

PUNTA GORDA
COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Punta Gorda, Florida)

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021

PREPARED BY THE FINANCE DEPARTMENT

Kristin Simeone, CPA
Director of Finance



PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY

(a Component Unit of the City of Punta Gorda, Florida)

For the fiscal year ended September 30, 2021

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FINANCIAL SECTION

This section contains
the following subsections:

Report of Independent Auditor

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information



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INDEPENDENT AUDITOR'S REPORT

Honorable Board of City of Punta Gorda's
Community Redevelopment Agency
Punta Gorda, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the City of Punta Gorda's Community Redevelopment Agency (the "CRA"), a component unity of the City of Punta Gorda, Florida, as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the CRA, as of September 30, 2021 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, Florida
March 30, 2022

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS

PUNTA GORDA REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Management's Discussion and Analysis (MD&A) of the City of Punta Gorda's Community Redevelopment Agency (CRA) offers readers of the CRA's financial statements a narrative overview and analysis of the financial activity for the fiscal year ended September 30, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the financial statements and notes to the financial statements.

The CRA 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*.

HISTORY OF THE CRA

The Punta Gorda Community Redevelopment Agency was created on November 15, 1989 by the City of Punta Gorda City Council under the State of Florida legislation originally passed in 1969. The main tool or power given to a CRA is the ability to receive and use Tax Increment Finance (TIF) revenues. These revenues are deposited into a redevelopment account that can only be used for permitted activities within the geographical boundaries of the CRA area. The Punta Gorda City Council along with 2 additional members' at large, serve as the district's governing board and the City Manager is the Executive Director.

The CRA focused redevelopment efforts on projects which assisted in rebuilding public spaces, including several expansive projects which stressed the importance of maintaining public waterfront, alleviating parking issues and helping to re-establish the critical mass of structures and economic activity within the downtown area and adjacent neighborhoods. Over 60% of the CRA tax base is commercial and professional uses.

In July 2012, the CRA Board and City Council, in partnership with Charlotte County, recognized that declining taxable values could not support the repayment schedule of existing debt. In doing so, the three governing bodies approved the extension of the life of the CRA until December 31, 2030. Additionally, it was agreed that all TIF revenue would be used solely for repayment of the debt, no new projects would be funded by TIF revenue, and that the CRA would sunset earlier if the debt was retired earlier. Subsequently, the City completed refinancing CRA debt to better match TIF income flow and to eliminate projected deficits.

Due to this agreement, the district has been divided into three divisions to better identify the funding sources for the three responsibilities of the district: 1) retirement of the CRA debt through the County and City TIF; 2) operations of Herald Court Centre (parking garage with retail space) supported by applicable rental revenues; and 3) maintenance of the infrastructure contributed by the district previously (marina, interactive fountain, mooring field, parking structure, and numerous gateway enhancements, intersection treatments, pocket parks and Martin Luther King Boulevard improvements) supported by land leases and miscellaneous revenues.

PUNTA GORDA REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

FINANCIAL HIGHLIGHTS

- The assets of the CRA exceeded its liabilities at the close of the fiscal year ended September 30, 2021 by \$8.7 million (net position).
- The CRA's total net position increased by \$1.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The CRA's financial statements are comprised of the 1) entity-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Entity-wide financial statements:

The CRA's entity-wide financial statements provide readers with a broad overview of the CRA's finances in a manner similar to private-sector business. They are prepared using the accrual basis of accounting. The *Statement of Net Position* presents information on the CRA's assets and liabilities with the difference between them reported as net position.

The *Statement of Activities* presents information showing the CRA's current year revenues and expenses. The difference between revenue and expenses is reported as the change in net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, expenses are reported in this statement for some items where the related cash inflow/outflow will occur in future fiscal periods.

Fund Financial Statements:

The CRA is a governmental fund. This type of fund is used to account for essentially the same functions reported as governmental activities of the entity-wide financial statement. However, unlike the entity-wide financial statements, the 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. The fund financial statements measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore a reconciliation that converts this data to an economic resources measurement focus and the accrual basis of accounting is provided for use in the Entity-wide Financial Statements.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and the fund financial statements.

PUNTA GORDA REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

FINANCIAL ANALYSIS

The CRA's net position as of September 30, 2021 was \$8.7 million (Table 1).

