

Fund Analyses

Introduction

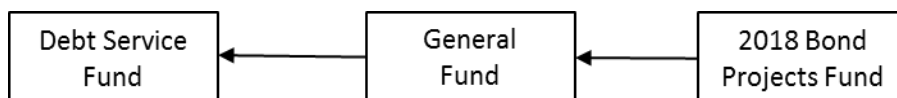
The section is not meant to repeat the analysis and discussion contained within the annual audit, but to offer the reader another layer of information regarding the financial position of BBRD in easy to understand “cash accounting” terms. While the audit contains a comprehensive review of all assets and liabilities, this section only deals with cash and assets easily converted to cash (i.e. bank accounts, SBA accounts, short-term receivables, etc.). While the review of an annual budget’s line-items provides the reader granular detail, unless he/she considers the changing nature of the General Fund and 2018 Bond Projects Fund on a multi-year basis, changes in fund balance can be obscured.

The reader should note the presentation of financial data within this section is oriented to a three-year perspective (prior, current and next) and includes beginning and ending fund balance figures as opposed to data contained within the “Budgetary Detail” section of this document. Hence some items such as “contingency” do not appear in this section in the same format as other sections of this document. “Contingency” budgeted for unforeseen yet anticipated change orders or mid-year projects are grouped under “general government/recreation” or “capital” while “contingency” used to balance the 2018 Bond Projects Fund is assumed to be a part of fund balance and not separately presented in this section.

Fund Structure

In the last several years, BBRD had two Governmental Funds: General and Debt Service. The General Fund is the operations fund in which all non-debt service transactions are budgeted and recorded. Correspondingly, major debt-service payments were made from the Debt Service Fund and revenues were received from inter-fund transfers from the General Fund. The Debt Service Fund was closed after the final debt service payment was made in January 2017.

Approved for FY19 is the creation of a new fund (2018 Bond Projects Fund) and re-activation of the inactive Debt Service Fund. Monies received from the bond issuance and monies expended on certain projects will be accounted for in this new fund. Monies used for the annual debt service of the bond would be accumulated and expensed in the Debt Service Fund. A one-time transfer from the 2018 Bond Projects Fund to the General Fund is approved for FY19 to reimburse the General Fund for work completed prior to the issuance of the bond. Graphically, the fund structure for FY19 is as follows (arrows indicate flow of transactions between funds):



General Fund

Within the General Fund are nine departments for FY19. Typically, all departments except the R&M/Capital Department are used to account for operating revenues/sources and expenditures/uses. The R&M/Capital Department is used for transparency purposes to list where the majority of “projects” are budgeted and expensed. In rare occasions the BOT will instruct staff to budget and expense a significant R&M/capital project in a different department. Additionally, routine R&M projects (i.e. HVAC replacements, minor roof replacements, equipment repairs, etc.) are expensed within the respective departments’ R&M line-items.

Five of the nine departments approved for FY19 are comprised of personnel who provide varied services to internal customers (i.e. other departments and employees), residents and visitors. The other four departments historically account for specific functions of interest to the BOT (such as Vehicle Storage, Shopping Center, Stormwater and R&M/Capital Projects). Although each department is budgeted individually, only the General Fund has a balanced budget requirement per Florida Statutes. Some departments are perceived as generating surplus revenue (such as Administration, Vehicle Storage and Shopping Center) while the other departments (Resident Relations, Food & Beverage, Golf, Property Services, Stormwater and R&M/Capital Projects) are perceived as operating based on a subsidy generated from the revenue producing departments. However, there is no such thing as departmental revenue. All revenues, within these departments, are "General Fund revenues." Only the long-standing custom of BBRD to budget revenues across the departments requires revenues to be divided across departments. To view each department as independent is to view the specific functions of each department through cloudy lens that ignore the complexity of a modern public entity and the role internal service departments play in providing service to residents and guests through other departments.

