

# Hollywood, Florida Community Redevelopment Agency (Beach District)

Financial Report  
Fiscal Year Ended September 30, 2014

## **THE ORGANIZATION**

The Hollywood, Florida Community Redevelopment Agency (Beach District) (BCRA) was established in accordance with Florida Statutes Chapter 163 PART III Community Redevelopment to finance and redevelop the City of Hollywood's (City) designated redevelopment areas. The BCRA, whose board members are the same as the members of the City Commission, provides services that exclusively benefit the City's beach areas.

The Board Members of the BCRA for the year ended September 30, 2014, were as follows:

### **HOLLYWOOD, FLORIDA COMMUNITY REDEVELOPMENT AGENCY (BEACH DISTRICT)**

#### **BOARD MEMBERS**

**PETER BOBER, Chairperson**

**RICHARD BLATTNER, Vice Chairperson – District 4**

**PATRICIA ASSEFF, Board Member – District 1**

**LINDA SHERWOOD, Board Member – District 6**

**PETER HERNANDEZ, Board Member – District 2**

**TRACI CALLARI, Board Member – District 3**

**KEVIN BIEDERMAN, Board Member – District 5**

#### **EXECUTIVE DIRECTOR**

**JORGE A. CAMEJO**

#### **GENERAL COUNSEL**

**JEFFREY P. SHEFFEL**

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## Independent Auditor's Report

The Board of Directors  
Hollywood, Florida Community Redevelopment Agency (Beach District)

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hollywood, Florida Community Redevelopment Agency (Beach District) (BCRA), a component unit of the City of Hollywood, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the BCRA's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Hollywood, Florida Community Redevelopment Agency (Beach District), as of September 30, 2014, 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 budgetary comparison information as listed 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 September 25, 2015, on our consideration of the BCRA'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 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 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 BCRA's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned to the left of the typed text below.

Fort Lauderdale, Florida  
September 25, 2015

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

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The Management's Discussion and Analysis (MD&A) of the Hollywood, Florida Community Redevelopment Agency (the CRA), (Beach District) (the BCRA) is designed to provide an objective and succinct analysis of the financial activities based on currently known facts, decisions, and conditions of the BCRA's financial position and results of operations for the fiscal year ended September 30, 2014. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the BCRA's financial activity and identify changes in the BCRA's financial position.

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 assets of the BCRA exceeded its liabilities at the close of the most recent fiscal year by \$21.5 million (net position).
- The BCRA's total net position increased by \$0.6 million in 2014 and increased by \$4.4 million in 2013.
- Comparing fiscal year 2014 with 2013, the governmental activities revenue increased by \$1.7 million and expenses increased by \$5.4 million. The net results from activities decreased by \$3.8 million or 86% as compared to the results in 2013. In fiscal year 2013, results of activities produced an increase in net position of \$4.4 million.
- The BCRA's total long-term liabilities decreased by \$3.1 million or 7% during the current year and by \$3.0 million or 6.4% in the prior year. This is a result of the BCRA repaying existing debt outstanding with no new debt issuances.
- The BCRA's assets decreased by \$1.5 million or 2.3% during the current year and increased by \$1.5 million or 2.3% in the prior year. The decrease in 2014 resulted from increased economic incentives pay outs, primarily related to the Magaritaville project. The increase in 2013 occurred from capital outlay expenses that did not occur due to unanticipated project delays.

**Overview of the Financial Statements**

This annual report follows a format consisting of three parts – Management's Discussion and Analysis (this section), the basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements, and Required Supplementary Information. The basic financial statements include two kinds of statements that present different views of the BCRA.

- The first two statements are government-wide financial statements which report both long-term and short-term information about the BCRA's overall financial status.
- The remaining statements are governmental fund financial statements that focus on reporting the BCRA's operation in more detail, for example, how services like economic environment were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of unaudited Required Supplementary Information that further explains and supports the information in the financial statements.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

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**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the BCRA's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the BCRA's assets/deferred outflows and liabilities/deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BCRA is improving or deteriorating.

The statement of activities presents information showing how the BCRA's net position changed during the most recent two fiscal years. 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, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements listed above distinguish functions of the BCRA that are principally supported by tax increment funds and intergovernmental revenues. The governmental activities of the BCRA include general government, public safety, economic environment, physical environment and culture and recreation. The governmental activity of the BCRA is community redevelopment.

The government-wide financial statements include only the financial activities of the BCRA. However, the BCRA is considered a component unit of the City of Hollywood, Florida (the City) and as such, the financial information of the BCRA is included in its Comprehensive Annual Financial Report for both fiscal years.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BCRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements focus on individual parts of the BCRA government, reporting the BCRA's operations in more detail than the government-wide statements.