Table 1
Net Position
(in Thousands)

	Governmental Activities	
	2021	2020
	Current and other assets	\$ 3,587
Capital assets	16,151	16,716
Total assets	19,738	19,405
Long-term liabilities	(10,966)	(12,261)
Other liabilities	(29)	(38)
Total liabilities	(10,995)	(12,299)
Net Position:		
Net investment in capital assets	5,185	4,455
Restricted:		
CRA District	1,129	1,099
CRA District Debt Service	2,428	1,552
Total net position	\$ 8,742	\$ 7,106

The largest portion of the CRA's net position (59.3%) reflects its investment in capital assets (land, buildings, infrastructure and equipment) less outstanding debt used to acquire those assets. Consequently these assets are not available for future spending. Restricted assets (representing 40.7% of total net position) are subject to external restrictions on how they may be used. It is important to recognize that this resource may be planned to repay the outstanding debt on capital assets. The CRA net position increased by \$1.6 million or 23.0%.

The overall increase in net position is due mainly to the following significant changes in assets & liabilities:

- Current and other assets increased \$0.9 million - primarily cash
- Accumulated depreciation, net of disposals, \$0.6 million
- Principal decrease on long-term liabilities, \$1.3 million

The increase to CRA net position was \$1.6 million (Table 2).

PUNTA GORDA REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Capital grants and contributions	\$ 1,539	\$ 1,377
General revenues:		
Incremental Property taxes	839	750
Other	343	396
Total revenues	2,721	2,523
Expenses:		
Economic environment	878	846
Interest on long-term debt	207	358
Total expenses	1,085	1,204
Increase (decrease) in net position	1,636	1,319
Net position-beginning	7,106	5,787
Net position-ending	\$ 8,742	\$ 7,106

The CRA's revenues increased \$198 thousand overall. TIF revenue increased \$251 thousand from increased property values. Miscellaneous revenues decreased \$53 thousand. The CRA expenses decreased \$119 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The CRA's capital assets as of September 30, 2021 reflect an investment of \$16.2 million, net of accumulated depreciation.

The following table provides a summary of net capital assets of the Redevelopment Agency.

The most significant change from FY 2020 to FY 2021 is the recording of annual depreciation

PUNTA GORDA REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2021

Table 3
Capital Assets at Year End
(net of Depreciation, in Thousands)

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Land	\$ 4,566	\$ 4,566
Buildings	9,058	9,397
Improvements		
other than buildings	1,286	1,477
Vehicles and equipment	5	1
Infrastructure / System	1,236	1,275
Total Capital Assets	\$ 16,151	\$ 16,716

Debt

As of September 30, 2021, the CRA (through an interlocal agreement) had \$11.0 million of revenue note debt. This is a net decrease of \$1.3 million as compared to the prior year. The 2012 revenue note was refinanced in 2020 after a principal payment of \$1.1 million had been made. The new revenue note has an outstanding principal of \$11.0 million.

ECONOMIC AND OTHER FACTORS

The main constraint of the CRA at this time is that tax increment finance revenues can only be used to repay the debt service. The CRA accumulates any TIF revenue in a reserve for the purpose of making annual debt service payments should a decline of property values occur or for paying off the debt earlier and sunsetting the CRA prior to 2030.

The CRA uses lease revenues and other miscellaneous revenues to maintain the assets that were purchased or constructed by the CRA. Additionally, the City of Punta Gorda continues to invest in improvements within the CRA boundaries in order to promote the economic environment of the area with other sources of funding that are not part of the CRA.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the CRA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Punta Gorda Community Redevelopment Agency, 326 West Marion Avenue, Punta Gorda, FL 33950.

BASIC FINANCIAL STATEMENTS

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY

(a Component Unit of the City of Punta Gorda, Florida)

STATEMENT OF NET POSITION

September 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,158,275
Restricted assets:	
Cash and cash equivalents	2,428,214
Capital assets (net of accumulated depreciation):	
Land	4,565,974
Buildings	9,057,619
Improvements other than buildings	1,285,911
Vehicles and equipment	5,290
Infrastructure/System	1,236,594
Total assets	<u>19,737,877</u>
LIABILITIES	
Accounts payable and other current liabilities	12,206
Unearned revenue	17,269
Long-term liabilities:	
Due within one year	1,361,000
Due in more than one year	9,605,000
Total liabilities	<u>10,995,475</u>
NET POSITION	
Net investment in capital assets	5,185,388
Restricted for:	
CRA District	1,128,800
CRA District Debt Service	2,428,214
Total net position	<u>\$ 8,742,402</u>

