

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

Basic Financial Statements

September 30, 2011

(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, 2011

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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, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated December 15, 2011 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 25 and 26 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.



Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Agency taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sanson Kline Jacemina Landee S Hamarra, LLP

December 15, 2011

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, 2011

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 fund revenues decreased by 16% (approximately \$1.1 million) to \$5,660,118 during the fiscal year. This resulted from lower assessed property values in the redevelopment district consistent with the surrounding area.
- The Agency began the fiscal year with a net assets balance of \$8,147,493. The Agency's total revenues for the year ended September 30, 2011, were approximately \$7.7 million, while total expenses were approximately \$7.4 million, increasing net assets by \$302,993.
- Redevelopment funds and fund balance were strategically utilized during the past fiscal year to complete revitalization projects in the Agency's downtown corridor. These projects include an amphitheater to showcase talent and events; the relocation and renovation of the Ruth Jones Historic Cottage to Ocean Avenue for restaurant usage; Boynton Harbor Marina and Ocean Avenue entryway signage; and renovation of the vacant Holiday Day House on Federal Highway for the Agency's office space.
- In addition, the success of the Small Business Programs initiated in January 2010 warranted renewing the programs in the new fiscal year 2010-2011 for commercial rent subsidies, signage and interior build-outs.
- The Agency was awarded funding by the City as a sub-recipient of Neighborhood Stabilization Program (NSP) Grants. This Federal program was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. NSP funds were used for site development and infrastructure improvement on the property known as Ocean Breeze West. The project's key goal is to create affordable housing and improve neighborhoods within the Boynton Beach Community Redevelopment District. A development agreement was signed in August 2011 with Habitat for Humanity of South Palm Beach County Community Housing and Land Trust, Inc. for the completion of 21 affordable single family homes. The homes will be held in a land trust to ensure future affordability for community residents.

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

Management's Discussion and Analysis

September 30, 2011

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 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. 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, 2011, 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*.

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

Management's Discussion and Analysis

September 30, 2011

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 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 14 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 25 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 \$8,450,486 at the close of the most recent fiscal year.

However, the largest portion of the Agency's total assets, 72%, is reflected in its capital assets.

Summary of Net Assets

	September 30,	
	2011	2010
Assets		
Current and other assets	\$ 8,252,283	\$ 9,060,139
Investments	1,707,250	1,707,250
Capital assets	25,658,393	26,223,527
Total assets	<u>35,617,926</u>	<u>36,990,916</u>
Liabilities		
Current liabilities	461,145	733,103
Long term liabilities	26,706,295	28,110,320
Total liabilities	<u>27,167,440</u>	<u>28,843,423</u>
Net Assets		
Invested in capital assets, net of related debt	2,156,425	1,404,016
Restricted for:		
Capital projects	2,051,670	3,184,033
Debt service	3,110,319	3,143,827
Unrestricted	1,132,072	415,617
Total net assets	<u>\$ 8,450,486</u>	<u>\$ 8,147,493</u>

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

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

Management's Discussion and Analysis

September 30, 2011

Governmental Activities

Governmental activities increased the Agency's net assets by \$302,993. Key elements of this increase are detailed as follows:

Summary of Changes in Net Assets

	Year Ended September 30,	
	2011	2010
Revenues		
Program Revenues		
Charges for services	\$ 1,296,426	\$ 1,159,607
General Revenues		
Tax increment revenues	5,660,118	6,760,869
Other revenues	744,858	119,520
Total revenues	<u>7,701,402</u>	<u>8,039,996</u>
Expenses		
General government	2,386,021	2,958,152
Redevelopment projects	2,972,576	2,874,972
Interest on long-term debt	1,337,736	1,407,120
Loss on sale of capital assets	702,076	1,156,011
Total expenses	<u>7,398,409</u>	<u>8,396,255</u>
Change in net assets	302,993	(356,259)
Net assets beginning of year	8,147,493	8,503,752
Net assets end of year	<u>\$ 8,450,486</u>	<u>\$ 8,147,493</u>

Tax increment revenues decreased by approximately \$1.1 million during fiscal year 2011. This decrease is a result of the decline in assessed values of all property in the Agency's redevelopment area and the continued pressure of the depressed housing market.

