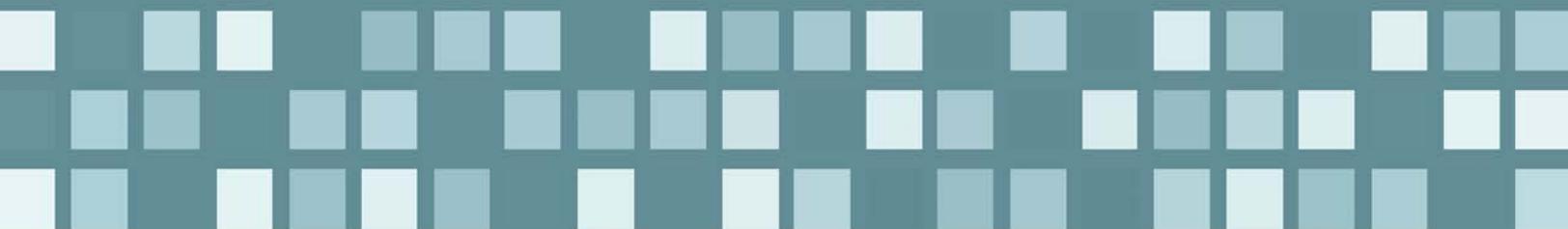


**Hollywood, Florida
Community
Redevelopment Agency
(Downtown District)**

Financial Report
Fiscal Year Ended September 30, 2011



THE ORGANIZATION

The Hollywood, Florida Community Redevelopment Agency (Downtown District) (“DCRA”) 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 DCRA, whose board members are the same as the members of the City Commission, provides services that exclusively benefit the City’s downtown areas.

The Board Members of the DCRA for the year ended September 30, 2011 were as follows:

HOLLYWOOD, FLORIDA COMMUNITY REDEVELOPMENT AGENCY (DOWNTOWN DISTRICT)

BOARD MEMBERS

PETER BOBER, Chairperson

PATRICIA ASSEFF, Vice-Chair – District 1

BEAM FURR, Board Member – District 2

HEIDI O’SHEEHAN, Board Member – District 3

RICHARD BLATTNER, Board Member – District 4

FRAN RUSSO, Board Member – District 5

LINDA SHERWOOD, Board Member – District 6

EXECUTIVE DIRECTOR

JORGE A. CAMEJO

GENERAL COUNSEL

JEFFREY P. SHEFFEL

FINANCIAL SERVICES MANAGER

BRYAN E. CAHEN

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Hollywood, Florida Community Redevelopment Agency (Downtown District) ("DCRA"), a component unit of the City of Hollywood, Florida, as of and for the years ended September 30, 2011 and 2010, which collectively comprise the DCRA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DCRA's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DCRA's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Hollywood, Florida Community Redevelopment Agency (Downtown District) as of September 30, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the financial statements, the DCRA adopted the provisions of Government Accounting Standards Board Statement ("GASB") No. 53, Accounting and Financial Reporting for Derivative Instruments, in fiscal year 2010 and the reporting recognition and disclosure requirements of GASB No. 54, Accounting for Fund Balance Reporting and Governmental Fund Type Definitions, during the year ended September 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 and September 22, 2011 on our consideration of the DCRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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

McGladrey LLP

Fort Lauderdale, Florida
June 29, 2012

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

Management's Discussion and Analysis

The Management's Discussion and Analysis ("MD&A") of the Hollywood, Florida Community Redevelopment Agency (Downtown District) (the "DCRA") is designed to provide an objective and succinct analysis of the financial activities based on currently known facts, decisions, and conditions of the DCRA's financial position and results of operations for the fiscal years ended September 30, 2011 and 2010. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the DCRA's financial activity and identify changes in the DCRA'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 liabilities of the DCRA exceeded its assets at the close of the most recent fiscal year by \$14.3 million (net deficit).
- The DCRA's total net assets increased by \$2.5 million in fiscal year 2011 and increased by \$2.9 million in fiscal year 2010.
- Comparing fiscal 2011 with 2010, the governmental activities revenue decreased by \$2.9 million and expenses decreased by \$2.5 million. The net results from activities decreased by \$0.4 million or 13.4% under the results in 2010. In fiscal years 2011 and 2010, the results of activities produced an increase in net assets of \$2.5 million and an increase of \$2.9 million, respectively.
- The DCRA's total long-term liabilities decreased by \$2.8 million or 9.1% during the current year and decreased by \$3.1 million or 9.2% in the prior year. No new debt was issued during either year.
- The DCRA's assets decreased \$0.1 million or less than 1.0% during the current year and increased by \$0.2 million or 1.2% in the prior year. The decrease noted in 2011 and increase noted in 2010 resulted from recording amounts required by accounting principles related to its variable rate interest swap debt that is currently outstanding.

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 DCRA.

- The first two statements are government-wide financial statements report both long-term and short term information about the DCRA's overall financial status.
- The remaining statements are governmental fund financial statements that focus on reporting the DCRA'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.

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

Management's Discussion and Analysis

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.

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the DCRA's net assets changed during the most recent two fiscal years. All changes in net assets 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 DCRA that are principally supported by tax increment funds and intergovernmental revenues. The governmental activities of the DCRA include general government, transportation, economic environment, physical environment and culture and recreation. The governmental activity of the DCRA is community redevelopment.

The government-wide financial statements include only the financial activities of the DCRA. However, the DCRA is considered a component unit of the City of Hollywood, Florida and as such, the financial information of the DCRA 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 DCRA, 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 DCRA government, reporting the DCRA'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.