**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, 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 a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the BCRA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

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Key elements of the reconciliation of these two statements are that the government-wide statement of net position reports the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses on the statement of activities. Conversely, the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure and do not reflect changes in long-term liabilities.

The BCRA maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The BCRA does not have any nonmajor governmental funds.

The CRA Board adopts an annual appropriated budget. Budgetary comparison statements have been provided as Required Supplementary Information in this report to demonstrate compliance with this budget.

**Notes to the Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as a budgetary comparison schedule.

**Government-wide Financial Analysis**

The two government-wide statements report the BCRA's net position and how it has changed. Table 1 presents net position – the difference between the BCRA's assets/deferred outflows and liabilities/deferred inflows – is one way to measure the BCRA's financial health, or position.

- Over time, increases or decreases in the BCRA's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the BCRA you need to consider additional nonfinancial factors such as changes in the BCRA's increment property tax base and the condition of its infrastructure.

A large portion of the BCRA's assets (54.5% for 2014) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, and equipment). The BCRA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the BCRA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

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**Summary of Net Position**

The table below provides a summary of net position:

**Table 1  
Summary of Net Position  
September 30, 2014 and 2013  
(\$ in thousands)**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Current and Other Assets	<b>\$ 29,314</b>	\$ 31,792
Capital Assets	<b>35,169</b>	34,225
<b>Total assets</b>	<b>64,483</b>	66,017
Long-Term Liabilities	<b>40,724</b>	43,809
Current Liabilities	<b>2,290</b>	1,341
<b>Total liabilities</b>	<b>43,014</b>	45,150
<b>Total net position</b>	<b>\$ 21,469</b>	<b>\$ 20,867</b>

Amounts of the BCRA's net position (5.2% and 17.1% for years 2014 and 2013, respectively) represents resources that are subject to external restrictions on how they may be used.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental activities increased the BCRA's net position by \$0.6 million for the year ended September 30, 2014, and increased net position by \$4.4 million for the year ended September 30, 2013.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

**Summary of Changes in Net Position**

Governmental activities increased the BCRA's net position by \$0.6 million in fiscal year 2014 and increased net position by \$4.4 million in fiscal year 2013. Key elements of these changes are shown in Table 2 below:

**Table 2  
Summary of Changes in Net Position  
For the fiscal years ended September 30, 2014 and 2013  
(\$ in thousands)**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Revenues		
Program revenues:		
Charges for services	\$ 75	\$ -
General revenues:		
Tax increment property taxes	20,095	18,041
Investment earnings	65	19
Miscellaneous	55	509
<b>Total revenue</b>	<b>20,290</b>	<b>18,569</b>
Expenses		
General government	8,642	7,871
Transportation	122	-
Economic environment	6,730	2,044
Physical environment	1,846	1,730
Culture and recreation	219	234
Interest and fiscal charges	2,129	2,261
<b>Total expenses</b>	<b>19,688</b>	<b>14,140</b>
<b>Net increase in net position</b>	<b>602</b>	<b>4,429</b>
Net Position – October 1	20,867	16,438
Net Position – September 30	<b>\$ 21,469</b>	<b>\$ 20,867</b>

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
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**Management's Discussion and Analysis (Unaudited)**

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Key elements of the net increase are as follows:

- Tax increment funds increased in 2014 by \$2.0 million during the year as compared to fiscal 2013, as a result of an 11.4% increase in taxable assessed value and no millage rate change in the millage rate levied.
- The other revenue category under the governmental activities for 2014 decreased by approximately \$0.4 million when compared to the 2013, due to certain payments made to the BCRA in 2013 as required by the Margaritaville development project agreement.
- The increase noted in economic environment expenses in fiscal 2014 resulted from an overall increase in property improvement ventures related to the Margaritaville project in the BCRA district.

**Financial Analysis of BCRA Funds**

As noted earlier, the BCRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Fund**

The focus of the BCRA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the BCRA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Although it is termed "unassigned fund balance" or "fund balance" for purposes of this section, all funds remaining at the end of the fiscal year are set-aside for future projects within the BCRA.

The general fund is the chief operating fund of the BCRA. At the end of the current fiscal year, fund balance of the general fund was \$26.2 million. Total fund balance represents 110% of total General Fund expenditures for 2014. The current year's fund balance of the BCRA's general fund decreased by \$3.5 million. The decrease resulted from an increase in economic incentive pay-outs, primarily related to the Magaritaville project.

The BCRA records overlapping governmental revenue and grants for financing redevelopment activity in the beach redevelopment district. Due to the multi-year nature of redevelopment activities, funds may be accumulated for the purpose of providing funding for ongoing or planned construction projects. Fund balance for this fund totaled approximately \$26.2 million at September 30, 2014, and is available to fund debt service expenditures, capital improvements and other specified activities of the BCRA.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

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**Budgetary Highlights**

The BCRA's General Fund is required to adopt an annual budget prepared on a basis consistent with generally accepted accounting principles.

