depreciation expense of \$33,995 was charged to general government.

5. LONG-TERM LIABILITIES

At September 30, 2008, bonds and loans payable consisted of the following:

BONDS:

2004 Tax Increment Revenue Bonds, dated December 14, 2004, due in annual principal installments of \$375,000 to \$1,625,000 through October 1, 2024, bearing interest rates of 3.0% to 5.0%. \$ 16,795,000

2005 Tax Increment Revenue Bonds, Series A&B Bonds dated December 12, 2005, due in annual principal installments of \$235,000 to \$2,395,000 through October 1, 2026, bearing interest rates of 4.50% to 5.65%.

 2005A 3,000,000

 2005B 7,795,000

LOANS:

Promissory note to TRG-Boynton Beach, Ltd. at 5% interest, payable in monthly installments through January 25, 2011. 1,214,869

Promissory note to Bank of America, N.A. at 5.65% interest, payable in semi-annual installments through September 20, 2016. 1,934,542

\$ 30,739,411

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

Notes to the Basic Financial Statements

September 30, 2008

5. LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize bonds and loans payable outstanding as of September 30, 2008, are as follows:

Fiscal Year(s)	2004 Tax Increment Revenue Bonds		2005A Tax Increment Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 635,000	\$ 754,700	\$ -	\$ 135,000
2010	650,000	735,650	-	135,000
2011	675,000	714,525	-	135,000
2012	695,000	690,900	-	135,000
2013	725,000	664,838	-	135,000
2014-2018	4,735,000	2,838,063	-	675,000
2019-2023	7,055,000	1,469,750	-	675,000
2024-2028	1,625,000	81,250	3,000,000	339,075
	<u>\$ 16,795,000</u>	<u>\$ 7,949,676</u>	<u>\$ 3,000,000</u>	<u>\$ 2,364,075</u>

Fiscal Year(s)	2005B Tax Increment Revenue Bonds		Bank of America Note Payable	
	Principal	Interest	Principal	Interest
2009	\$ 255,000	\$ 428,840	\$ 196,829	\$ 108,008
2010	275,000	415,835	208,266	96,572
2011	285,000	401,810	220,367	84,470
2012	300,000	387,275	232,960	71,877
2013	310,000	371,975	246,708	58,129
2014-2018	1,815,000	1,597,523	829,412	85,048
2019-2023	2,330,000	1,038,187	-	-
2024-2028	2,225,000	269,223	-	-
	<u>\$ 7,795,000</u>	<u>\$ 4,910,668</u>	<u>\$ 1,934,542</u>	<u>\$ 504,104</u>

Fiscal Year(s)	TRG Boynton Beach, Ltd. Note Payable		Totals	
	Principal	Interest	Principal	Interest
2009	\$ 503,392	\$ 49,311	\$ 1,590,221	\$ 1,475,859
2010	529,146	23,557	1,662,412	1,406,614
2011	182,331	1,903	1,362,698	1,337,708
2012	-	-	1,227,960	1,285,052
2013	-	-	1,281,708	1,229,942
2014-2018	-	-	7,379,412	5,195,634
2019-2023	-	-	9,385,000	3,182,937
2024-2028	-	-	6,850,000	689,548
	<u>\$ 1,214,869</u>	<u>\$ 74,771</u>	<u>\$ 30,739,411</u>	<u>\$ 15,803,294</u>

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

Notes to the Basic Financial Statements

September 30, 2008

5. LONG-TERM LIABILITIES (Continued)

The changes in long-term liabilities for the year ended September 30, 2008 are summarized as follows:

	Balance at 10/01/07	Additions	Deletions	Balance at 9/30/08	Due within one year
Bonds payable	\$ 28,450,000	\$ -	\$ (860,000)	\$ 27,590,000	\$ 890,000
Plus deferred amounts					
For discount	(35,803)	-	1,989	(33,814)	-
For issuance premium	680,081	-	(40,005)	640,076	-
Total bonds payable	29,094,278	-	(898,016)	28,196,262	890,000
Notes payable	3,814,043	-	(664,632)	3,149,411	700,221
Compensated absences	67,917	33,046	-	100,963	-
Total long-term liabilities	\$ 32,976,238	\$ 33,046	\$ (1,562,648)	\$ 31,446,636	\$ 1,590,221

6. INTERFUND TRANSFERS

During the fiscal year ended September 30, 2008, the General Fund transferred \$3,960,106 and \$3,065,538 to the Projects Fund and Debt Service Fund, respectively. The transfers made to the Projects Fund was to fund the costs of ongoing redevelopment projects. The transfers made to the Debt Service Fund was 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, 2008 totaled \$1,088,100. 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 for the current fiscal year.