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

Management's Discussion and Analysis

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 DCRA'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.

Key elements of the reconciliation of these two statements are that the government-wide statement of net assets 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 DCRA 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 DCRA 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 DCRA's net assets and how they have changed. Table 1 presents net assets – the difference between the DCRA's assets and liabilities – is one way to measure the DCRA's financial health, or position.

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

A large portion of the DCRA's assets (59.1% and 55.7% for 2011 and 2010 respectively) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements and equipment). The DCRA uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the DCRA'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 (Downtown District)
(A Component Unit of the City of Hollywood, Florida)**

Management's Discussion and Analysis

Summary of Net Assets

The table below summarizes the summary of net assets:

**Table 1
Summary of Net Assets
September 30, 2011, 2010 and 2009
(\$ in thousands)**

	Governmental Activities		
	2011	2010	2009
Current and other assets	\$ 5,902	\$ 6,442	\$ 6,044
Capital assets	8,518	8,084	8,307
Total assets	14,420	14,526	14,351
Long-term liabilities	27,607	30,359	33,443
Current liabilities	1,070	946	598
Total liabilities	28,677	31,305	34,041
Net assets (deficit)			
Invested in capital assets, net of related debt	3,733	2,831	2,596
Unrestricted deficit	(17,990)	(19,610)	(22,286)
Total net assets	\$ (14,257)	\$ (16,779)	\$ (19,690)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Governmental activities increased the DCRA's net assets by \$2.5 million and \$2.9 million for the years ended September 30, 2011 and 2010, respectively.

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

Management's Discussion and Analysis

**Table 2
Summary of Changes in Net Assets
For the fiscal years ended September 30, 2011, 2010 and 2009
(\$ in thousands)**

	Governmental Activities		
	2011	2010	2009
Revenues:			
Program revenues:			
Charges for services	\$ -	\$ 106	\$ -
General revenues:			
Tax increment property taxes	5,605	6,984	7,749
Investment earnings	1	11	30
Miscellaneous	18	1,419	162
Total revenue	5,624	8,520	7,941
Expenses:			
General government	1,064	2,988	2,976
Transportation	436	320	87
Economic environment	171	760	53
Physical environment	14	2	126
Culture and recreation	-	-	274
Interest and fiscal charges	1,417	1,539	1,691
Total expenses	3,102	5,609	5,207
Net Increase (decrease) in net assets	2,522	2,911	2,734
Net assets (deficit) – October 1	(16,779)	(19,690)	(22,424)
Net assets (deficit) – September 30	\$ (14,257)	\$ (16,779)	\$ (19,690)

Key elements of the net increase are as follows:

- Property taxes decreased by \$1.4 million during the year as compared to 2010, as a result of an overall reduction of approximately 25.1% in taxable assessed values of properties in the DCRA, as offset by an 11.0% increase in the millage rate levied by the City.
- The decrease of \$1.4 million in the other revenues category under the governmental activities in 2011 is attributable to a negotiated reduction in incentives due to a developer during 2010 and revenue recognized as a result.
- The decrease noted in 2011 in expense of \$2.5 million resulted from a significant reduction in overall activities as a result of current economic conditions.

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

Management's Discussion and Analysis

- Property taxes decreased by \$0.8 million during 2010 as compared to 2009, as a result of an overall reduction of approximately 12.3% in taxable assessed values of properties city wide.
- The increase of \$1.3 million in the other revenues category under the governmental activities in 2010 is attributable to a negotiated reduction in incentives due to a developer and revenue recognized as a result.
- The increase noted in 2010 in expense of \$0.4 million resulted from a general reduction in overall activities as a result of current economic condition.

Financial Analysis of DCRA Funds

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

Governmental Fund

The focus of the DCRA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the DCRA'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 the purposes of this section, all funds remaining at the end of the fiscal year is set aside for future projects within the DCRA.

The general fund is the chief operating fund of the DCRA. At the end of the current fiscal year, fund balance of the general fund was \$1.7 million and was \$3.1 million in prior year. Total fund balance represents 26.8% and 28.1% of total General Fund expenditures 2011 and 2010 respectively.

The current year's fund balance of the DCRA's general fund decreased by \$0.6 million and decreased by \$0.8 million in the prior year. The decrease noted in 2011 is due primarily to the payment of debt service and development incentives committed to in prior years. The decrease noted in 2010 resulted from recording an allowance in that amount for an outstanding note receivable.

The DCRA records overlapping governmental revenue and grants for financing redevelopment activity in the downtown 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 \$1.7 and \$2.3 million, respectively, at September 30, 2011 and 2010 and is available for debt service, real estate held for resale items and specified activities of the fund.

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

Management's Discussion and Analysis

Budgetary Highlights

The DCRA'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 DCRA budget was amended for the following purpose:

- Offsetting appropriation adjustments among multiple accounts totaling approximately \$11,800 with no increase in total appropriations.

Budget to actual fluctuations resulted from the following reasons:

- Overall General Fund expenditures for the year were approximately \$1,678,102 under amended appropriations that had been increased during the year by approximately \$2.3 million for rollover of existing capital project budgets as well as newly approved capital projects.
- General Fund balance at year end was \$1.7 million or \$.6 million lower than beginning fund balance.