During the current year, the BCRA budget was amended for the following purposes:

- Offsetting appropriation adjustments among multiple accounts totaling approximately \$6.4 million with no increase in appropriations.
- A new transportation grant received increased budgeted revenues and expenditures by \$200 thousand.
- Budgeted property tax revenues were increased by \$258 thousand.
- Net appropriations were increased by \$4.3 million related to rollover from prior year projects.

Budget to actual fluctuations resulted from the following reasons:

- Overall General Fund expenditures for the year were \$22.5 million under amended appropriations that had been increased during the year by approximately \$4.3 million for rollover of existing project budgets as well as newly approved capital and grant funded projects.
- General Fund balance at year end was \$26.2 million or \$3.45 million lower than beginning fund balance.

**Capital Assets and Debt Administration**

**Capital Assets**

The BCRA's investment in capital assets for its governmental activities as of September 30, 2014 and 2013 amounts to \$35.2 million and \$34.2 million, respectively, (net of accumulated depreciation) as presented in Table 3. This investment in capital assets includes land, construction in progress, buildings and improvements, and equipment. The total increase in the BCRA's capital asset balance for the current fiscal year was \$0.9 million or 2.6% and an increase of \$0.3 million or 1.0% in prior year.

The most notable capital asset event occurring during the year was the net addition of approximately \$11.6 million in construction in progress and buildings and improvements from projects currently under construction.

**Table 3  
Capital Assets  
As of September 30, 2014 and 2013  
(\$ in thousands)**

	2014	2013
Governmental Activities		
Land	\$ 10,019	\$ 8,247
Buildings and improvements, net	24,787	14,996
Equipment, net	184	215
Construction in progress	179	10,767
<b>Total</b>	<b>\$ 35,169</b>	<b>\$ 34,225</b>

The most significant capital projects in the BCRA are the multi-year undergrounding of all utility lines and streetscape improvements in the beach area as well as a beach renourishment project currently underway. Additional information on the BCRA's capital assets can be found in the footnotes.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Management's Discussion and Analysis (Unaudited)**

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**Long-Term Debt**

At the end of the current fiscal year, the BCRA had total Redevelopment Revenue Bonds outstanding of \$40.6 million. This debt decreased by \$3.1 million from the previous year due to the payment of principal.

**Table 4  
Long-Term Debt  
As of September 30, 2014 and 2013  
(\$ in thousands)**

	<u>2014</u>	<u>2013</u>
Governmental Activities		
Redevelopment revenue bonds	\$ 40,630	\$ 43,725

The BCRA maintains an "A" rating (with a stable outlook) from Fitch and an "A3" rating from Moody's for general obligation debt.

Additional information on the BCRA's long-term debt can be found in the footnotes.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate in the City averaged 5.5% during fiscal year 2014 based on information obtained from the U. S. Department of Labor, Bureau of Labor Statistics, and is lower than the average rate of 6.3% a year ago. This rate is lower than the state's average unemployment rate of approximately 6.3% and the national average rate of 6.5%.
- Inflationary trends in the region increased on average 2.0% for fiscal year 2014 which is high than the 1.6% shown in similar national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the BCRA's budget for the 2015 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Hollywood, Florida Community Redevelopment Agency's (Beach District) finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Financial Services Department, 2600 Hollywood Boulevard, Hollywood, Florida 33020.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Statement of Net Position  
September 30, 2014**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 200
Pooled investments	22,935,651
Accounts receivable	904
Due from other governments	1,040,254
Restricted investments	5,336,988
Capital assets:	
Nondepreciable	10,198,124
Depreciable, net	24,971,034
<b>Total assets</b>	<u>64,483,155</u>
<b>Liabilities</b>	
Vouchers payable	253,341
Accrued wages	72,706
Construction contracts payable	899,510
Due to other governments	885,834
Unearned revenue	6,250
Interest payable	172,375
Noncurrent liabilities:	
Due within one year	
Compensated absences	93,543
Bonds payable	3,230,000
Due in more than one year	
Bonds payable	37,400,000
<b>Total liabilities</b>	<u>43,013,559</u>
<b>Net position</b>	
Net investment in capital assets	14,687,955
Restricted for:	
Debt service	491,814
Capital projects	617,640
Unrestricted	5,672,187
<b>Total net position</b>	<u>\$ 21,469,596</u>

See Notes to Financial Statements

Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)