Year-to-year expenses decreased by approximately \$1.0 million due primarily the discontinuance of the trolley program and the reduction in the loss on sale of capital assets. During 2011 the Agency sold to Habitat for Humanity four parcels for redevelopment and affordable housing resulting in a loss on capital assets of approximately \$700,000.

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 2011, the Agency's governmental funds reported an ending fund balance of approximately \$9.2 million, of which \$2.7 million is either nonspendable or restricted, \$1.9 million is committed, \$3.9 million is assigned and \$596 thousand is unassigned.

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

Management's Discussion and Analysis

September 30, 2011

GENERAL BUDGETARY HIGHLIGHTS

Due to the anticipated decrease in tax increment revenues the Agency reduced its fiscal year 2010-2011 operating budget by approximately 11% versus fiscal year 2009-2010. In fiscal year 2010-2011, actual total revenues were over budgetary estimates by \$549,280; and actual total expenditures were under budgetary estimates by \$102,924. Refer to page 25 for budgetary comparison schedule.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the year ended September 30, 2011, the Agency did not acquire capital assets. However, properties that have been acquired are targeted for development of low to moderate income residential projects and mixed use projects. In addition, the Agency entered into a land trust agreement with the Habitat for Humanity for the construction of 21 affordable housing units on the former Ocean Breeze West site. The completion of this project will stimulate redevelopment opportunities with the Heart of Boynton community within the district.

Long-Term Debt

At the end of fiscal year 2011, the Agency has total bond debt and loans payable outstanding of \$26,123,713. Of this amount, \$14,835,000 and \$9,980,000 represents the 2004 and 2005 Series Tax Increment Revenue Bonds, respectively. In addition, there is one loans payable totaling approximately \$1.3 million. The Agency's total debt decreased by approximately \$1.4 million during the current fiscal year.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

Assessed valuations within the CRA district remained substantially flat versus prior year and an increase in millage rates resulted in a modest increase in tax increment revenues of \$92,000, net of estimated adjustments for tax roll certifications. The Agency's Board approved the 2011-2012 budget including utilization of tax increment revenues and fund balance allocations for a number of new projects including merchant marketing incentive development, Marina second phase redevelopment planning, signage and art in the downtown corridor, in addition to small business economic incentives.

Despite the downturn in the real estate market, the Agency anticipates capturing tax increment revenues from several projects that are completed, in the development pipeline or 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 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 Assets

September 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,555,387
Investments	1,707,250
Accounts receivables	168,926
Due from Primary Government	217,037
Prepays	16,534
Unamortized bond issuance costs	294,399
Capital assets, net of accumulated depreciation:	
Land	24,819,388
Furniture and equipment	16,114
Renovations	696,860
Leasehold improvements	126,031
Total assets	<u>35,617,926</u>
LIABILITIES	
Accounts payable and accrued expenses	233,844
Deposits payable	3,850
Due to City of Boynton Beach	223,451
Long-term liabilities:	
Due within one year	1,227,960
Due in more than one year	25,478,335
Total liabilities	<u>27,167,440</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,156,425
Restricted for:	
Capital projects	2,051,670
Debt service	3,110,319
Unrestricted	1,132,072
Total net assets	<u>\$ 8,450,486</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, 2011

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges For Services	
Governmental Activities:			
General government	\$ 2,386,021	\$ 1,296,426	\$ (1,089,595)
Redevelopment projects	2,972,576	-	(2,972,576)
Interest on long-term debt	1,337,736	-	(1,337,736)
Total	<u>\$ 6,696,333</u>	<u>\$ 1,296,426</u>	<u>\$ (5,399,907)</u>
General Revenues:			
Tax increment revenue			\$ 5,660,118
Loss on sale of capital assets			(702,076)
Interest and other income			744,858
Total general revenues			<u>5,702,900</u>
Change in net assets			302,993
Net assets - beginning of year			<u>8,147,493</u>
Net assets - end of year			<u>\$ 8,450,486</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, 2011