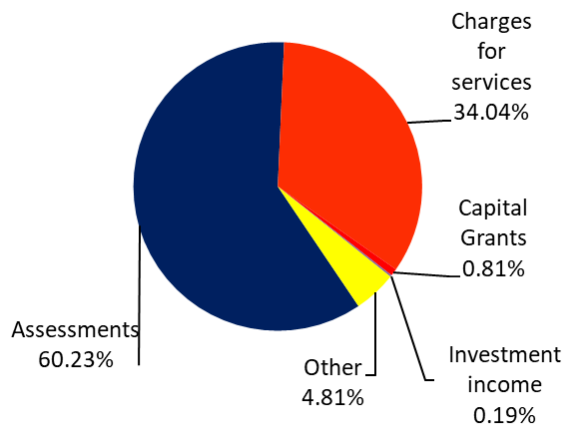
The General Fund Summary provided on the following page is similar to the format used in the FY17 Audit (statement of net position and governmental funds balance sheet, page 09; and statement of activities and governmental funds revenue, expenditures and changes in fund balance on page 10) but adapted to the FY19 Budget line-item format. The fund summary in this section is presented in a cash accounting perspective and is more concise than the 5yrFM&CIP data as presented later in this document. Hence, the reader can opt for a concise overview of the General Fund (FY17 through FY19) within this section, a more detailed and futuristic view found in the 5yrFM&CIP section (FY17-23) or a detailed line-item review (FY17-FY19) found within Budgetary Detail section.



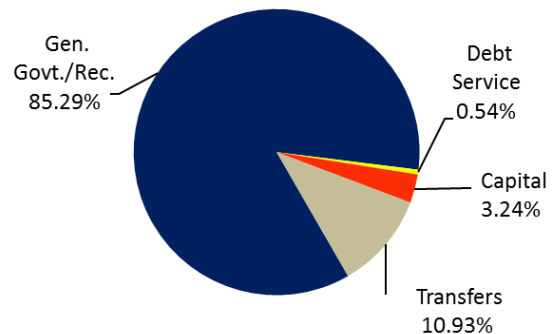
General Fund Summary

	FY17 Actual	FY18 Original Budget	FY18 Est. Year-end	FY19 Base Budget	FY19 Decision Points	FY19 Approved Budget	FY19 Est. Year-end
Beginning Fund Balance	1,939,912	1,645,346	1,908,576	1,400,390	N/A	1,400,390	1,400,390
Revenues/Sources							
Assessments	3,530,317	3,600,702	3,599,982	3,600,702	109,442	3,710,144	3,706,434
Charges for services	1,997,382	2,093,099	2,054,518	2,100,122	-	2,100,122	2,101,753
Capital Grants	-	50,000	129,089	50,000	-	50,000	100,000
Investment income	16,163	6,500	18,000	12,000	-	12,000	12,000
Other	306,156	306,098	311,968	296,582	-	296,582	294,821
Debt Issuance	-	-	-	-	-	-	-
Total Revenues	5,850,018	6,056,399	6,113,557	6,059,406	109,442	6,168,848	6,215,008
Transfers	-	-	-	-	651,000	651,000	651,000
Total Revenues/Sources	5,850,018	6,056,399	6,113,557	6,059,406	760,442	6,819,848	6,866,008
Total Resources	7,789,930	7,701,745	8,022,133	7,459,796	N/A	8,220,238	8,266,398
Expenditures							
General Govt./Recreation	4,814,465	5,401,823	5,081,145	5,259,101	205,095	5,464,196	5,288,001
Debt Service	34,783	34,784	34,784	34,784	-	34,784	34,784
Capital	506,678	787,100	1,505,814	75,000	132,400	207,400	544,615
Total Expenditures	5,355,926	6,223,707	6,621,743	5,368,885	337,495	5,706,380	5,867,400
Transfers	525,428	-	-	-	700,000	700,000	700,000
Total Expenditures/Uses	5,881,354	6,223,707	6,621,743	5,368,885	1,037,495	6,406,380	6,567,400
Undesignated Fund Bal.	1,456,907	1,478,038	1,001,675	2,090,911	N/A	1,813,858	1,613,998
Designated or Committed Fund Balance							
Nonspendable for inventory & prepaids	129,249	N/A	65,000	N/A	N/A	N/A	65,000
Committed for CIP	322,420	N/A	333,715	N/A	N/A	N/A	20,000
Ending Fund Balance	1,908,576	1,478,038	1,400,390	2,090,911	N/A	1,813,858	1,698,998