Statements of Activities

Fiscal Year Ended September 30, 2014

	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Functions			
General government	\$ (8,641,956)	\$ 74,731	\$ (8,567,225)
Transportation	(121,920)	-	(121,920)
Economic environment	(6,730,262)	-	(6,730,262)
Physical environment	(1,845,416)	-	(1,845,416)
Culture and recreation	(218,527)	-	(218,527)
Interest expense	(2,129,275)	-	(2,129,275)
<b>Total governmental activities</b>	<b>(19,687,356)</b>	<b>74,731</b>	<b>(19,612,625)</b>
General revenues:			
Increment property taxes			20,095,199
Investment earnings			64,869
Miscellaneous			54,706
<b>Total general revenues</b>			<b>20,214,774</b>
<b>Changes in net position</b>			<b>602,149</b>
Net Position, beginning			20,867,447
Net Position, ending			<b>\$ 21,469,596</b>

See Notes to Financial Statements.

Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)

**Balance Sheet**  
**Governmental Fund**  
**September 30, 2014**

<b>Assets</b>	
Cash	\$ 200
Pooled Investments	22,935,651
Accounts receivable	904
Restricted Investments	<u>5,336,988</u>
<b>Total assets</b>	<u><u>\$ 28,273,743</u></u>
<b>Liabilities, Deferred Inflow of Resources and Fund Balance</b>	
Vouchers Payable	\$ 253,341
Accrued Wages	72,706
Construction Contracts Payable	899,510
Due to Other Governments	885,834
Unearned Revenue	<u>6,250</u>
<b>Total liabilities</b>	<u><u>2,117,641</u></u>
Deferred Inflow of Resources	
<b>Unavailable revenues</b>	<u>904</u>
<b>Fund Balances</b>	
Restricted for:	
Debt service	3,169,775
Capital projects	2,167,213
Committed for:	
Capital projects	9,663,752
Developer incentive payments	10,000,000
Assigned	169,441
Unassigned	<u>985,017</u>
<b>Total fund balances</b>	<u><u>26,155,198</u></u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u><u>\$ 28,273,743</u></u>

See Notes to Financial Statements.



**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Reconciliation of the Balance Sheet of the Governmental  
Fund to the Statement of Net Position  
September 30, 2014**

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Total Fund Balances – Governmental Fund	\$ 26,155,198
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,169,158
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	904
Adjustment to due from other governments	1,040,254
Long-term liabilities, including bonds payable, compensated absences, and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(40,895,918)</u>
<b>Net Position of governmental activities</b>	<b><u><u>\$ 21,469,596</u></u></b>

See Notes to Financial Statements.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund  
Fiscal Year Ended September 30, 2014**

<hr/>	
Revenues	
Increment property taxes:	
City	\$ 11,021,105
Other governmental	9,074,095
Investment revenue	64,869
Miscellaneous	150,416
<b>Total revenues</b>	<u>20,310,485</u>
Expenditures	
Current:	
General government	7,435,249
Economic environment	6,730,262
Physical environment	1,552,302
Culture and recreation	218,527
Capital outlay:	
General government	1,801,712
Physical environment	670,915
Transportation	121,920
Debt service:	
Principal	3,095,000
Interest and fiscal charges	2,140,453
<b>Total expenditures</b>	<u>23,766,340</u>
<b>Net changes in fund balances</b>	(3,455,855)
Fund Balances, Beginning	<u>29,611,053</u>
Fund Balances, Ending	<u>\$ 26,155,198</u>

See Notes to Financial Statements.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of the Governmental Fund to the Statements of Activities  
September 30, 2014**

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Net changes in fund balances – Governmental Fund	\$ (3,455,855)
Difference in amounts reported for governmental activities in the statement of activities:	
Capital outlay, reported as expenditures in governmental fund, are shown as capital assets in the statement of net position.	2,187,971
Depreciation expenses on capital assets included in the governmental activities in the statement of net position.	(1,242,819)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	(20,978)
Repayment of long-term debt is reported as an expenditure in the governmental fund, but as a reduction of long-term liabilities in the statement of net position.	3,095,000
Certain items reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in the governmental fund.	
Adjustment to due from other governments	38,007
Accrued interest on long-term debt	11,184
Loss on disposal of assets	(617)
Adjustment to compensated absences	(9,744)
	<hr/>
<b>Changes in net position of governmental activities</b>	<b>\$ 602,149</b> <hr/> <hr/>

See Notes to Financial Statements.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Index to Notes to the Financial Statements  
Fiscal Year Ended September 30, 2014**

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**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The Hollywood, Florida Community Redevelopment Agency (Beach District) (BCRA) is a district that comprises the Hollywood, Florida Community Redevelopment Agency (the CRA), which is legally separate from the City of Hollywood, Florida, (the City). The CRA was established in accordance with Florida Statutes Chapter 163 PART III COMMUNITY REDEVELOPMENT to finance and redevelop the City's designated redevelopment areas. The BCRA was established in 1997 to provide services that exclusively benefit the City's beach area. The Board of Directors of the BCRA is comprised of the members of the City Commission and the Mayor. The BCRA meets the criteria for inclusion in the City's reporting entity as a blended component unit, and therefore, has been reported in the basic financial statements of the City.