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

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY

(a Component Unit of the City of Punta Gorda, Florida)

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
<u>Functions/Programs</u>			
Governmental Activities:			
Economic environment	\$ 877,940	\$ 1,538,849	\$ 660,909
Interest on long-term debt	<u>206,720</u>	<u>0</u>	<u>(206,720)</u>
 Total Governmental Activities	 <u>1,084,660</u>	 <u>1,538,849</u>	 <u>454,189</u>
 Total Functions/Programs	 <u>\$ 1,084,660</u>	 <u>\$ 1,538,849</u>	 <u>454,189</u>
 General Revenues:			
Incremental Property taxes (City)			838,628
Investment earnings			4,290
Miscellaneous revenue			<u>339,554</u>
Total general revenues			<u>1,182,472</u>
Change in net position			1,636,661
Net Position - Beginning			<u>7,105,741</u>
Net Position - Ending			<u>\$ 8,742,402</u>

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

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

ASSETS	
Cash and cash equivalents	\$ 1,158,275
Restricted cash and equivalents	<u>2,428,214</u>
Total assets	<u><u>\$ 3,586,489</u></u>
LIABILITIES AND FUND BALANCES	
Accounts payable	12,206
Unearned revenue	<u>17,269</u>
Total liabilities	<u>29,475</u>
Fund balances	
Restricted for:	
CRA district	1,128,800
CRA District Debt Service	<u>2,428,214</u>
Total fund balances	<u>3,557,014</u>
Total liabilities and fund balances	<u><u>\$ 3,586,489</u></u>

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

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total fund balance - governmental funds	\$ 3,557,014
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,151,388
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Total debt and long-term liabilities.	(10,966,000)
Net position of governmental activities	\$ 8,742,402

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

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2021

Revenues	
Intergovernmental revenues	\$1,538,849
Miscellaneous	<u>343,843</u>
Total revenues	<u>1,882,692</u>
Expenditures	
Current	
Economic environment	307,973
Capital outlay	5,658
Debt service	
Principal retirement	1,295,000
Interest and fiscal charges	<u>206,720</u>
Total expenditures	<u>1,815,351</u>
Excess expenditures (over) under revenues	<u>67,341</u>
Other financing sources (uses)	
General Govt Fund Contributions/Property Tax Increment	<u>838,628</u>
Total other financing sources (uses)	<u>838,628</u>
Net change in fund balances	905,969
Fund balances, October 1, 2020	<u>2,651,045</u>
Fund balances, September 30, 2021	<u><u>\$3,557,014</u></u>

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

PUNTA GORDA REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2021

Net change in fund balances -- total governmental funds	\$	905,969
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Amounts reported for governmental activities in the statement of activities are different because:

<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and capital asset adjustments were under capital outlays in the current period. Expensed items decrease net position in the statement of activities, but are not financial uses in governmental funds.</p>		(564,308)
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<p>Repayment of the principal of long-term debt \$1,295,000 consumes the current financial resources of governmental funds. This transaction has no effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and accrued interest.</p>		<u>1,295,000</u>
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Change in net position of governmental activities	\$	<u><u>1,636,661</u></u>
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The notes to the financial statements are an integral part of this statement.

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

I. Organization and Summary of Significant Accounting Policies

Organization

On November 15, 1989, the City of Punta Gorda formed its Community Redevelopment Agency (CRA) under the State of Florida legislation originally passed in 1969. The main tool or power given to a CRA is the ability to receive and use Tax Increment Revenues. These revenues are deposited into a redevelopment account that can only be used for permitted activities within the geographical boundaries of the CRA area. Permitted activities include, but are not limited to, financing or refinancing development/redevelopment, acquisition of property, development of affordable housing, comprehensive planning, and infrastructure improvements associated with redevelopment. The CRA area is bounded on the North by the Peace River, on the West by Maud Street, on the South by Henry Street, and on the East by Cooper Street.

The City of Punta Gorda has adopted Statement of Governmental Accounting Standards Board Number 14, "Financial Reporting Entity" (GASB 14). This statement requires the financial statements of the City (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable.