Capital Assets and Debt Administration

Capital Assets

The DCRA's investment in capital assets for its governmental activities as of September 30, 2011 and 2010 is \$8.5 million and \$8.1 million respectively (net of accumulated depreciation) as presented in Table 3. This investment in capital assets includes, land, buildings, machinery and equipment, park facilities, streets, roads and construction in progress. The total increase in the DCRA's investment in capital assets for the current fiscal year was 5.4% for 2011 and a decrease of 2.7% for 2010.

**Table 3
Capital Assets
As of September 30, 2011, 2010 and 2009
(\$ in thousands)**

	2011	2010	2009
Governmental Activities:			
Land	\$ 4,901	\$ 4,901	\$ 4,901
Buildings and improvements, net	3,061	2,744	2,938
Equipment, net	6	9	16
Construction in progress	549	430	452
Total	\$ 8,517	\$ 8,084	\$ 8,307

The most significant capital project underway in the DCRA is the streetlight replacement project in the district.

Additional information on the DCRA's capital assets can be found in the footnotes.

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

Management's Discussion and Analysis

Long-Term Debt

At the end of the current fiscal year, the DCRA had a total debt outstanding in the amount of \$21.8 million.

**Table 4
Long-Term Debt
As of September 30, 2011, 2010 and 2009
(\$ in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental Activities:			
Redevelopment Loans	\$ 21,764	\$ 23,921	\$ 26,071

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in the City averaged 10.0% during fiscal year 2011 based on information obtained from the U. S. Department of Labor, Bureau of Labor Statistics, and is lower than the average rate of 10.7% a year ago. This rate is lower than the state's average unemployment rate of approximately 10.8% and is higher than the national average rate of 9.2%.
- Inflationary trends in the region increased on average 2.8% for fiscal year 2011 as compared to an increase of 2.7% in similar national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the DCRA's budget for the 2012 fiscal year.

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

Requests for Information

This financial report is designed to provide a general overview of the Hollywood, Florida Community Redevelopment Agency's (Downtown 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 (Downtown District)
(A Component Unit of the City of Hollywood, Florida)

Statements of Net Assets
September 30, 2011 and 2010

Assets	Governmental Activities	
	2011	2010
Cash	\$ 200	\$ 200
Pooled investments	497,181	1,059,698
Accounts receivable	7,500	7,500
Notes receivable, net of allowance	1,124,695	1,155,000
Real estate held for resale	1,050,000	900,000
Deferred outflow of derivative instrument	3,222,567	3,319,405
Capital assets:		
Nondepreciable	5,449,972	5,331,637
Depreciable, net	3,067,437	2,752,233
Total assets	14,419,552	14,525,673
Liabilities		
Vouchers payable	305,945	189,666
Accrued wages	5,672	5,199
Deposits payable	3,577	3,577
Due to other governments	123,169	450,861
Interest payable	252,790	276,984
Construction contracts payable	378,361	19,438
Noncurrent liabilities:		
Due within one year:		
Compensated absences	13,392	11,166
Bonds and loans payable	2,166,418	2,157,163
Other liabilities	500,000	500,000
Due in more than one year:		
Compensated absences	7,148	7,612
Bonds and loans payable	19,597,716	21,764,147
Other liabilities	2,100,000	2,600,000
Fair value of derivative instrument	3,222,567	3,319,405
Total liabilities	28,676,755	31,305,218
Net Assets (Deficit)		
Invested in capital assets, net of related debt	3,732,949	2,831,354
Unrestricted (deficit)	(17,990,152)	(19,610,899)
Total net assets (deficit)	\$ (14,257,203)	\$ (16,779,545)

See Notes to Financial Statements

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

Statements of Activities
Fiscal Years Ended September 30, 2011 and 2010

	2011			2010		
	Expenses	Program Revenue Charges for Service	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities	Expenses	Program Revenue Charges for Service	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Functions:						
General government	\$ (1,064,288)	\$ -	\$ (1,064,288)	\$ (2,988,786)	\$ 105,750	\$ (2,883,036)
Transportation	(435,758)	-	(435,758)	(320,000)	-	(320,000)
Economic environment	(170,913)	-	(170,913)	(759,549)	-	(759,549)
Physical environment	(14,109)	-	(14,109)	(1,924)	-	(1,924)
Interest expense	(1,416,863)	-	(1,416,863)	(1,538,791)	-	(1,538,791)
Total governmental activities	(3,101,931)	-	(3,101,931)	(5,609,050)	105,750	(5,503,300)
General Revenues:						
Increment property taxes			5,604,886			6,984,310
Investment earnings			1,235			11,397
Miscellaneous			18,152			1,418,568
Total general revenues			5,624,273			8,414,275
Changes in net assets			2,522,342			2,910,975
Net assets (deficit), beginning			(16,779,545)			(19,690,520)
Net assets (deficit), ending			\$ (14,257,203)			\$ (16,779,545)

See Notes to Financial Statements.

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

Balance Sheets
Governmental Fund
September 30, 2011 and 2010

Assets	2011	2010
Cash	\$ 200	\$ 200
Pooled investments	497,181	1,059,698
Accounts receivable	7,500	7,500
Notes receivable, net of allowances	1,124,695	1,155,000
Real estate held for resale	1,050,000	725,000
Total assets	\$ 2,679,576	\$ 2,947,398
Liabilities and Fund Balances		
Liabilities:		
Vouchers payable	\$ 305,945	\$ 14,666
Accrued wages	5,672	5,199
Deposits payable	3,577	3,577
Due to other governments	1,079	330,000
Deferred revenue	316,563	316,563
Construction contracts payable	378,361	19,438
Total liabilities	1,011,197	689,443
Fund balances:		
Nonspendable for:		
Real estate held for resale	1,050,000	-
Long-term notes receivable	1,124,695	-
Restricted for:		
Capital Projects	458,104	-
Unassigned	(964,420)	-
Reserved for:		
Real estate held for resale	-	725,000
Long-term notes receivable	-	1,155,000
Unreserved	-	377,955
Total fund balances	1,668,379	2,257,955
Total liabilities and fund balances	\$ 2,679,576	\$ 2,947,398

See Notes to Financial Statements.