	<u>General Fund</u>	<u>Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,123,221	\$ 2,029,097	\$ 1,403,069	\$ 7,555,387
Investments	-	-	1,707,250	1,707,250
Accounts receivables	2,534	166,392	-	168,926
Due from Primary Government	-	217,037	-	217,037
Prepays	16,534	-	-	16,534
Total assets	<u>\$ 4,142,289</u>	<u>\$ 2,412,526</u>	<u>\$ 3,110,319</u>	<u>\$ 9,665,134</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued expenses	95,727	137,405	-	233,132
Deposits payable	4,562	-	-	4,562
Due to primary government	-	223,451	-	223,451
Total liabilities	<u>100,289</u>	<u>360,856</u>	<u>-</u>	<u>461,145</u>
Fund Balances:				
Nonspendable	16,534	-	-	16,534
Restricted	-	-	2,669,750	2,669,750
Committed	835,299	679,296	440,569	1,955,164
Assigned	2,593,257	1,372,374	-	3,965,631
Unassigned	596,910	-	-	596,910
Total fund balances	<u>4,042,000</u>	<u>2,051,670</u>	<u>3,110,319</u>	<u>9,203,989</u>
Total liabilities and fund balances	<u>\$ 4,142,289</u>	<u>\$ 2,412,526</u>	<u>\$ 3,110,319</u>	<u>\$ 9,665,134</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, 2011

Fund balance - governmental funds	\$	9,203,989
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		25,658,393
Unamortized bond issuance costs are not reported in the governmental funds.		
		294,399
Long-term liabilities are not reported in the governmental funds.		
Compensated absences		(90,368)
Bonds and notes payable		(26,615,927)
Net assets of governmental activities	\$	<u>8,450,486</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, 2011

	<u>General Fund</u>	<u>Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Tax increment revenue	\$ 5,660,118	\$ -	\$ -	\$ 5,660,118
Charges for services	1,296,426	-	-	1,296,426
Interest and other income	24,981	8,938	16,440	50,359
Intergovernmental Revenues	-	656,483	-	656,483
Total revenues	<u>6,981,525</u>	<u>665,421</u>	<u>16,440</u>	<u>7,663,386</u>
EXPENDITURES				
General government	2,498,889	-	-	2,498,889
Redevelopment projects	-	2,918,206	-	2,918,206
Debt service:				
Principal	-	-	1,363,120	1,363,120
Interest and other charges	-	-	1,337,736	1,337,736
Capital Outlay	-	59,103	-	59,103
Total expenditures	<u>2,498,889</u>	<u>2,977,309</u>	<u>2,700,856</u>	<u>8,177,054</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,482,636</u>	<u>(2,311,888)</u>	<u>(2,684,416)</u>	<u>(513,668)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,179,525	2,650,908	3,830,433
Transfers out	<u>(3,830,433)</u>	<u>-</u>	<u>-</u>	<u>(3,830,433)</u>
Total other financing sources (uses)	<u>(3,830,433)</u>	<u>1,179,525</u>	<u>2,650,908</u>	<u>-</u>
Net change in fund balances	652,203	(1,132,363)	(33,508)	(513,668)
Fund balances - beginning of year	<u>3,389,797</u>	<u>3,184,033</u>	<u>3,143,827</u>	<u>9,717,657</u>
Fund balances - end of year	<u>\$ 4,042,000</u>	<u>\$ 2,051,670</u>	<u>\$ 3,110,319</u>	<u>\$ 9,203,989</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, 2011

Net changes in fund balances - total governmental funds	\$ (513,668)
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	182,330
Less current year capital asset disposals net of accumulated depreciation	(702,076)
Less current year depreciation expense	(45,388)
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.	
This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,378,906
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.	<u>2,889</u>
Change in net assets of governmental activities	<u><u>\$ 302,993</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, 2011

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. 14, *the Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, for the purpose of evaluating its component unit financial statements. 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 the elected officials of the City. The City is considered to be financially accountable for the Agency and in accordance with GASB Statements No. 14 and 39, 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 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.

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, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting model (Continued)

Fund financial statements

For the fiscal year ending September 30, 2011, 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.

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.