Under criteria established by GASB 14 component units are to be either blended with the primary government or presented discretely. For a component unit to be blended it must meet one or both of the following two situations: (1) The board of the component unit is "substantively the same" as that of the primary government or (2) The component unit serves the primary government exclusively, or almost exclusively. The Community Redevelopment Agency meets both of these criteria in that the CRA board is the five City Council members plus an additional two at large members, and the CRA exists for the exclusive benefit of the primary government.

The legal authority for the CRA is City ordinance #989-90. Effective for the fiscal year 2020, Florida Statute 163.387(8) requires a CRA that has revenues or a total of expenditures in excess of \$100,000 to have performed a separate audit. In accordance with Florida Auditor General Rule 10.557(3), the CRA audit report must include basic financial statements, notes to the financial statements and management's discussion and analysis.

The following is a summary of the more significant accounting policies used in the preparation of these financial statements.

A. Government-wide and fund financial statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements include the statement of net position and the statement of activities. The statement of net position reports information on all financial and capital resources of CRA activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

Separate financial statements are provided for governmental funds.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is provided which briefly explains the adjustments necessary to reconcile the results of governmental fund accounting to the government-wide presentations.

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

I. Organization and Summary of Significant Accounting Policies, Continued

B. Measurement focus, basis of accounting, and financial statement presentation

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 CRA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for grants which are recognized if eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Incremental property taxes, leases, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the CRA.

The CRA is a major governmental fund that accounts for the resources received from the City and County tax increment financing to repay debt used in the revitalization of the downtown Punta Gorda area and lease proceeds that support CRA capital maintenance.

C. Cash and cash equivalents

All funds of the CRA are invested with the City's cash and investment pool, which consists of the City's cash and investments and that of the component unit redevelopment agency. There are no restrictions on the CRA's ability to withdraw funds from the City's pool, so all amounts are considered cash and cash equivalents. All cash equivalents are stated at fair value, based on the CRA's investment portion of the fair value of the City's pooled investments.

D. Capital assets

Capital assets include land, buildings and improvements, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

I. Organization and Summary of Significant Accounting Policies, Continued

D. Capital assets, Continued

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

E. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Principal payments of long-term debt are reported as debt service expenditures.

F. Fund equity

In the fund financial statements, governmental funds report non-expendable, restricted, committed, assigned, and unassigned fund balances. Non-expendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts that are restricted to specific purposes by constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations are restricted fund balances. Committed fund balances are amounts that can only be used for specific purposes as formally imposed by the CRA Board through a resolution. Assigned fund balances are for an intended use as established by the City Council. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. When both restricted and unrestricted fund balance is available for the same purpose, restricted funds will be used first. Also, unrestricted fund balance order for expenditures of the same purpose will be committed, assigned, and unassigned.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including noncurrent liabilities, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$10,966,000 difference are as follows:

CRA Debt Service Payable	\$10,966,000
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities - Noncurrent liabilities	\$10,966,000

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

II.Reconciliation of government-wide and fund financial statements, Continued

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” Expensed items decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial uses. The details of this \$564,308 difference are as follows:

Capital outlay	\$ 5,658
Depreciation expense	<u>(569,966)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (564,308)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,295,000 difference are as follows:

Principal repayments:	
Capital Improvement revenue notes	\$ <u>1,295,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,295,000</u>

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

III. Stewardship, compliance, and accountability

A. Budgets and budgetary accounting

The City follows these procedures in establishing the budgetary data presented in the financial statements:

1. On or before the fifteenth day of August, the City Manager submits to the City Council a proposed operating budget for the fiscal year then commencing. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before September 30th, the budget is legally enacted through passage of a resolution
4. Budget amounts are presented as originally adopted or as amended by the City Council. Unused appropriations lapse at year-end. Any revisions altering the budgeted amounts of total expenditures of any fund must be approved by the City Council. The City Manager can amend the budget within existing appropriations. Supplemental appropriations approved by Council for the fiscal year ended September 30, 2021 totaled \$606,108. This included \$179,950 for professional services, \$135,975 for Herald Court maintenance and \$290,183 for capital outlay.
5. Budgets for the CRA are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

IV. Detailed notes CRA

A. Cash and Investments

Deposits - The City's deposits policy allows deposits to be held in demand deposit and money market accounts. Florida Statutes require all depositories used by the City to be qualified financial institutions. All depositories used by the City are institutions designated as qualified depositories by the State Treasurer.