FY19 Revenues/Sources



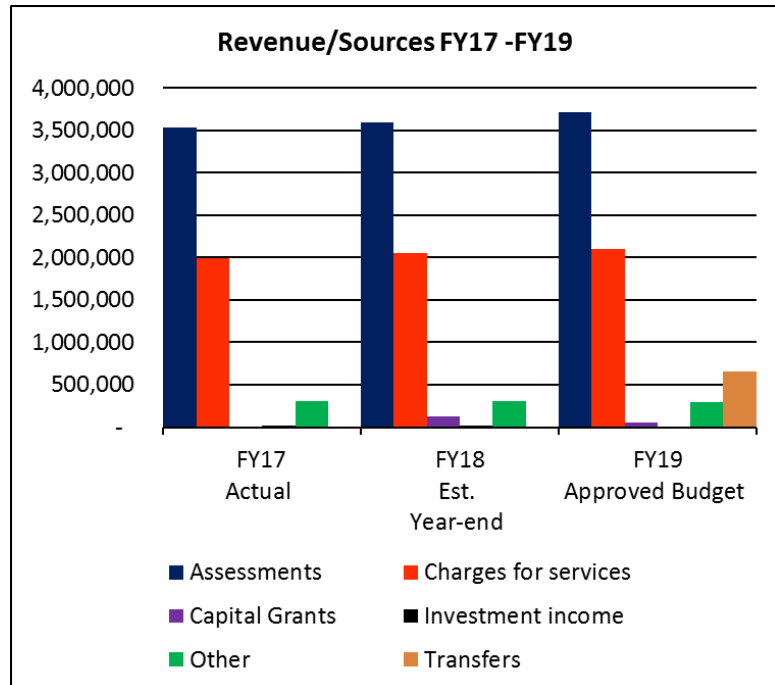
FY19 Expenditures/Uses



Change in General Fund Revenues/Sources

Due to the domination of the General Fund's revenues/sources streams by the assessment (60.23%), total revenues/sources tend to be stable without significant fluctuations unless the assessment rate changes or one-time revenues/sources are received. In FY18, the assessment receipts represented 60.23% of all General Fund Revenues/Sources. However, due to the one-time transfer from the 2018 Bond Projects Fund, the assessment receipts represent only 54.45% of projected total revenues/sources for FY19. Projections for FY20 indicate a return of the assessment percentage to over 60%. Three revenues/sources enhancements are approved for the General Fund as summarized below:

- Increase in assessment in FY19 by \$1.87 a month to \$63.37
- One-time transfer from the 2018 Bond Projects Fund for partial reimbursement of General Fund FY18 expenditures for the New Administration Building
- Receipt of one-time monies from the State of Florida
 - FY19: Reimbursement for the FRDAP 50% (community center) grant program scheduled for completion in calendar year 2018
 - FY19: Reimbursement for the FRDAP 50% (golf course) grant program scheduled for completion in calendar year 2018 (receipts budgeted in FY18 but not anticipated to be received until FY19 and therefore are not shown in the "budget" column but are shown in the "estimated year-end column")



Fluctuations in the composition of the General Fund Revenue/Source are demonstrated below:

	FY17 Actual	FY18 Est. Year-end	FY19 Approved Budget	FY19 Est. Year-end
Revenues/Sources by Percentage				
Assessments	60.35%	58.89%	54.40%	59.64%
Charges for services	34.14%	33.61%	30.79%	33.82%
Capital Grants	0.00%	2.11%	0.73%	1.61%
Investment income	0.28%	0.29%	0.18%	0.19%
Other	5.23%	5.10%	4.35%	4.74%
Debt Issuance	0.00%	0.00%	0.00%	0.00%
Transfers	0.00%	0.00%	9.55%	10.47%
Total	100.0%	100.0%	100.0%	100.0%

FY19 General Fund total revenues/sources are approved at \$6,819,848 a \$763,449 or 12.61% increase over the FY18 originally adopted budget due to:

- Increase of \$483,692 or 222.58% in R&M/Capital primarily due to a \$651,000 one-time transfer from the 2018 Bond Projects Fund to reimburse the General Fund for 66% of the anticipated FY18 New Administration Building project costs
- Increase of \$130,793 or 13.14% in Food and Beverage revenue primarily associated with a 2.5% increase in prices starting October 1, 2018 and continued growth in sales (FY17 Actuals were \$392,153 or 62.40% higher than FY10 Actuals)
- Increase of \$114,330 or 3.15% in Administration primarily due to a \$1.87 a month increase in the assessment rate
- Decrease of \$34,604 or 5.34% in Golf-Pro Shop revenue primarily associated with decreasing number of members (i.e. individuals or families electing to pay for memberships)
- Decrease of \$82,400 or 22.13% in Property Services revenues due to a decrease in the one-time social membership fee revenue stream (due to decreased genuine sales offset by a rate increase in FY18). Additionally, staff inadvertently applied the rate increase on one-time social memberships in FY18 to the entire line-item budget which historically was a combination of one-time social memberships fees and renters' social membership fees. Beginning in FY19 these two revenue streams will be accounted for in separate line-items to provide greater clarity.