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

**Reconciliations of the Balance Sheets of the Governmental
Fund to the Statements of Net Assets
September 30, 2011 and 2010**

	2011	2010
Total fund balances – governmental fund	\$ 1,668,379	\$ 2,257,955
Amounts reported for governmental activities in the statement of net assets 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.	8,517,409	8,083,870
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	316,563	316,563
Adjustment to Due to Other Governments	(122,089)	(120,861)
Long-term liabilities, including notes payable, compensated absences and other liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(24,637,465)	(27,317,072)
Net assets of governmental activities	\$ (14,257,203)	\$ (16,779,545)

See Notes to Financial Statements.

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

**Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
Fiscal Years Ended September 30, 2011 and 2010**

	2011	2010
Revenues:		
Increment property taxes:		
City	\$ 2,780,793	\$ 3,346,464
Other governmental	2,824,093	3,637,846
Charges for services	-	105,750
Investment	1,235	11,397
Miscellaneous	18,152	155,833
Total revenues	5,624,273	7,257,290
Expenditures:		
Current:		
General government	862,701	2,788,899
Economic environment	1,184,696	1,259,549
Physical environment	14,109	1,924
Transportation	5,548	-
Capital outlay:		
Transportation	-	298,121
Economic environment	548,562	-
Debt Service:		
Principal	2,157,176	2,149,678
Interest and fiscal charges	1,441,057	1,538,256
Total expenditures	6,213,849	8,036,427
Net changes in fund balances	(589,576)	(779,137)
Fund balances, beginning	2,257,955	3,037,092
Fund balances, ending	\$ 1,668,379	\$ 2,257,955

See Notes to Financial Statements.

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

**Reconciliations of the Statements of Revenues, Expenditures and Changes
in Fund Balances of the Governmental Fund to the Statements of Activities
September 30, 2011 and 2010**

	2011	2010
Net changes in fund balances – governmental fund	\$ (589,576)	\$ (779,137)
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 Assets.	632,135	298,121
Capital assets contributed to other funds of the City, are not reported in the current year's Governmental Fund statements but are shown as expenses in the Statement of Activities	-	(320,000)
Depreciation expenses on governmental capital assets included in the Governmental Activities in the Statement of Net Assets.	(198,596)	(201,693)
Revenues in the Statement of Activities that do not provide current financial resources are not reported in the Governmental Fund.	-	112,735
Expenses due to long term other liabilities previously reported in the Statement of Activities that were forgiven are recorded as revenue.	-	1,150,000
Repayment of long-term debt and other liabilities is reported as an expenditure in Governmental Fund, but as a reduction of long-term liabilities in the Statement of Net Assets.	2,657,176	2,149,678
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Fund.		
Other liabilities	-	500,000
Accrued interest expense on long-term debt	24,194	(535)
Adjustments to due to other governments	(1,229)	(1,448)
Adjustments to compensated absences	(1,762)	3,254
Changes in net assets of governmental activities	\$ 2,522,342	\$ 2,910,975

See Notes to Financial Statements.

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

**Index to Notes to the Financial Statements
Fiscal Years Ended September 30, 2011 and 2010**

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Hollywood, Florida Community Redevelopment Agency (Downtown District) ("DCRA") 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 to provide services that exclusively benefit the City's downtown area. The Board of Directors of the DCRA is comprised of the members of the City Commission and the Mayor. The DCRA 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 DCRA'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 DCRA 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 DCRA 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 operating grants and contributions and capital grants and contributions. In 2011 the DCRA did not receive any program revenues but in 2010 the DCRA received approximately \$106,000 in program revenues. 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. Tax increment financing from 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 (Downtown District)
(A Component Unit of the City of Hollywood, Florida)**

Notes to Financial Statements

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 and current liabilities 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 DCRA 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, as well as 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 DCRA reports the following major governmental funds:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

D. Assets, Liabilities and Net Assets or Equity

1. **CASH AND INVESTMENTS** – The City is responsible for all treasury functions including the DCRA. 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 DCRA.
2. **ACCOUNTS AND INCREMENT TAX RECEIVABLES** – All accounts and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable 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, 2011.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 DCRA 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 authority for their share of those receipts.

The taxing authorities levying taxes in the DCRA pay to the DCRA an amount equal to ninety-five percent (95%) of the difference between the amount of ad valorem taxes levied by the taxing authorities, exclusive of debt service millage, and the difference between the current taxable real property values in the district and the assessed valuation of taxable real property in the district when it was created.