At September 30, 2021 the carrying amounts of the CRA's deposits were \$2,021,880 and the bank balances were \$2,022,756. The City's deposits are comprised of cash held in a financial institution. These deposits were entirely covered by federal depository insurance or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280).

Under this Act, financial institutions qualified as public depositories place with the State Board of Administration securities which have a fair value equal to 50% of the average daily balances for each month of all public deposits in excess of any applicable deposit insurance. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

IV. Detailed notes on all funds, Continued

A. Cash and Investments, continued

Investments - Florida Statutes, the City's Investment Policy and various bond covenants authorize investments in money market accounts, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund Investment Pool administered by the Florida State Board of Administration, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. Certificates of deposit, savings accounts and bank balances whose value exceeds the amount of federal depository insurance are collateralized pursuant to the Florida Security for Public Deposits Act of the State of Florida. All financial institutions used by the City are institutions designated as qualified depositories by the State Treasurer.

Interest Rate Risk, Credit Risk, Concentration of credit risk and Custodial Credit Risk.
The City holds no investments at this time.

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operations procedures consistent with the requirements for a 2a-7 fund.

Since 2a-7 like pools are similar to money market funds where shares are owned in the fund rather than the actual underlying investments, disclosures for foreign currency risk, custodial credit risk and concentration of credit risk are not applicable. For credit quality risk the State Pool is not rated by a nationally recognized statistical rating agency. The pool funds are reported by the City as cash equivalents.

Additionally, to comply with GASB Statement No. 79 requirements, Florida PRIME is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate as a qualifying external investment pool. Thus, this pool operates essentially as a money market fund. Florida PRIME has a Standard & Poor's rating of AAAM at September 30, 2021 and is measured at amortized cost. There are currently no limitations as to the frequency of redemptions; however, Florida PRIME has the ability to impose restrictions on withdrawals should a material event occur. Detailed information on the withdrawal restrictions that may be imposed and Florida PRIME's responsibilities should such an event occur is described in Section 218.409(8)(a), Florida Statutes. GASB Statement No. 79 amends GASB Statement No. 31, and the value of the pool is at amortized cost. The amount of the investment was \$1,564,609.

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

IV. Detailed notes on all funds, Continued

B. Capital assets

Capital assets activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Reclass/ Increases	Reclass/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,565,974	\$ -	\$ -	\$ 4,565,974
Total capital assets, not being depreciated	4,565,974	-	-	4,565,974
Capital assets, being depreciated:				
Buildings	13,349,189	-	-	13,349,189
Improvements other than buildings	4,084,063	-	-	4,084,063
Infrastructure	1,925,260	-	-	1,925,260
Vehicles and equipment	759,872	5,658	(45,314)	720,216
Total capital assets, being depreciated	20,118,384	5,658	(45,314)	20,078,728
Less accumulated depreciation for:				
Buildings	(3,952,330)	(339,240)	-	(4,291,570)
Improvements other than buildings	(2,606,745)	(191,407)	-	(2,798,152)
Infrastructure	(650,307)	(38,359)	-	(688,666)
Vehicles and equipment	(759,280)	(960)	45,314	(714,926)
Total accumulated depreciation	(7,968,662)	(569,966)	45,314	(8,493,314)
Total capital assets, being depreciated, net	12,149,722	(564,308)	-	11,585,414
Governmental activities capital assets, net	<u>\$ 16,715,696</u>	<u>\$ (564,308)</u>	<u>\$ -</u>	<u>\$ 16,151,388</u>

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

IV. Detailed notes CRA, Continued

C. Long-Term Debt

The following is a summary of changes in bonded and other indebtedness of the Punta Gorda Redevelopment Agency for the year ended September 30, 2021:

	Capital Improvement Revenue Notes
Debt payable at October 1, 2020	\$ 12,261,000
Debt issued	0
Debt retired	(1,295,000)
September 30, 2021 (net)	\$ 10,966,000

Revenue note payable at September 30, 2021:

\$12,261,000 Revenue Note, Series 2020, this note was used to refund the \$20,030,000 Revenue Note, Series 2012 at a more favorable rate. The note was issued on April 28, 2020 to be repaid with tax increment revenues from the CRA pursuant to the interlocal agreement. In the event and to the extent that the designated revenues are insufficient, non-ad valorem revenues through a covenant to budget and appropriate, or by amendment, shall be used. Interest is payable semi-annually. The annual interest is 1.78% effective July 1, 2020. Principal is payable annually beginning on January 1, 2021 with final maturity on January 1, 2028.