Historically, long-term General Fund total revenues/sources are relatively constant as the majority of BBRD's revenue is derived from the non-ad valorem assessment that is not sensitive to economic downturns like an ad valorem property tax and prior BOT's decisions to hold the assessment rate for long periods of time and then make sharp increases when cumulative years of inflationary pressures squeezed discretionary monies to a level that did not meet the needs of the community. Approved for FY19 is a shift from this long-term strategy to a 1.50% increase in the assessment for inflationary purposes plus any other specific increases. This annual increase is planned for each of the four out years within the FY19-23 5yrFM&CIP. To offset the reduction in Shopping Center lease income and related revenues resulting from free office space given to the BFBHOA is an approved increase of \$0.20 per month in the FY19 assessment rate. Additionally, an increase in the assessment rate in the next three fiscal years (FYs 20, 21 & 22) is recommended to off-set the declining Golf membership and related revenue streams receipts.

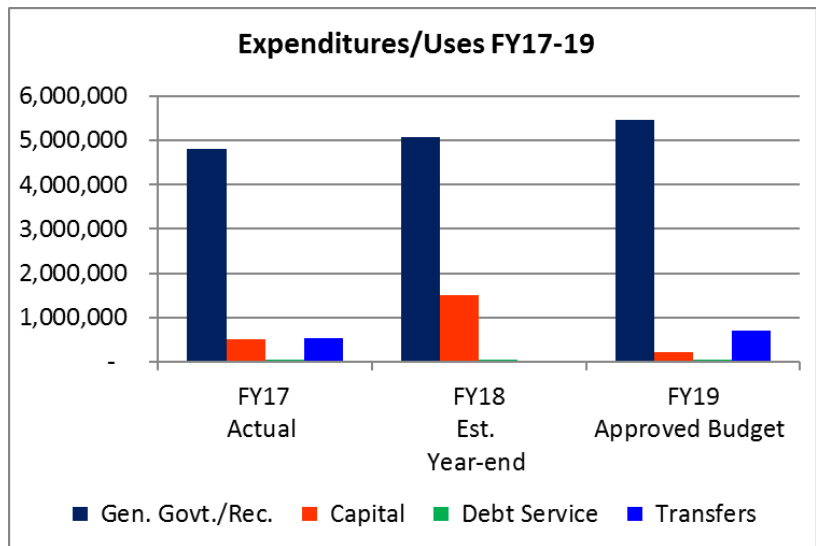
Hence, when one-time revenues/sources are removed from the equation, the General Fund is approved to have a 5.22% increase in total revenues/sources over the next five years, primarily due to annual increases in the assessment rate and other minor one-time adjustments (detailed in Five-Year Financial Model and Capital Improvement Plan Section starting on page F – 1 of this document).

Change in General Fund Expenditures/Uses

Although specific General Fund expenditures/uses can be very dynamic when viewed on an annual basis, the aggregate total expenditures/uses typically have a relatively consistent inflationary pace unless significant changes are made by the BOT. In years past, total expenditures/uses were viewed as much more volatile as compared to total revenues/sources due to the prior custom of holding the assessment rate constant for long periods of time. With the planned shift to annual inflationary increases in the assessment rate, these two trend lines should become more constant. FY19 total expenditures/uses are approved at \$6,406,380, a \$182,673 or 2.94% increase over the FY18 originally adopted budget due to FY18 mid-year budget amendments, the required future debt service for the planned bond issuance and new expenditures/uses. The chart on the next page illustrates how (with the shift of previously planned capital projects to the 2018 Bond Projects Fund) General Fund expenditures are increasingly budgeted for general government/recreation purposes verse capital or debt service. The reader should remember that

the “transfers” from the General Fund are for “debt service” but due to the requirements of bond issuances the use of a separate Debt Service Fund is required to “pre-fund” future payments and to provide for exact accounting of monies used to pay the annual debt payment.