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

Notes to the Basic Financial Statements

September 30, 2008

9. COMMITMENTS AND CONTINGENT LIABILITIES

A. Facade Grant Program

The Agency established a Facade Grant Program in an effort to promote the redevelopment of existing businesses located in the City. The program offers businesses a \$15,000 matching grant to improve the facades of their businesses. During the year ended September 30, 2008, the Agency closed and disbursed \$57,105 in Facade Grants.

B. Lease commitments

The Agency leases a building under a non-cancelable operating lease. The lease terminates on May of 2009, with the option to renew for one year. Future minimum rental payments as of September 30, 2008 required by this lease are \$4,000. Rental costs for the year ended September 30, 2008 approximated \$48,000.

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 5% of the total salaries of qualified participants. Employer contributions for fiscal year 2008 totaled \$25,329. Employer contributions for the 401(a) plan for fiscal year 2008 totaled \$37,616.

11. RELATED PARTY TRANSACTIONS

The Agency is a component unit of the City of Boynton Beach, Florida. For the year ended September 30, 2008, the Agency's tax increment revenues include \$6,003,625 received from the City. In addition, the Agency reimbursed the City for certain costs such as recording and information technology services, landscape and maintenance services, festival expenses, fire and rescue, shared lobbying costs, and police services during the year. Total payments to the City for the year ended September 30, 2008, were approximately \$731,000.

Required Supplementary Information

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY

(A Component Unit of the City of Boynton Beach, Florida)

Budgetary Comparison Schedule

General Fund

For the Year Ended September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Tax increment revenue	\$ 9,500,000	\$ 9,500,000	\$ 9,520,342	\$ 20,342
Charges for services	1,503,200	1,503,200	1,406,035	(97,165)
Interest and other income	260,000	260,000	261,393	1,393
Total revenues	<u>11,263,200</u>	<u>11,263,200</u>	<u>11,187,770</u>	<u>(75,430)</u>
EXPENDITURES				
General government	<u>4,237,556</u>	<u>5,237,556</u>	<u>5,248,948</u>	<u>(11,392)</u>
Total expenditures	<u>4,237,556</u>	<u>5,237,556</u>	<u>5,248,948</u>	<u>(11,392)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,025,644</u>	<u>6,025,644</u>	<u>5,938,822</u>	<u>(86,822)</u>
OTHER FINANCING SOURCES (USES)				
Carryover fund balance	-	1,000,000	-	(1,000,000)
Transfers out	<u>(7,025,644)</u>	<u>(7,025,644)</u>	<u>(7,025,644)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,025,644)</u>	<u>(6,025,644)</u>	<u>(7,025,644)</u>	<u>(1,000,000)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,086,822)</u>	<u>\$ (1,086,822)</u>
Fund balances - beginning of year			<u>7,775,929</u>	
Fund balances - end of year			<u>\$ 6,689,107</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, 2008

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.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2008, the Agency's general fund expenditures exceeded appropriations by \$11,392.

COMPLIANCE SECTION



**SANSON KLINE
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**Independent Auditors' 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 Directors
Boynton Beach Community
Redevelopment Agency:

We have audited the basic 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 year ended September 30, 2008, and have issued our report thereon dated November 19, 2008. 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements 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*.

In addition, we noted certain matters, which we have reported to management of the Agency in our management letter dated November 19, 2008, as required by the *Rules of the Auditor General* of the State of Florida.

This report is intended solely for the information and use of the board of directors, management of the Agency, the State of Florida Office of the Auditor General and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Sanson, Kline, Tacomeni & Company LLP

November 19, 2008



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

To the Board of Directors
Boynton Beach Community
Redevelopment Agency:

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, 2008 and have issued our reports thereon dated November 19, 2008.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports, which are dated November 19, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- 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 not otherwise addressed in the auditor's report pursuant to Section 10.557(3)(b)2., Rules of the Auditor General. The status of prior year's findings and recommendations are included at Appendix A to this letter.
- 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 Agency complied with Section 218.415, Florida Statutes.
- 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. Current year findings and recommendations are included at Appendix B to this letter.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we noted no such violations.



- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred; and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- 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. The official title and legal authority of the Agency is disclosed in note 1(A) to the Agency's financial statements. The Agency has no component units.
- 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 Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Agency for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. The Agency does not file a separate report with the State of Florida Department of Banking and Finance. The financial operations of the Agency are included in the basic financial statements of the City of Boynton Beach, Florida for the year ended September 30, 2008.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information and use of the board of directors, management of the Agency, the State of Florida Office of the Auditor General and other regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Sanson, Kline, Tacomeno & Company LLP

November 19, 2008

BOYNTON BEACH COMMUNITY REDEVELOPMENT AGENCY

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2008

Status of Prior Year's Findings and Recommendations

Prior Year's Finding / Recommendation	Finding Has Been Properly Addressed	Finding is Still Relevant at 9/30/08
In the course of the audit we noted that wire transfers are not properly authorized by the Executive Director. All wire transfers should be handled as authorized by the Executive Director	X	
The Agency should have clear and concise documentation of the internal control structure in place, which should include how COSO's five elements of internal control are being addressed within the control structure. The Agency should institute a program to methodically identify and document its significant operational and accounting processes.	X	

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

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2008

Current Year's Findings and Recommendations

2008-1 Segregation of Duties

Criteria/Specific Requirements

All cash/check related transactions and processes should have proper segregation of duties.

Condition Found

During our testing of internal controls, we noted the following:

- The Accountant who is responsible for preparing deposit slips (for any sponsorship checks and/or marina rent checks received), depositing the funds into the bank, and reconciling the bank accounts on a monthly basis, also performs the posting of such receipts to the cash accounts and the receivables subledger; and
- The Accountant who prepares the monthly bank reconciliations also has access to petty cash.

Perspective

The condition noted is considered to be systemic in nature.

Effect

Without proper segregation of duties for cash/check related transactions and processes, increases the risk for potential misappropriation of cash.

Recommendation

Due to the size of the Agency's Finance Department, the Accountant's responsibilities are appropriate. However, to improve the Agency's internal control over cash/check receipts, we recommend that one individual be responsible for receiving all cash/check receipts (an individual not in the Finance Department). Any such cash/check receipts that are received by mail or in person, should be forwarded to this responsible individual. Prior to forwarding to the Accountant all such cash/check receipts received, the responsible individual should log in (into a spreadsheet for example) the cash/check receipt, noting the date, amount, payor, and a description of the transaction, if possible. That individual should reconcile the log of cash/check receipts, on a monthly basis, to the deposits made by the Accountant. Reconciliations should be printed and properly signed by the responsible individual preparing the reconciliation, and reviewed and signed by the Director of Finance. In addition, we recommend that the Accountant preparing the monthly bank reconciliations should not have access to petty cash. Responsibility for petty cash can be assigned to any other individual, within or even outside of the Finance Department.

Management's Response

It should be noted that the receipt of cash and checks are very limited and specific to the annual receipt of TIF payments, event sponsorship checks, Marina office rental payments and public records request payments. As recommended, management intends to assign an employee outside of the Finance Department with the responsibility for (1) receiving, logging, reconciling all check and cash receipts, and (2) petty cash payments and reconciliations. Management will implement this recommendation subject to appropriate staffing levels.

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Current Year's Findings and Recommendations

2008-2 Marina Operations – Fuel Sales

Criteria/Specific Requirements

Internal controls over the revenue process, including all revenues collected by third-party contractors, should be in place and working effectively.

Condition Found

The Marina owned by the Agency is operated by a management company currently under contract. The management company is responsible for handling the complete operations of the Marina, including collecting and depositing rent from tenants, as well as fuel sales. With regards to fuel sales, the Agency relies on the amounts reported by the management company. We noted that during fiscal year 2008 there was limited oversight regarding the amounts collected and deposited for fuel sales. The issue is whether the Agency can be reasonably assured that all collections for the sale of fuel is properly deposited into the Agency's account, and not misappropriated by the management company. With fuel sales reaching almost \$1.2 million during fiscal year 2008, it is imperative that the Agency modify its existing process in place to help eliminate the risk of misstatements.

Perspective

The condition noted is considered to be systemic in nature.