	10,966,000
Total revenue notes payable	10,966,000
Less current maturities	(1,361,000)
Noncurrent portion, revenue notes payable	\$ 9,605,000

The CRA's outstanding note from borrowings related to governmental activities of \$10,966,000 contain a provision that in an event of default, outstanding amounts become immediately due if the CRA or City is unable to make a payment.

The debt above is considered the debt of the CRA in substance because the incremental tax revenues from the CRA district are pledged for payment on this note. The CRA has an intergovernmental agreement requiring the payment of the debt service. The CRA assets were funded by the original debt issued.

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

IV. Detailed notes CRA, Continued

C. Long-Term Debt, continued

The annual requirements to amortize all debts outstanding as of September 30, 2021 are as follows:

<u>Year Ending</u> <u>September 30</u>	Long-Term Debt	
	Notes from Borrowings	
	Capital Improvement Revenue Notes	
	Principal	Interest
2022	1,361,000	183,082
2023	1,426,000	158,278
2024	1,494,000	132,290
2025	1,561,000	105,100
2026	1,632,000	76,682
2027-2031	3,492,000	62,852
Total	\$ 10,966,000	\$ 718,284

REQUIRED SUPPLEMENTARY INFORMATION

PUNTA GORDA COMMUNITY REDEVELOPMENT AGENCY
(a Component Unit of the City of Punta Gorda, Florida)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY FUND
For the Fiscal Year Ended September 30, 2021

	Budgets		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 1,541,465	\$ 1,541,465	\$ 1,538,849	\$ (2,616)
Miscellaneous	376,675	376,675	343,843	(32,832)
Total revenues	1,918,140	1,918,140	1,882,692	(35,448)
Expenditures				
Economic environment	330,130	646,055	307,973	338,082
Capital outlay	0	290,183	5,658	284,525
Debt service				
Principal retirement	1,295,000	1,295,000	1,295,000	0
Interest and fiscal charges	206,720	206,720	206,720	0
Total expenditures	1,831,850	2,437,958	1,815,351	622,607
Excess revenues over expenditures	86,290	(519,818)	67,341	587,159
Other financing sources (uses)				
General Govt Fund Contributions	840,055	840,055	838,628	(1,427)
Total other financing uses	840,055	840,055	838,628	(1,427)
Net change in fund balances	\$ 926,345	\$ 320,237	905,969	\$ 585,732
Fund balances, October 1, 2020			2,651,045	
Fund balances, September 30, 2021			\$ 3,557,014	

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Board of City of Punta Gorda's
Community Redevelopment Agency
Punta Gorda, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the City of Punta Gorda's Community Redevelopment Agency (the "CRA"), a component unit of the City of Punta Gorda, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated March 30, 2022.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting , continued

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, Florida
March 30, 2022



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MANAGEMENT LETTER

Honorable Board of City of Punta Gorda's
Community Redevelopment Agency
Punta Gorda, Florida

Report of the Financial Statements

We have audited the financial statements of the City of Punta Gorda's Community Redevelopment Agency (the "CRA"), a component unit of the City of Punta Gorda, Florida, as of and for the year ended September 30, 2021, and have issued our report thereon dated March 30, 2022.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on Compliance with Local Government Investment Policies and Community Development Agency Requirements. Disclosures in those reports, which are dated March 30, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The CRA discloses this information in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us apply appropriate procedures and communicate the results of our determination as to whether or not the CRA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Additional Matters

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

Purpose of this Letter

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

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, Florida

March 30, 2022



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REPORT OF INDEPENDENT ACCOUNTANT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES and COMMUNITY REDEVELOPMENT AGENCY REQUIREMENTS

Honorable Board of City of Punta Gorda's
Community Redevelopment Agency
Punta Gorda, Florida

We have examined the City of Punta Gorda's Community Redevelopment Agency (the "CRA's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, and the community redevelopment agency requirements of Section 163.387, Florida Statutes, during the year ended September 30, 2021. Management of the CRA is responsible for the CRA's compliance with the specified requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the CRA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the CRA's compliance with the specified requirements.

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2021.

The purpose of this report is to comply with the audit requirements of Sections 218.415 and 163.387, Florida Statutes and Rules of the Auditor General.

Ashley, Brown & Smith CPA's, P.A.

Punta Gorda, Florida
March 30, 2022