The following decisions points (see Budget Detail section, pages D-59-64 for details) are funded within the FY19 General Fund Approved Budget:



- \$17,055 Web-Based BOT Agenda System
- \$17,055 Cook Full-time Conversion (0.23 FTE)
- \$19,119 Seasonal Groundkeeper Positions (0.85 FTEs)
- \$45,316 Building Tech III position (1.0 FTE)
- \$6,000 Property Services Radio System Repeater
- \$12,000 Pool #3 Heater Upgrade
- \$10,300 Fireworks Display
- \$14,000 Custodians for Crowd Monitoring (0.65 FTE)
- \$700,000 Transfer to Debt Service Fund
- \$195,400 R&M/Capital Projects

Additionally, anticipated non-decision point increased costs include:

- Medical insurance premiums
- Dental insurance premiums
- Employee incentive
- Funding of 6 months of Management Analyst Position within the SDS contract (originally approved in FY17 but not funded in FY18 due to the delays in completing the New Administration Building project stemming from the Guinther lawsuit)

Overall departmental changes for FY19, encompassing the above items include the following:

- Increase of \$646,395 or 50.98% in Administration primarily due to the required annual transfer to the Debt Service Fund (as the result of the planned bond issuance) currently estimated at \$700,000 a year, the planned addition of a Management Analyst position to the SDS contract mid-year, the web-based agenda system decision point and other minor adjustments
- Increase of \$160,616 or 15.70% in Food and Beverage primarily associated with an anticipated increased food and beverage costs, conversion of a part-time cook position to full-time (0.23 FTE) and continued growth in sales (FY17 Actuals were \$392,153 or 62.40% higher than FY10 Actuals)
- Increase of \$151,110 or 10.83% in Property Services primarily to approved decision points and personnel related costs
- Increase of \$55,950 or 103.45% in Stormwater primarily due to the need to address several canal and lake bank failures

- Increase of \$18,140 or 4.34% in Resident Relations primarily due to personnel related costs
- Decrease of \$19,763 or 2.18% in Golf-Pro Shop primarily a result of the decreased personnel resulting from increased efficiencies of staffing related to the hiring of an Associate Golf Professional in FY18
- Decrease of \$829,700 or 74.61% in R&M/Capital primarily due to a shifting of multiple projects from the General Fund to the 2018 Bond Projects Fund

Five-year projected increases in total expenditures/uses are difficult to accurately project given the disproportional impact new capital projects can have on the budget. However, operating expenditures/uses are more readily known. FY23 personnel and operating total expenditures/uses are projected to be \$389,342 or 7.21% higher than FY19 levels due to the following:

- Projected 8-10% annual growth in medical insurance costs (15% increase anticipated in FY19)
- Projected 3% annual growth in dental insurance costs (5% in FY19)
- Projected 3% annual employee incentives
- Projected 0.94% inflationary impact on operating costs
- Addition of electronic access system for pools, pier and other facilities starting in FY20 (procurement cost in FY20 and operating costs thereafter)

Change in General Fund Balance

As of 15Mar18 (date of financial data used by the BOT to review and adopt the FY19 Approved Budget), FY19 estimated year-end total fund balance of \$1,698,998 represents a decrease of \$209,578 or 10.98% from the ending FY17 fund balance. The 5yrFM&CIP shows each year of the next five fiscal years ending above the BOT approved minimum fund balance policy of 20% of operating expenses. The adoption of the percentage based minimum fund balance policy in 2016 enables the BOT to use the excess funds within Fund Balance without adversely affecting BBRD's fiscal condition and ability to maintain adequate monies in fund balance in case of emergencies and/or unplanned expenditures.

2018 Bond Projects Fund

Due to the special nature of this fund (no personnel and short-term duration), only one department (R&M/Capital Projects) will be used. Although some personnel costs will be incurred on projects accounted for within this fund, the historic listing of projects as unique general ledger line-items rather than the use of project accounting prohibits the accounting of these costs within said projects. Given the tendency of some residents to believe rumors and the often-alleged claim that "so and so" is stealing, staff does not believe the community is ready for the use of project accounting where the unique general ledger listing of projects would "disappear." Although a project report could be run to show the specific expenditures per project, staff believes that many residents would not understand this type of accounting and simply start accusing staff of "keeping two sets of books."