3. DUE TO/DUE FROM – Activity between the primary government and the DCRA, 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 assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.
5. REAL ESTATE HELD FOR SALE - DCRA acquires and develops property in economically depressed areas, for the intention of rendering the property suitable for economic development and then reselling or contributing in to private sector purchasers meeting certain criteria. Since these properties are acquired with the express intent of resale, they are reported at the lower of cost/donated value of net realizable value. Assets donated from the City or other donor entity or other related entities are recorded at the carrying value of the donor entity. Donated assets from other sources are recorded at fair value at the date of donation. The cost basis of real estate held for resale includes costs incurred to acquire the asset and prepare the asset for resale. Real estate for resale for the years ended September 30, 2011 and 2010 were as follows:

	2011			
	Beginning Balance	Additions	Deductions	Ending Balance
Real estate held for resale	\$ 900,000	\$ 150,000	\$ -	\$ 1,050,000

	2010			
	Beginning Balance	Additions	Deductions	Ending Balance
Real estate held for resale	\$ 725,000	\$ 175,000	\$ -	\$ 900,000

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

6. CAPITAL ASSETS – Capital assets, which include land, construction in progress, building and improvements, and equipment, are reported in the governmental columns 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 includes real property that is held by the DCRA 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:

Assets	Years
Buildings and improvements	5 to 40
Equipment	2 to 15

7. COMPENSATED ABSENCES – It is the DCRA’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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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 (Downtown District)
(A Component Unit of the City of Hollywood, Florida)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

9. FUND EQUITY – The Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) addressed issues with the past reporting of fund balance. Additionally, 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 DCRA considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the DCRA 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.

10. NET ASSETS – The government-wide statements utilized a net asset presentation. Net assets are categorized as invested in capital assets net of related debt. This is intended to reflect the portion of net assets which are associated with capital, less outstanding capital assets related debt, net of the unspent debt proceeds, and unrestricted net assets. These have no third party limitations on their use.
11. 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 and liabilities 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.
12. RISK MANAGEMENT – The DCRA 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 DCRA annual insurance premiums for the amount of the annual premium which represents the maximum liability of the DCRA for any related losses incurred for the years ended September 30, 2011 and 2010. Consequently, the DCRA does not retain its own liability in outstanding claims against it beyond the maximum premium paid.
13. ACCOUNTING STANDARDS ADOPTED – In the In fiscal year 2011 and 2010 the DCRA adopted the following statement of financial accounting standard issued by the Governmental Accounting Standards Board (“GASB”):

Statement No. 54, effective for fiscal year 2011 and has disclosed information about governmental fund balance reporting as required in the Notes to the Financial Statements. See Fund Equity section of Note 1.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* effective for fiscal year 2010. This statement improves financial reporting by requiring governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. As a result of implementation, at September 30, 2010 the DCRA recorded an aggregate Deferred Outflow of Resources (asset) of \$3,319,405, which is offset by a corresponding Derivative Instrument Liability (liability) in the same amount.

**Hollywood, Florida Community Redevelopment Agency (Downtown 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 DCRA. Substantially all cash and investments of the DCRA are held in the City's pooled cash and investments. DCRA's equity share of the total pooled cash and investments is included in the accompanying Statement of Net Assets under the caption "Pooled investments" other than investments titled "restricted." DCRA's investments with the city were approximately \$497,000 and \$1,060,000 in years 2011 and 2010, respectively, which represents less than 1% of the City's pooled investments as of September 30, 2011 and September 30, 2010. (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).

Note 3. Notes Receivable

The notes receivable balances are comprised of the following at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Current Loans	\$ 210,000	\$ 240,000
Deferred Loans	5,223,242	5,223,242
	<u>5,433,242</u>	<u>5,463,242</u>
Less: Allowance for Uncollectibles	<u>(4,308,547)</u>	<u>(4,308,242)</u>
Notes Receivable – Net	<u><u>\$ 1,124,695</u></u>	<u><u>\$ 1,155,000</u></u>

The notes receivable consist of loans to developers and others in approved projects. The loans are collateralized with property and a purchase money mortgage.

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

Notes to Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended September 30, 2011 and 2010 was as follows:

	2011			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,901,427	\$ -	\$ -	\$ 4,901,427
Construction in progress	430,210	548,545	430,210	548,545
Total capital assets not being depreciated	5,331,637	548,545	430,210	5,449,972
Capital assets, being depreciated:				
Buildings and improvements	3,896,291	513,800	-	4,410,091
Equipment	80,188	-	-	80,188
Total capital assets being depreciated	3,976,479	513,800	-	4,490,279
Less accumulated depreciation for:				
Buildings and improvements	1,152,653	196,241	-	1,348,894
Equipment	71,593	2,355	-	73,948
Total accumulated depreciation	1,224,246	198,596	-	1,422,842
Total capital assets, being depreciated, net	2,752,233	315,204	-	3,067,437
 Capital assets, net	 \$ 8,083,870	 \$ 863,749	 \$ 430,210	 \$ 8,517,409

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

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	2010			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,901,427	\$ -	\$ -	\$ 4,901,427
Construction in progress	452,089	298,121	320,000	430,210
Total capital assets not being depreciated	5,353,516	298,121	320,000	5,331,637
Capital assets, being depreciated:				
Buildings and improvements	3,896,291	-	-	3,896,291
Equipment	82,614	-	2,426	80,188
Total capital assets being depreciated	3,978,905	-	2,426	3,976,479
Less accumulated depreciation for:				
Buildings and improvements	957,838	194,815	-	1,152,653
Equipment	67,141	6,878	2,426	71,593
Total accumulated depreciation	1,024,979	201,693	2,426	1,224,246
Total capital assets, being depreciated, net	2,953,926	(201,693)	-	2,752,233
Capital assets, net	\$ 8,307,442	\$ 96,428	\$ 320,000	\$ 8,083,870

Depreciation expense was charged to function as follows:

	2011	2010
Governmental Activities:		
General Government	\$ 198,596	\$ 201,693

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

Notes to Financial Statements

Note 5. Construction Commitments

The DCRA has outstanding commitments for construction and acquisition of capital assets. These commitments were fully funded through bond proceeds and other reserves from the respective funds at September 30:

	<u>2011</u>		<u>2010</u>
Various redevelopment projects	\$ 442,053	\$	75,049

Note 6. Long-Term Obligations

A. Government Activities Debt

Summarized below are the DCRA's debt issued to finance the acquisition cost of various community redevelopment projects that were outstanding as of September 30, 2011 and 2010:

- \$2,000,000 Community Redevelopment Agency Redevelopment Revenue Bonds, Series 1995 – The DCRA issued this bond collateralized by tax increment revenues of the Agency and a secondary pledge of the City's public service tax revenues to finance street improvements in downtown Hollywood, at an annual interest rate of 5.013%. These bonds were paid off in fiscal 2010.
- \$31,500,000 Community Redevelopment Agency Loans – Loans committed to fund certain redevelopment projects and/or redevelopment incentives of the DCRA as approved by its governing board. The DCRA has pledged its tax increment revenues for repayment of these loans. The interest rates on \$2,500,000 and \$4,000,000 of these loans are fixed at 5.44% and 5.61% respectively. The interest rates on the remaining outstanding borrowings are variable and equal to the one month London Interbank Offered Rate (LIBOR) as published periodically in the Wall Street Journal plus 1.75%. Interest rate on these borrowings was approximately 2% at September 30, 2011 and 2010.

On September 22, 2006, the DCRA issued its Promissory Note, Series 2006A (2006A Note) in the principal amount of \$20,500,000 for the purpose of refunding its Promissory Notes Series, 2004B, 2005A and 2005B (Previous Notes) also totaling \$20,500,000. The 2006A Note and the previous Notes carry the same interest rate, 175 basis points over the 1-month LIBOR, and all were issued as bank loans/line of credits by the same financial institution. The only cost of issuance for both the 2006A Note and the Previous Notes was limited to minimal counsel fees which were fully expensed the year transactions were entered into. There was no gain or loss as a result of this refunding which basically consolidated three notes into one with no other financial reporting effect. This transaction constitutes an interest rate swap which is further described below.

On September 22, 2006 the DCRA entered into a fixed payer swap with Bank of America for the purpose of fixing its debt payments to manage the interest rate risk associated with variable rate debt. The swap is related to the 2006A Note described above, resulting in a synthetic fixed rate debt. The swap's notional amount as of September 30, 2006 was \$20,500,000. The swap has an effective date of September 22, 2006 and a termination date of November 1, 2022. The DCRA pays a fixed rate of 7.075% and receives the 1-month LIBOR plus 1.75%. Payments are netted by each party to the other and made on a quarterly basis. There was no cash paid or received when the swap was initiated.

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

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

At September 30, 2011 and 2010 the underlying swap with Bank of America had a fair value of \$3,222,567 and \$3,319,405, respectively. The notional value of \$15,375,000 and \$16,741,667 for 2011 and 2010 respectively of this borrowing is included in bonds, loans and leases payable in the statement of net assets. This fair value was obtained from the counterparty's mark to market report submitted to the DCRA.

The swap counterparty's ratings at September 30, 2011 and 2010 by Moody's/Standard and Poor's were A2/A+ and Aaa/AA respectively. The DCRA will have a market breakage risk if it decides to unwind the swap in a lower rate environment. The transaction has no basis risk since the swap payments the DCRA receives match the payments it is making on the underlying loan and both use the same index. There is no tax risk since the swap is indexed to LIBOR, a taxable index.

Using rates at September 30, 2011 and 2010, the debt service requirements of the DCRA's variable-rate debt and related swap are as follows. As rates vary, variable-rate bond interest payments will vary:

2011					
Fiscal Year Ending	Principal	Interest	Swap Rate Interest	Total	
2012	\$ 1,366,667	\$ 291,149	\$ 744,258	\$	2,402,074
2013	1,366,667	263,960	674,755		2,305,382
2014	1,366,667	236,771	605,252		2,208,690
2015	1,366,667	209,582	535,750		2,111,999
2016	1,366,667	182,393	466,247		2,015,307
2017-2021	6,833,333	504,130	1,288,695		8,626,158
2022-2023	1,708,332	19,825	50,679		1,778,836
	<u>\$ 15,375,000</u>	<u>\$ 1,707,810</u>	<u>\$ 4,365,636</u>	<u>\$</u>	<u>21,448,446</u>

2010					
Fiscal Year Ending	Principal	Interest	Swap Rate Interest	Total	
2011	\$ 1,366,667	\$ 321,028	\$ 811,070	\$	2,498,765
2012	1,366,667	293,609	741,797		2,402,073
2013	1,366,667	266,190	672,525		2,305,382
2014	1,366,667	238,772	603,252		2,208,691
2015	1,366,667	211,353	533,978		2,111,998
2016-2020	6,833,332	645,483	1,630,800		9,109,615
2021-2023	3,075,000	66,833	168,853		3,310,686
	<u>\$ 16,741,667</u>	<u>\$ 2,043,268</u>	<u>\$ 5,162,275</u>	<u>\$</u>	<u>23,947,210</u>

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

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

B. Changes in Long-Term Obligations

The following is a summary of changes in the long-term liabilities for the fiscal year ended September 30, 2011 and 2010:

	2011				Amounts Due Within One Year
	Beginning Balance	Additions	Deductions	Ending Balance	
Bonds, Notes and Loans Payable:					
Redevelopment Bonds, Loans and Notes Payable	\$ 23,921,310	\$ -	\$ 2,157,176	\$ 21,764,134	\$ 2,166,418
Total payable	23,921,310	-	2,157,176	21,764,134	2,166,418
Other Liabilities:					
Compensated Absences	18,778	15,154	13,392	20,540	13,392
Other Liabilities (Note 7)	3,100,000	-	500,000	2,600,000	500,000
Total other liabilities	3,118,778	15,154	513,392	2,620,540	513,392
 Total governmental activities long- term liabilities	 \$ 27,040,088	 \$ 15,154	 \$ 2,670,568	 \$ 24,384,674	 \$ 2,679,810

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

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

	2010					
	Beginning				Ending	Amounts
	Balance	Additions	Deductions	Balance	Due Within One Year	
Bonds, Notes and Loans Payable:						
Redevelopment Bonds, Loans and Notes Payable	\$ 26,070,988	\$ -	\$ 2,149,678	\$ 23,921,310	\$ 2,157,163	
Total payable	26,070,988	-	2,149,678	23,921,310	2,157,163	
Other Liabilities:						
Compensated Absences	30,928	8,412	20,562	18,778	11,166	
Other Liabilities (Note 7)	4,750,000	-	1,650,000	3,100,000	500,000	
Total other liabilities	4,780,928	8,412	1,670,562	3,118,778	511,166	
Total governmental activities long- term liabilities	\$ 30,851,916	\$ 8,412	\$ 3,820,240	\$ 27,040,088	\$ 2,668,329	

C. Summary of Annual Debt Service Requirements

Summary of Annual Debt Service Requirements – The annual debt service requirements to maturity for debt outstanding as of September 30, 2011 and 2010 are as follows:

Fiscal Year	2011	
	DCRA Redevelopment Revenue Loans (a)	
	Principal	Interest
Ending		
2012	\$ 2,166,418	\$ 1,316,584
2013	2,176,592	1,182,344
2014	2,187,148	1,051,509
2015	2,198,300	920,079
2016	2,209,998	790,072
2017-2021	9,117,345	2,040,333
2022-2023	1,708,333	92,058
	\$ 21,764,134	\$ 7,392,979

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

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

2010		
Fiscal Year Ending	DCRA Redevelopment Revenue Loans (a)	
	Principal	Interest
2011	\$ 2,157,163	\$ 1,444,335
2012	2,166,404	1,316,513
2013	2,176,590	1,182,778
2014	2,187,147	1,051,881
2015	2,198,298	920,389
2016-2020	9,960,708	2,647,111
2021-2023	3,075,000	275,974
	\$ 23,921,310	\$ 8,838,981

(a) Interest is variable, based upon the prevailing prime, LIBOR or other rates and was calculated using the rate in effect at the financial statement date.

D. Pledged Revenue

General long-term debt bonds are collateralized by DCRA 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, 2011 and 2010:

Bond/Loan Description	Pledged Revenue	Revenue Received	Principal and Interest	Outstanding Principal and Interest	Pledged Through
2011					
Redevelopment Loans					
Series 2002 to 2006A	Increment Tax Revenues	5,604,886	3,598,233	29,157,114	2023
2010					
Redevelopment Loans					
Series 1995	Increment Tax Revenues	\$ 6,984,310	\$ 190,948	\$ -	2010
Series 2002 to 2006A	Increment Tax Revenues	6,984,310	3,496,986	32,760,291	2023

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

Notes to Financial Statements

Note 7. Other Liabilities

The DCRA entered into agreements with third party developers for the purpose of constructing facilities, including some that were to be owned and operated by the DCRA. These agreements included provisions that required monetary compensation be paid to the developers upon achievement of defined completion milestones. The agreements allowed the DCRA to make payments over time. In fiscal year 2010, there was a forgiveness of indebtedness on one of the contracts which led to a decrease in the liability of \$1,150,000. The adjusted agreements outstanding require equal payments of \$500,000 through fiscal year 2015 with two payments of \$300,000 in 2016 and 2017. The obligation is not collateralized by any asset of the DCRA. The outstanding balance at September 30, 2011 is \$2,600,000.

Note 8. Tax Increment Revenue

The DCRA 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%. Each of the City, the County, the Hospital District and the Children's Services Council are required to fund this amount annually without regard to tax collections or other obligations.

Note 9. Fund Balance Reporting

FUND BALANCE REPORTING – The DCRA adopted Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) effective fiscal year 2011. The statement is intended to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the DCRA'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.

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 resources constrained to a specific purpose by the DCRA's highest level of decision-making authority, the Board. 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 were recorded as reserved fund balance in the past. The new standard changes that by recording encumbrances within an assigned fund balance category.

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.

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

Notes to Financial Statements

Note 9. Fund Balance Reporting (Continued)

The DCRA's fund balance is reported in the following hierarchy for the General Fund at September 30, 2011:

NONSPENDABLE – The DCRA's currently has \$2,174,695 classified as nonspendable.

RESTRICTED – The DCRA currently has \$458,104 classified as restricted.

COMMITTED – The DCRA currently has no funds classified in this category.

ASSIGNED – The DCRA currently has no funds classified in this category.

UNASSIGNED – The DCRA currently has a deficit balance of \$964,420 classified as unassigned.

Note 10. Other Information

A. Contingent Liabilities

The CRA 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 affected funds.

B. Pension Plan Information

1. DEFINED CONTRIBUTION PENSION PLANS – The CRA 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 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 return. 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, CRA Board resolution.
2. DEFERRED COMPENSATION PLANS – The City offers DCRA 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 DCRA has no fiduciary responsibility in either plan, they are not reflected in the DCRA's statements.