Effect

The Agency has insufficient assurance that cash collections made by the management company are accurate and complete.

Recommendation

The Agency does currently perform a monthly analysis of fuels sales as compared to cost of the fuel. However, we recommend that the Agency perform an annual review of the management company's operations to determine that there are adequate internal controls in place and working effectively at the management company with regards to collections on fuel sales. In addition, we recommend that the Agency's Financial Consultant or Accountant perform a bi-monthly or, at a minimum, a quarterly detailed substantive review of collections on fuel sales, whereby, the Financial Consultant or Accountant makes a representative sample of selections of fuel sold and trace such transaction from collection to deposit to reporting.

Management's Response

As recommended: (1) an annual Procedural Audit of the Marina Operations will be implemented effective in FY 2008-2009, and (2) the Agency will undertake a bi-monthly substantive review of fuel sales collections. The Procedural Audit process is expected to be completed in the first quarter of 2009. Fuel sales collection testing and audit will also begin in early 2009.

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Current Year's Findings and Recommendations

2008-3 Police-Related Expenditures

Criteria/Specific Requirements

Section 163.387(6), Florida Statutes, provides that moneys in the Agency trust fund may be expended for undertakings of the Agency as described in the Agency Plan, including, but not limited to costs for the development of community policing innovations.

Condition Found

During our audit we noted that the Agency entered into an agreement with the City of Boynton Beach, Florida (the "City") on December 19, 2007 to pay the City the sum of: \$45,455 for police equipment; \$130,830 for police vehicles; and \$8,784 for patrol bicycles. These amounts were invoiced by the City on December 28, 2007 and paid by the Agency on January 4, 2008.

Based on an audit of the Daytona Beach Community Redevelopment Agency performed by the State of Florida Auditor General, these types of expenditures were questionable as to whether such expenditures were authorized pursuant to Section 163.387(6), Florida Statutes.

The aforementioned police-related expenditures can probably be argued that they fall under the classification of costs related to community policing innovations. Therefore, the main issue is whether these expenditures were incurred in accordance with the Agency's redevelopment plan. Based on our review of the Agency's Downtown Vision & Master Plan, which was approved in concept by the City Commission in April 2008, such plan described incurring costs of community policing in year 5 of the action plan. As a result, since the police-related expenditures described above occurred in December 2007, which was prior to the approval of the Downtown Vision & Master Plan and prior to the timeline of incurring costs of community policing described therein, the Agency may not have been in compliance with Section 163.387(6), Florida Statutes at the time the expenditures actually occurred.

Perspective

The condition noted is considered to be isolated in nature.

Effect

State regulators (e.g. the Auditor General's office) that request a review or audit of the Agency's records could determine that the Agency is not in compliance with Florida Statutes.

Recommendation

We recommend that, at a minimum, the Agency amend its Downtown Vision & Master Plan to properly account for the costs of community policing, and that management of the Agency formulate a strong argument that the aforementioned police-related expenditures are applicable to community policing innovations. We also recommend that going forward, any expenditures that the Agency's management foresees on incurring using tax increment funds, or has any questions as to its compliance, that they determine that such expenditures are in accordance with its redevelopment plans and with Section 163.387(6) Florida Statutes, prior to incurring such expenditures.

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Management's Response

Management has been attempting to resolve the conditions highlighted above regarding compliance pursuant to Section 163.387(6), Florida Statutes and has requested the assistance of Agency's legal counsel to mitigate compliance issues. With specific regard to the above recommendations –

- (1) *"At a minimum, the Agency amend its Downtown Vision & Master Plan to properly account for the costs of community policing..."* – the suggested amendment will be brought before the Agency Board at the December 9, 2008 meeting.
- (2) *"...that management of the Agency formulate a strong argument that the aforementioned police-related expenditures are applicable to community policing innovations."* – Management will work with the City's Chief of Police and Agency legal counsel to formulate the recommended policy.
- (3) *"...that going forward, any expenditures that the Agency's management foresees on incurring using tax increment funds, or has any questions as to its compliance, that they determine that such expenditures are in accordance with its redevelopment plans and with Section 163.387(6) Florida Statutes, prior to incurring such expenditures."* – Management has requested an opinion from Agency's legal counsel on Section 163-387(6) related to compliance with such expenditures as justification for budgeted expenditures and payments in FY 2008/2009.