2018 Bond Projects Fund Summary

	FY17 Actual	FY18 Original Budget	FY18 Est. Year-end	FY19 Base Budget	FY19 Decision Points	FY19 Approved Budget	FY19 Est. Year-end
Beginning Fund Balance	-	-	-	-	N/A	-	-
Revenues/Sources							
Assessments	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Debt Issuance	-	-	-	-	9,419,752	9,419,752	9,419,752
Total Revenues/Sources	-	-	-	-	9,419,752	9,419,752	9,419,752
Total Resources	-	-	-	-	N/A	9,419,752	9,419,752
Expenditures							
General Govt./Recreation	-	-	-	-	250,000	250,000	250,000
Debt Service	-	-	-	-	-	-	-
Capital	-	-	-	-	1,676,118	1,676,118	1,676,118
Total Expenditures	-	-	-	-	1,926,118	1,926,118	1,926,118
Transfers	-	-	-	-	651,000	651,000	651,000
Total Expenditures/Uses	-	-	-	-	2,577,118	2,577,118	2,577,118
Undesignated Fund Bal.	-	-	-	-	N/A	6,842,634	6,842,634
Designated or Committed Fund Balance							
Nonspendable for inventory & prepaids	-	N/A	-	N/A	N/A	N/A	N/A
Committed for CIP	-	N/A	-	N/A	N/A	N/A	N/A
Ending Fund Balance	-	-	-	-	N/A	6,842,634	6,842,634

2018 Bond Projects Fund Revenues/Sources

The following information is based on data presented to the BOT as part of the FY19 WDPB and modified during multiple budget workshops and BOT meetings. At the time of adoption of the FY19 Approved Budget, the BOT was considering modifying the number of projects and their costs. Hence, the following presentation is based on the FY19 Approved Budget and not any subsequent consensus or votes of the BOT. All subsequent changes will be detailed in the FY20-24 5yrFM&CIP as distributed to the BOT and made available to the public in January 2019.

Staff anticipates \$9,419,752 in gross proceeds from the bond issuance to be received in FY19. Issuance costs are netted out of the issues but shown separately due to accounting standards. Per the special

nature of this new fund, no additional revenue receipts except minor interest income are projected through FY21 when the fund will be closed. If a future BOT wishes to finance additional projects, staff would create a specific fund for that purpose rather than comingle multiple financing efforts within one fund.

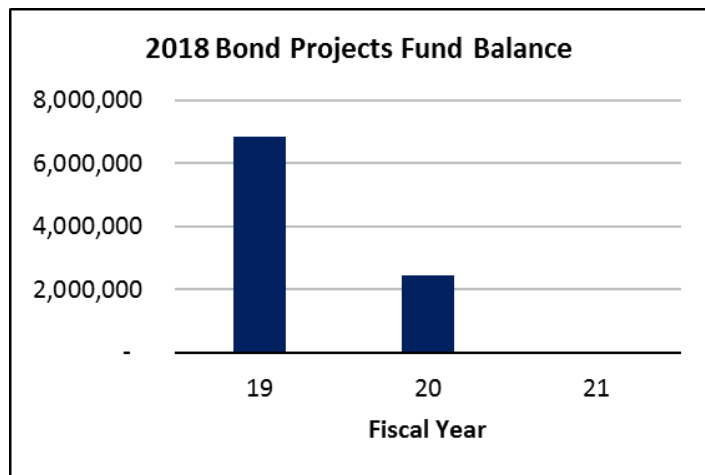
2018 Bond Projects Fund Expenditures/Uses

FY19 Budget total expenditures/uses are approved at \$2,577,118, or 27.36% of the total planned three-years' expenditures of the fund. Specifically, the following expenditures/uses are planned for FY19:

- \$250,000 Debt issuance costs
- \$651,000 Transfer to the General Fund for reimbursement of 66% of anticipated FY18 New Administration Building project costs
- \$1,676,118 Capital projects

Change in 2018 Bond Projects Fund Balance

One of the typical terms of the issuance of tax-exempt bonds, public sector entities typically must be able to expend a minimum of 85% of the next bond receipts within a three-year period. Of the anticipated \$9,419,752 gross receipts, the ending fund balance will decrease the first two years of this fund (FY19 and FY20) and is anticipated to reach zero by the end of FY21. A graphical display of this planned drawdown is illustrated to the right.





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