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

(A Component Unit of the City of Hollywood, Florida)

**Budgetary Comparison Schedule (Budgetary Basis) – General Fund
Year Ended September 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Increment property taxes:				
City	\$ 2,841,108	\$ 2,780,793	2,780,793	\$ -
Other governmental	2,835,756	2,824,093	2,824,093	-
Investment	197,309	197,309	1,235	(196,074)
Miscellaneous	24,200	24,200	18,152	(6,048)
Total revenues	5,898,373	5,826,395	5,624,273	(202,122)
Expenditures:				
Current:				
General government	1,379,800	2,227,004	862,701	1,364,303
Transportation	-	6,000	5,548	452
Economic environment	630,000	930,300	1,184,696	(254,396)
Physical environment	20,400	126,899	14,109	112,790
Total current	2,030,200	3,290,203	2,067,054	1,223,149
Capital Outlay:				
Economic environment	-	1,000,000	548,562	451,438
Total capital outlay	-	1,000,000	548,562	451,438
Debt Service:				
Principal	2,157,144	2,157,144	2,157,176	(32)
Interest and fiscal charges	1,442,104	1,444,604	1,441,057	3,547
Total debt service	3,599,248	3,601,748	3,598,233	3,515
Total expenditures	5,629,448	7,891,951	6,213,849	1,678,102
Excess (deficiency) of revenues over (under) expenditures	\$ 268,925	\$ (2,065,556)	(589,576)	\$ 1,475,980
Fund balance, beginning			2,257,955	
Fund balance, ending			<u>\$ 1,668,379</u>	

The notes to the required supplementary information are an integral part of this statement.

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

Budgetary Comparison Schedule (Budgetary Basis) – General Fund
Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Revenues:				
Increment property taxes:				
City	\$ 3,391,728	\$ 3,346,464	\$ 3,346,464	\$ -
Other governmental	3,687,130	3,637,846	3,637,846	-
Investment	-	-	11,397	11,397
Miscellaneous	-	-	155,833	155,833
Total revenues	7,078,858	6,984,310	7,151,540	167,230
Expenditures:				
Current:				
General government	356,572	2,105,737	2,788,899	(683,162)
Economic environment	830,000	1,424,158	1,259,549	164,609
Physical environment	-	110,900	1,924	108,976
Total current	1,186,572	3,640,795	4,050,372	(409,577)
Capital Outlay:				
Transportation	450,000	997,911	298,121	699,790
Total capital outlay	450,000	997,911	298,121	699,790
Debt Service:				
Principal	2,322,600	2,322,600	2,149,678	172,922
Interest and fiscal charges	1,606,408	1,606,408	1,538,256	68,152
Total debt service	3,929,008	3,929,008	3,687,934	241,074
Total expenditures	5,565,580	8,567,714	8,036,427	531,287
Excess (deficiency) of revenues over (under) expenditures	1,513,278	(1,583,404)	(884,887)	698,517
Other financing uses:				
Transfers out				
Parking Enterprise Fund	-	-	105,750	105,750
Deficiency of revenues under expenditures and other financing uses	\$ 1,513,278	\$ (1,583,404)	(779,137)	\$ 804,267
Fund balance, beginning			3,037,092	
Fund balance, ending			<u>\$ 2,257,955</u>	

The notes to the required supplementary information are an integral part of this statement.

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

**Notes to Required Supplementary Information
September 30, 2011 and 2010
(Unaudited)**

Note 1. Budgetary Procedures and Budgetary Accounting

The DCRA 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 DCRA Board is authorized to transfer budget amounts. Revisions that alter the total expenditure must be approved by the DCRA 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 DCRA Board. The difference between the two columns represents authorized budget transfers 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:

	2010	
	Revenues	Expenditures
Revenue and expenditures – budgetary basis	\$ 7,151,540	\$ 8,036,427
Transfer in – Parking Enterprise Fund	105,750	-
Revenue and expenditures – GAAP basis	<u>\$ 7,257,290</u>	<u>\$ 8,036,427</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 (Downtown District)

We have audited the financial statements of the governmental activities, and the major fund of the Hollywood, Florida Community Redevelopment Agency (Downtown District) (the "DCRA"), a component unit of the City of Hollywood, Florida, as of and for the year ended September 30, 2011, which collectively comprise the DCRA's basic financial statements and have issued our report thereon dated June 29, 2012. Our report was modified to include the adoption of the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 54, Accounting for Fund Balance reporting and Governmental Fund Type Definition during fiscal year 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the DCRA is responsible for establishing and maintaining effective internal control over financial reporting. In planning performing our audit, we considered the DCRA's internal control over financial reporting as a basis for designing our auditing procedures 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 DCRA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DCRA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DCRA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

This report is intended solely for the information and use of the Members of the Board of Directors and management of the DCRA and is not intended to be and should not be used by anyone other than these specified parties.

The signature of McGladrey LLP is written in a cursive, handwritten style.

Fort Lauderdale, Florida
June 29, 2012

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

**Schedule of Findings and Responses
Fiscal Years Ended September 30, 2011 and 2010**

I – Financial Statement Findings

Internal Control

None Reported

Compliance

None Reported.

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

**Summary Schedule of Prior Year Findings and Responses
Fiscal Years Ended September 30, 2011 and 2010**

I – Financial Statement Findings

Internal Control

None Reported.

Compliance

None Reported.