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

Notes to the Basic Financial Statements

September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Fund equity / net assets

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 assets

The government-wide financial statements utilize a net asset presentation. Net assets can be categorized as invested in capital assets net of any related debt, 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 assets represent amounts that are restricted by requirement of debt indenture or enabling legislation. Unrestricted net assets represent the net assets of the Agency which are not restricted for any project or purpose.

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

Notes to the Basic Financial Statements

September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

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, sick pay and comp time benefits. Employees may, depending on their level of service, 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. Long-term liabilities

All long-term debt and other long-term obligations are reported in the government-wide financial statements.

L. 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.

M. 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.

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

Notes to the Basic Financial Statements

September 30, 2011

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	\$ 7,555,387
Investments:	
Certificates of deposit	<u>1,707,250</u>
Total deposits and investments	<u><u>\$ 9,262,637</u></u>

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 Maturities	
		(in years)	
<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1-10</u>
Certificates of deposit	\$ 1,707,250	\$ 1,707,250	-

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.

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

Notes to the Basic Financial Statements

September 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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, 2011, all of the Agency's investments were held with TD Bank (bond reserves).

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, was as follows:

	Balance at 9/30/2010	Additions	Deletions	Balance at 9/30/2011
Capital assets, not being depreciated:				
Land	\$ 25,517,069	\$ -	\$ (697,681)	\$ 24,819,388
Capital assets, being depreciated:				
Furniture and equipment	122,904	4,733	-	127,637
Renovations	691,522	59,103	-	750,625
Leasehold improvements	50,479	118,494	(29,088)	139,885
Total capital assets, being depreciated	864,905	182,330	(29,088)	1,018,147
Less accumulated depreciation for:				
Furniture and equipment	(101,799)	(9,724)	-	(111,523)
Renovations	(23,997)	(29,768)	-	(53,765)
Leasehold improvements	(32,651)	(5,896)	24,693	(13,854)
Total accumulated depreciation	(158,447)	(45,388)	24,693	(179,142)
Total capital assets, being depreciated, net	706,458	136,942	(4,395)	839,005
Total capital assets, net of accumulated depreciation	\$ 26,223,527	\$ 136,942	\$ (702,076)	\$ 25,658,393

Depreciation expense of \$45,388 was charged to general government.

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

Notes to the Basic Financial Statements

September 30, 2011

4. LONG-TERM LIABILITIES

At September 30, 2011, 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%. \$ 14,835,000

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	6,980,000

LOANS:

Promissory note to Bank of America, N.A. at 5.65% interest, payable in semi-annual installments through September 20, 2016. 1,308,713

\$ 26,123,713

The annual requirements to amortize bonds and loans payable outstanding as of September 30, 2011, are as follows:

Fiscal Year(s)	2004 Tax Increment Revenue Bonds		2005A Tax Increment Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	695,000	690,900	-	135,000
2013	725,000	664,838	-	135,000
2014	750,000	635,838	-	135,000
2015	780,000	605,838	-	135,000
2016-2020	5,840,000	2,373,137	-	675,000
2021-2025	6,045,000	774,250	1,465,000	675,000
2026-2028	-	-	1,535,000	69,075
	\$ 14,835,000	\$ 5,744,801	\$ 3,000,000	\$ 1,959,075

Fiscal Year(s)	2005B Tax Increment Revenue Bonds		Bank of America, N.A. Note Payable	
	Principal	Interest	Principal	Interest
2012	300,000	387,275	232,960	71,877
2013	310,000	371,975	246,708	58,129
2014	330,000	356,165	261,043	43,795
2015	350,000	339,335	276,211	28,627
2016-2020	1,990,000	1,393,291	291,791	12,626
2021-2025	2,840,000	767,552	-	-
2026-2028	860,000	48,590	-	-
	\$ 6,980,000	\$ 3,664,183	\$ 1,308,713	\$ 215,054

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

Notes to the Basic Financial Statements

September 30, 2011

4. LONG-TERM LIABILITIES (Continued)

Fiscal Year(s)	Totals	
	Principal	Interest
2012	1,227,960	1,285,052
2013	1,281,708	1,229,942
2014	1,341,043	1,170,798
2015	1,406,211	1,108,800
2016-2020	8,121,791	4,454,054
2021-2025	10,350,000	2,216,802
2026-2028	2,395,000	117,665
	<u>\$ 26,123,713</u>	<u>\$ 11,583,113</u>