This summary of the BCRA's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting policies of the BCRA conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

**B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide focus is more on the sustainability of the BCRA as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements focus on short-term results of operations and financing decisions at a specific fund level. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. Program revenues include charges for services, operating grants and contributions and capital grants and contributions. Taxes and other items not properly included among program revenues are reported as general revenues.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The basic financial statements consist of the government-wide financial statements and fund financial statements. 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. Increment property taxes are recognized as revenue in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Only current assets, current liabilities, and deferred inflow/outflow of resources are generally included on their balance sheet. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide governmental column, a reconciliation is necessary to explain the adjustments needed to reconcile the fund based financial statements to the governmental column of the government-wide presentation. Their operating statements present sources (revenue and financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. 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 BCRA 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 a liability is incurred, as under accrual accounting, except for debt service expenditures and expenditures related to compensated absences, which are both recognized when due.

Tax increment property taxes, when levied for, intergovernmental, when all the eligibility requirements have been met, and interest earnings associated with the current fiscal period, are all considered to be measurable and have been recognized as revenues of the current fiscal period, if available. All other revenues are measurable upon receipt of cash and are recognized at that time.

The BCRA reports the following major governmental fund:

- The general fund accounts for all financial resources that are used to finance redevelopment projects within the beach redevelopment district.

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

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities and Net Position or Equity**

1. Cash and investments – The City is responsible for all treasury functions of the BCRA. Amounts reported reflect a portion of the City’s pooled cash and investments and restricted investments. Investment revenue of pooled investments is allocated monthly based upon equity balances of the BCRA.
2. Accounts and increment tax receivables – All accounts and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable outstanding in excess of 90 days comprise the accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 100% of outstanding property taxes at September 30, 2014.

Real and personal property values are assessed on a county-wide basis by the Broward County Property Appraiser as of January 1, each year. Taxable value of property within the BCRA is certified by the Property Appraiser on July 1. The taxing authorities levy a property tax millage rate upon that taxable value to provide revenue required for the fiscal year beginning October 1. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due not later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent amounts are sold by Broward County, with remittance to the taxing authorities for their share of those receipts.

The taxing authorities levying taxes in the BCRA pay to the BCRA an amount equal to 95% of the difference between the amount of ad valorem taxes levied by the taxing authorities, exclusive of the debt service millage, and the difference between the current real property tax values in the district and the assessed valuation of taxable real property in the district when it was created. Currently, the tax increment from the South Broward Hospital District is capped at \$300,000 annually.

3. Due to/due from – Activity between the primary government and the BCRA, that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other governments.”
4. Restricted assets – Certain revenue bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

5. Capital assets – Capital assets, which include land, construction in progress, building and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets include real property that is held by the BCRA for future development.

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

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

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 40
Equipment	2 to 15

6. Deferred outflows/inflows of resources – The Governmental Fund Balance Sheet includes a separate section, listed below total liabilities, for deferred inflows of resources. The unavailable revenue will be recognized as an inflow of resources in the period that the amounts become available. The BRCA does not have any deferred outflow of resources which are defined as the consumption of net position by an entity that is applicable to a future reporting period.
7. Compensated absences – It is the BCRA’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A portion of accumulated sick pay benefits are paid upon separation, based on number of years of service. All vacation pay and applicable portion of sick pay balances are accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
8. Long-term obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, and annual debt payments are reported as debt service expenditures.



**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

9. Fund balance – The Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) established consistency in the fund balance information reported by many governments and enables financial statement users to readily interpret reported fund balance information. This pronouncement requires governmental fund balances be classified as nonspendable, restricted, committed, assigned or unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the BCRA considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the BCRA considers amounts to have been spend first out of committed, funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Directors (the Board) has provided otherwise in its commitment or assignment actions.

Net position in the government-wide statements are categorized as net investment in capital assets (which is reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond proceeds), restricted or unrestricted. The first category represents net position related to property, plant, equipment and infrastructure. The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by legislation in excess of the related liabilities payable from restricted assets. Unrestricted net position consist of all net positions that do not meet the definition of either of the other two components.

10. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets/deferred outflows and liabilities/deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from management’s estimates.
11. Risk management – The BCRA is insured, through the City’s self-insurance program, for general liability, workers’ compensation, health, directors and officers, and property damage. The City’s risk management fund charges the BCRA annual insurance premiums which represents the maximum liability of the BCRA for any related losses incurred for the year. Consequently, the BCRA does not retain its own liability in outstanding claims against it beyond the maximum premium paid to the City.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

**Note 2. Cash and Investments**

The City maintains all cash and investments for the BCRA. Substantially all unrestricted cash and investments of the BCRA are held in the City's pooled investments. BCRA's equity share of the total pooled cash and investments is included in the accompanying Statement of Net Position under the caption "Pooled investments" other than investments titled "restricted." BCRA's pooled investments with the City were \$22,935,651, which represents 9.5% of the City's pooled investments as of September 30, 2014. (See the City's comprehensive Annual Financial Report for disclosures relating to its interest rate risk, credit risk, custodial credit risk and concentration of credit risk).

At September 30, 2014, the BCRA also had \$5,336,988 of money market mutual funds and demand deposits with the City.

**Note 3. Capital Assets**

Capital assets activity for the year ended September 30, 2014, is as follows:

	2014			Ending Balance
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	
Capital assets, not being depreciated				
Land	\$ 8,247,441	\$ 1,771,667	\$ -	\$ 10,019,108
Construction in progress	10,766,986	146,828	10,734,798	179,016
<b>Total capital assets not being depreciated</b>	<b>19,014,427</b>	<b>1,918,495</b>	<b>10,734,798</b>	<b>10,198,124</b>
Capital assets, being depreciated				
Buildings and improvements	19,182,785	10,990,746	-	30,173,531
Equipment	909,477	13,528	29,458	893,547
<b>Total capital assets being depreciated</b>	<b>20,092,262</b>	<b>11,004,274</b>	<b>29,458</b>	<b>31,067,078</b>
Less accumulated depreciation for				
Buildings and improvements	4,187,512	1,199,488		5,387,000
Equipment	694,554	43,331	28,841	709,044
<b>Total accumulated depreciation</b>	<b>4,882,066</b>	<b>1,242,819</b>	<b>28,841</b>	<b>6,096,044</b>
<b>Total capital assets, being depreciated, net</b>	<b>15,210,196</b>	<b>9,761,455</b>	<b>617</b>	<b>24,971,034</b>
<b>Capital assets, net</b>	<b>\$ 34,224,623</b>	<b>\$ 11,679,950</b>	<b>\$ 10,735,415</b>	<b>\$ 35,169,158</b>

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to function as follows:

	<u>2014</u>
Governmental Activities	
General government	\$ 1,242,819

**Note 4. Construction Commitments**

The BCRA has outstanding commitments for construction and acquisition of capital assets in the amount of \$22,066,805 for various development projects. These commitments were fully funded through bond proceeds and other reserves for the respective funds at September 30, 2014.

**Note 5. Long-Term Obligations**

**A. Government Activities Debt**

Summarized below are the BCRA's debt issued to finance the cost of various community redevelopment projects that were outstanding as of September 30, 2014:

- \$20,010,000 Community Redevelopment Agency Redevelopment Revenue Bonds, Series 2004 – The BCRA issued these bonds secured by an irrevocable lien on and pledge of the District's tax increment revenues paid by the City of Hollywood, Broward County, the South Broward Hospital District and the Children's Services Council of Broward County. By agreement with the South Broward Hospital District, annual tax increment payments from the District are capped at \$300,000. Bonds were issued for the purpose of financing redevelopment capital improvements. Interest rates range from 3.50% to 5.625% annually.
- \$40,000,000 Community Redevelopment Agency Redevelopment Revenue Bonds, Series 2007 – Bonds were issued on August 23, 2007 by the BCRA and secured by an irrevocable lien on and pledge of tax increment revenue on a parity with the lien thereon in favor of the BCRA's Redevelopment Revenue Bonds Series 2004 currently outstanding. Pledged revenues consist of the BCRA's tax increment revenues paid by the City, Broward County, the South Broward Hospital District and the Children's Services Council of Broward County. By agreement with the South Broward Hospital District, annual tax payments are capped at \$300,000. Bonds were issued to provide funding for Boardwalk improvements, a new parking garage, community center complex, water and sewer line upgrades and other capital improvements in the district. Interest rates on these bonds range from 3.60% to 5.00%.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

**Note 5. Long-Term Obligations (Continued)**

**B. Changes in Long-Term Liabilities**

The following is a summary of changes in the long-term liabilities for the fiscal year ended September 30, 2014:

	2014				Amounts Due Within One Year
	Beginning Balance	Additions	Deductions	Ending Balance	
Bonds Payable					
Redevelopment revenue					
Bonds	\$ 43,725,000	\$ -	\$ 3,095,000	\$ 40,630,000	\$ 3,230,000
Other Liabilities					
Compensated absences	83,799	147,228	137,484	93,543	93,543
<b>Total governmental activities long- term liabilities</b>	<b>\$ 43,808,799</b>	<b>\$ 147,228</b>	<b>\$ 3,232,484</b>	<b>\$ 40,723,543</b>	<b>\$ 3,323,543</b>

**C. Summary of Annual Debt Service Requirements**

The annual debt service requirements to maturity for debt outstanding as of September 30, 2014, are as follows:

Fiscal Year Ending	BCRA Redevelopment Revenue Bonds	
	Principal	Interest
2015	\$ 3,230,000	\$ 1,995,978
2016	3,375,000	1,835,863
2017	3,550,000	1,656,113
2018	3,735,000	1,476,681
2019	3,910,000	1,287,589
2020-2024	22,830,000	3,086,188
	<b>\$ 40,630,000</b>	<b>\$ 11,338,412</b>

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 5. Long-Term Obligations (Continued)**

**D. Pledged Revenue**

General long-term debt bonds are collateralized by BCRA pledged funds, mostly tax increment revenues. The following table reports the revenue pledged for the debt issue, the amounts of such revenue received in the current year, the current year principal and interest paid on the debt, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenue for each debt, which is the amount of the remaining principal and interest on the bonds and loans at September 30, 2014:

Bond Description	Pledged Revenue	Revenue Received	Principal and Interest	Outstanding Principal and Interest	Year Pledged Through
2014					
Redevelopment Revenue Bonds					
Series 2004 and Series 2007	Increment Tax Revenues	\$ 20,190,910	\$ 5,230,603	\$ 51,968,412	2024

**Note 6. Tax Increment Revenue**

The BCRA is primarily funded through tax increment revenue. This revenue is computed by applying the operating tax for the City, Broward County, South Broward Hospital District and Children's Services Council of Broward County multiplied by the increased value of property in the district over the base property value minus 5%. The City, the County, the Hospital District and the Children's Services Council are each required to fund this amount annually without regard to tax collections or other obligations. The amounts required by the Hospital District are capped at \$300,000.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 7. Fund Balance Reporting**

FUND BALANCE REPORTING – Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) provides a structured classification of fund balance and improves the usefulness of fund balance reporting to the users of the BCRA’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major fund balance classifications: nonspendable and spendable. Nonspendable fund balance includes amounts that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of nonspendable include inventory and prepaid items.

GASB 54 provides for four categories of the spendable fund balance classification based on the level of constraint placed on the use of those resources.

RESTRICTED FUND BALANCE includes resources constrained to a specific purpose by their external providers such as grantors and contributors, or laws and regulations.

COMMITTED FUND BALANCE includes amounts that can only be used for specific purposes in accordance with constraints imposed by the BCRA’s Board through an ordinance or resolution (which are equally binding as the highest decision-making authority). These items cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

ASSIGNED FUND BALANCE includes resources the Board intends to use for a specific purpose that are not classified as nonspendable, restricted or committed. Encumbrances are reported within the assigned fund balance category. Assignments are made by the BCRA’s management based on the Board’s direction.

UNASSIGNED FUND BALANCE includes the remaining fund balance, or net resources, available for any purpose. Unassigned fund balance represents amounts that are not constrained in any way.

The BCRA’s fund balance is reported in the following hierarchy for the General Fund at September 30, 2014:

- RESTRICTED – \$5,336,988 classified as restricted.
- ASSIGNED – \$169,441 classified as assigned.
- COMMITTED – \$19,633,752 classified as committed for capital projects and future developer incentive payments required by the Margaritaville Agreement (see Note 8).
- UNASSIGNED – \$985,017 classified as unassigned.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**Note 8. Other Information**

**A. Restricted Assets**

Borrowing agreements require restriction of certain assets. Amounts required to be restricted totaled \$3,169,775 at September 30, 2014. These amounts represent required debt service reserves for the Redevelopment Revenue Bonds, Series 2004.

**B. Commitments and Contingencies**

**Legal**

The BCRA is a defendant in various lawsuits. Although the outcome of such litigation is not presently determinable, management does not believe the settlement of these matters will have a material effect upon the financial condition or results of operations of the BCRA.