The changes in long-term liabilities for the year ended September 30, 2011 are summarized as follows:

	Balance at 9/30/10	Additions	Deletions	Balance at 9/30/11	Due within one year
Bonds payable	\$ 25,775,000	\$ -	\$ (960,000)	\$ 24,815,000	\$ 995,000
Plus deferred amounts					
For discount	(29,836)	-	1,989	(27,847)	-
For issuance premium	560,066	-	(40,005)	520,061	-
Total bonds payable	26,305,230	-	(998,016)	25,307,214	995,000
Notes payable	1,711,833	-	(403,120)	1,308,713	232,960
Compensated absences	93,257	65,154	(68,043)	90,368	-
Total long-term liabilities	<u>\$ 28,110,320</u>	<u>\$ 65,154</u>	<u>\$ (1,469,179)</u>	<u>\$ 26,706,295</u>	<u>\$ 1,227,960</u>

5. FUND BALANCES

At September 30, 2011, 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.
- Restricted fund balance - these amounts are restricted to specific purposes when constraints placed on the use of resources are either (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 legislation.
- 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, 2011

5. FUND BALANCES (Continued)

Below is a table of fund balance categories and classifications, by fund, at September 30, 2011:

	<u>General Fund</u>	<u>Projects Fund</u>	<u>Debt Service Fund</u>
Nonspendable:			
Prepays	\$ 16,534	-	-
Restricted:			
Debt service	-	-	3,110,319
Committed:			
General government	835,299	-	-
Redevelopment projects	-	679,296	-
Assigned:			
General government	2,593,257	-	-
Redevelopment projects	-	1,372,374	-
Unassigned	<u>596,910</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,042,000</u>	<u>2,051,670</u>	<u>3,110,319</u>

6. INTERFUND TRANSFERS

During the fiscal year ended September 30, 2011, the General Fund transferred \$1,179,525 and \$2,650,908 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, 2011 totaled \$1,694,672. 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 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, 2011

9. COMMITMENTS AND CONTINGENCIES

A. Economic development programs

The Agency established Economic Development Programs in an effort to promote the redevelopment of existing businesses located in the City 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 2011, the Agency closed and disbursed \$124,426 in Economic Development Grants.

B. Lease commitments

The Agency leased a building under a non-cancelable operating lease until September 2011 at which time the lease terminated. Rental costs for the year ended September 30, 2011 totaled \$44,500.

The Agency moved in September 2011 and entered into a commercial lease with a term of ten years, with base rent increases of 4% a year plus expenses for real estate taxes, insurance and maintenance of the property. In year 1, the base rent is \$4,608 plus \$1,770 for expenses each month for a total monthly rent of \$6,378. 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.

C. Litigation

During the fiscal year 2011, a lawsuit was filed against the Agency by its former executive director, who is suing for breach of contract and allegations of retaliation resulting from the Board's decision to terminate her employment. The case is currently in active litigation and the Agency is vigorously defending the case. The Agency's management, under the advice of its legal counsel, believes that there is a possibility that the court will rule in favor of the plaintiff, and that the Agency may have a potential liability ranging from \$150,000 to \$300,000. However the verdict of the case or the exact amount of any liability is unknown.

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. Due to revenue reductions, the Agency suspended contributions for fiscal year 2011.

11. RELATED PARTY TRANSACTIONS

The Agency is a blended component unit of the City. For the year ended September 30, 2011, the Agency's tax increment revenues include \$3,311,708 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, landscape and maintenance services, festival expenses, fire and rescue, and police services during the year. Payments to the City for these services for the year ended September 30, 2011 totaled \$1,097,484. Included in this amount is \$436,680 paid to the City under an Interlocal Agreement to provide for the installation of public improvements on Southeast 4th Street in the Agency's district.

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

Notes to the Basic Financial Statements

September 30, 2011

12. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Subsequent events should be disclosed in the financial statements if exclusion of such disclosure would cause the financial statements to be misleading. The Agency evaluated subsequent events through December 15, 2011, 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.