**Margaritaville Agreement**

On June 19, 2013 the BCRA entered into a Compensated Funding Agreement (Agreement) with Margaritaville Hollywood Beach Resort, L.P (Developer), to develop a 17 story, premier, "family friendly" resort with an estimated cost of \$138 million on a City owned parcel of land on Hollywood Beach. The City land is currently leased to the Developer for a period of 99 years and requires that the Developer construct, develop, operate and maintain a resort hotel and related improvements including, without limitation, a parking garage containing public parking. Under the terms of the Agreement, the BCRA has committed to fund a total of \$23 million of the project's cost. The BCRA's commitment is to provide \$10 million for furniture, fixtures and equipment and \$13 million to be used for construction cost as defined in the Agreement. As of September 30, 2014, the BCRA's remaining commitments include \$10 million for furniture, fixtures and equipment and \$6.5 million for construction cost.

**C. Pension Plan Information**

1. Defined contribution pension plans – The BCRA has a contract with the ICMA-RC for a 401 (a) plan covering the executive director and employees of the agency. The plan is established under the provisions of Section 401 (a) of the Internal Revenue Code as A Money Purchase Plan and Trust. The assets of the plan are self-directed, and investment results are reported to employees quarterly. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment returns. The plan does not require nor permit employee contributions. Plan participants become fully vested in the plans upon entry. The plan was established by City Commission and BCRA Board resolution.
2. Deferred compensation plans – The City offers BCRA employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, managed by independent plan administrators, permit employees to defer a portion of their salary until future years. At the employee's election, such amounts may be invested in mutual funds which represent varying levels of risk and return. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust, for the exclusive benefit of the plans' participants and their beneficiaries.

Since the BCRA has no fiduciary responsibility in either plan, they are not reflected in the BCRA's statements.

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Financial Statements**

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**D. Implementation of Government Accounting Statements**

The BCRA implemented the following GASB Statements during the fiscal year ended September 30, 2014:

- GASB Statement No. 66, "Technical Corrections 2012 – an amendment of GASB Statements No. 10 and No. 62"

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of any entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

**Note 9. Purchase of Land and Due to Other Governments**

On February 5, 2014, the City approved the sale of a parcel of City land (previously the site of a fire station on Hollywood Beach) to the BCRA. The BCRA intends to use the land as the site of a future public parking garage to be built at this location. The selling price to the BCRA of \$1,771,668 was determined through a series of appraisals as provided for in the City's Code of Ordinances. The sale and transfer of ownership to the BCRA was completed on February 28, 2014, at which time \$885,834 was paid by the BCRA to the City on that date. The remaining amount due of \$885,834 will be paid by the BCRA in two equal payments, plus a nominal amount of accrued interest, on October 1, 2014 and October 1, 2015.



**REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MD&A)**



**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Notes to Required Supplementary Information  
September 30, 2014  
(Unaudited)**

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**Note 1. Budgetary Procedures and Budgetary Accounting**

The BCRA adheres to the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

Prior to September 30, the Executive Director submits to the Board of Directors, a proposed operating budget for the General Fund for the fiscal year commencing October 1, which is ratified prior to September 30. The operating budget includes proposed expenditures and the means of financing them.

The BCRA Executive Director is authorized to transfer budget amounts between accounts. Revisions that increase total expenditures must be approved by the BCRA Board. Legal level of control is maintained at the fund level.

The accompanying budgetary data represents the original and the final amended budgets as approved by the BCRA Board. The difference between the two columns represents authorized budget transfers and capital project rollovers within the fiscal year.

Encumbrance accounting is utilized, in which purchase orders, contracts, and other financial commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. This method is employed as an extension of formal budgetary accounting in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. In the General Fund, unexpended portions of such reserves lapse at the end of the next fiscal year after encumbrance.

**Note 2. Reconciliation of Budget Basis to GAAP Basis**

The following schedule reconciles the revenue and expenditure amounts on the budgetary comparison schedule – budget and actual (budgetary basis) to amounts on the statement of revenue, expenditures, and changes in fund balances for fiscal year 2014:

	2014	
	Revenues	Expenditures
Revenue and expenditures – budgetary basis	\$ 20,310,485	\$ 22,766,354
Transfer out – parking enterprise fund	-	999,986
Revenue and expenditures – GAAP basis	<u>\$ 20,310,485</u>	<u>\$ 23,766,340</u>

## **OTHER REPORTS**



**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  
Hollywood, Florida Community Redevelopment  
Agency (Beach District)

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 major fund of the City of Hollywood, Florida Community Redevelopment Agency (Beach District) (the BCRA), a component unit of the City of Hollywood, Florida, (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the BCRA's basic financial statements, and have issued our report thereon dated September 25, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the BCRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 BCRA'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 BCRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Fort Lauderdale, Florida  
September 25, 2015

**Hollywood, Florida Community Redevelopment Agency (Beach District)  
(A Component Unit of the City of Hollywood, Florida)**

**Schedule of Findings and Responses  
September 30, 2014**

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**I – Financial Statement Findings**

- None reported in the current year

**Status of Prior Year Findings**

- None reported.