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Tax increment revenue	\$ 5,505,545	\$ 5,505,545	\$ 5,660,118	\$ 154,573
Charges for services	926,700	926,700	1,296,426	369,726
Interest and other income	-	-	24,981	24,981
Total revenues	<u>6,432,245</u>	<u>6,432,245</u>	<u>6,981,525</u>	<u>549,280</u>
EXPENDITURES				
General government	<u>2,761,025</u>	<u>2,601,813</u>	<u>2,498,889</u>	<u>102,924</u>
Total expenditures	<u>2,761,025</u>	<u>2,601,813</u>	<u>2,498,889</u>	<u>102,924</u>
Excess of revenues over expenditures	<u>3,671,220</u>	<u>3,830,432</u>	<u>4,482,636</u>	<u>652,204</u>
OTHER FINANCING SOURCES (USES)				
Carryover fund balance	-	-	-	-
Transfers out	<u>(3,671,220)</u>	<u>(3,830,432)</u>	<u>(3,830,433)</u>	<u>1</u>
Total other financing sources (uses)	<u>(3,671,220)</u>	<u>(3,830,432)</u>	<u>(3,830,433)</u>	<u>1</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>652,203</u>	<u>\$ 652,205</u>
Fund balances - beginning of year			<u>3,389,797</u>	
Fund balances - end of year			<u>\$ 4,042,000</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, 2011

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



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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, 2011, and have issued our report thereon dated December 15, 2011. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, 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 have issued our management letter dated December 15, 2011, 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 Jacqueline Landee & Hamarra, LLP

December 15, 2011



**SANSON KLINE
JACOMINO & COMPANY, LLP**
Certified Public Accountants & Consultants

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**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

To the Board of Directors
Boynton Beach Community
Redevelopment Agency:

Compliance

We have audited Boynton Beach Community Redevelopment Agency's (the "Agency") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2011. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the Agency, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sanson Kline Jacqueline Landee & Hamarra, LLP

December 15, 2011

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

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2011

Federal Grantor / Program Title	Federal CFDA No.	Grant / Contract Number	Pass-thru Amount to Subrecipient	Expenditures
U.S. Department of Housing and Urban Development:				
Economic Development Initiative - Special Project	14.251	B-08-SP-FL-0052	N/A	\$ 263,086
<i>Pass-through City of Boynton Beach</i>				
Neighborhood Stabilization (NSP1)	14.218	MC-12-0043	N/A	<u>393,397</u>
U.S. Department of Housing and Urban Development Total				<u>656,483</u>
Grand Total				<u>\$ 656,483</u>

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

Notes to Schedule of Expenditures of Federal Awards

September 30, 2011

NOTE A – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal programs of Boynton Beach Community Redevelopment Agency (the “Agency”) over which the Agency exercised direct operating control for the year ended September 30, 2011. All federal grant awards expended during the year ended September 30, 2011 from federal agencies are included on the Schedule.

NOTE B – BASIS OF PRESENTATION

The accompanying Schedule is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Schedule of Findings and Questioned Costs

For the year ended September 30, 2011

SECTION I – SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material for financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

Federal CFDA No.	Name of Federal Program
14.218	U.S. Department of Housing and Urban Development: Pass-through City of Boynton Beach. Neighborhood Stabilization (NSP1)

Dollar threshold used to distinguish between type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? _____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

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

Schedule of Findings and Questioned Costs

For the year ended September 30, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – OTHER MATTERS

No summary schedule of prior audit findings is required because there were no federal awards programs in the prior year.



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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, 2011 and have issued our reports thereon dated December 15, 2011.

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 December 15, 2011, 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. There were no prior year findings and/or recommendations.
- 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 current year 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. In connection with our current year audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our current year 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 have an inconsequential to the determination effect on the financial statement, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (b) deficiencies in internal control that are not significant deficiencies. In connection with our current year 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. Such disclosures are made in note 1 to the Agency's financial statements.
- 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 current year 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 reports for the Agency for the fiscal year ended September 30, 2011, 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, 2011. The Agency does not file a separate report with the State of Florida Department of Financial Services. 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, 2011.
- 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 current year 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 Jasmine Landos & Hamarra, LLP

December 15, 2011