

# Hollywood, Florida Community Redevelopment Agency (Beach District)

Financial Report  
Fiscal Year Ended September 30, 2009

## **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 years ended September 30, 2009 were as follows:

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

#### **BOARD MEMBERS**

PETER BOBER, Chairperson

BEAM FURR, Vice Chairperson – District 2

RICHARD BLATTNER, Board Member – District 4

PATRICIA ASSEFF, Board Member – District 1

HEIDI O'SHEEHAN, Board Member – District 3

FRAN RUSSO, Board Member – District 5

LINDA SHERWOOD, Board Member – District 6

#### **EXECUTIVE DIRECTOR**

GIL MARTINEZ

#### **GENERAL COUNSEL**

JEFFREY P. SHEFFEL

#### **DIRECTOR OF FINANCIAL SERVICES**

BRYAN CAHEN

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## Independent Auditor's Report

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

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 years ended Septembers 30, 2009 and 2008, which collectively comprise the BCRA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the BCRA'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the BCRA as of September 30, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 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 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 & Pullen, LLP*

Fort Lauderdale, Florida  
September 1, 2010

**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 years ended September 30, 2009 and 2008. 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 and its ability to address the next year's challenges.

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 \$6.2 million (net assets).
- The BCRA's total net assets decreased by \$7.0 million in 2009 and \$11.8 million in 2008.
- Comparing fiscal year 2009 with 2008, the governmental activities revenue decreased by \$2.2 million and expenses decreased by \$7.0 million. The net results from activities increased by \$4.8 million or 40.5% over the results in 2008. In both fiscal years 2009 and 2008, the results of activities produced a decrease in net assets of \$7.0 million and \$11.8 million, respectively.
- The BCRA's total long-term liabilities decreased by \$2.5 million or 4.3% during the current year and by \$0.8 million or 1.4% 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 \$11.5 million or 15.4% during the current year and by \$16.2 million or 17.8% in the prior year. The decrease is attributed to capital outlay expenses funded by loan proceeds received in the prior years. The assets constructed were contributed to the City upon completion.
- At September 30, 2009 and 2008 the unreserved balance in the BCRA's governmental fund was \$19.8 million and \$20.1 million respectively.

**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 report both long-term and short-term information about the BCRA's overall financial status.
- The remaining statements are governmental fund financial statement 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)  
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**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 assets presents information on all of the BCRA'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 BCRA is improving or deteriorating.

The statement of activities presents information showing how the BCRA'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 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, and as such, the financial information of the BCRA is included in the City's 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)  
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**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 activities 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. 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 assets and how they have changed. Table 1 presents net assets – the difference between the BCRA's assets and liabilities – is one way to measure the BCRA's financial health, or position.

- Over time, increases or decreases in the BCRA's net assets 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 (38.5% and 37.3% for 2009 and 2008 respectively) 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 Assets

The table below summarizes the summary of net assets:

Table 1  
Summary of Net Assets  
September 30, 2009, 2008 and 2007  
(\$ in thousands)

	Governmental Activities		
	2009	2008	2007
Current and other assets	\$ 38,885	\$ 46,864	\$ 55,454
Capital assets	24,386	27,942	35,555
<b>Total assets</b>	<b>63,271</b>	<b>74,806</b>	<b>91,009</b>
Long-term liabilities	55,037	57,526	58,317
Current liabilities	2,065	4,093	7,707
<b>Total liabilities</b>	<b>57,102</b>	<b>61,619</b>	<b>66,024</b>
Net assets (deficits)			
Invested in capital assets, net of related debt	8,313	8,693	7,680
Restricted	1,508	1,387	741
Unrestricted (deficit)	(3,652)	3,107	16,564
<b>Total net assets</b>	<b>\$ 6,169</b>	<b>\$ 13,187</b>	<b>\$ 24,985</b>

An additional portion of the BCRA's net assets (24.4% and 10.5% for years 2009 and 2008 respectively) represents resources that are subject to external restrictions on how they may be used.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Governmental activities decreased the BCRA's net assets by \$7.0 million, \$11.8 million and increased \$8.4 million for the years ended September 30, 2009, 2008 and 2007 respectively.

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 Assets

Governmental activities decreased the BCRA's net assets by \$7.0 million in fiscal year 2009 and \$11.8 million in fiscal year 2008. Key elements of this change are shown in Table 2 below:

Table 2  
Summary of Changes in Net Assets  
For the fiscal years ended September 30, 2009, 2008 and 2007  
(\$ in thousands)

	Governmental Activities		
	2009	2008	2007
Revenues:			
Program revenues:			
Charges for services	\$ 324	\$ -	\$ -
General revenues:			
Tax Increment property taxes	18,908	20,100	18,599
Investment earnings	340	1,735	2,225
Miscellaneous	45	18	2
<b>Total revenue</b>	<b>19,617</b>	<b>21,853</b>	<b>20,826</b>
Expenses:			
General government	8,798	6,199	5,048
Public safety	-	117	-
Economic environment	2,253	1,245	2,539
Physical environment	12,629	23,044	1,977
Culture and recreation	229	133	348
Interest and fiscal charges	2,726	2,913	2,491
<b>Total expenses</b>	<b>26,635</b>	<b>33,651</b>	<b>12,403</b>
<b>Net increase (decrease) in net assets</b>	<b>(7,018)</b>	<b>(11,798)</b>	<b>8,423</b>
Net assets – October 1	13,187	24,985	16,562
Net assets – September 30	\$ 6,169	\$ 13,187	\$ 24,985

Key elements of the net increase and decrease are as follows:

- Tax increment funds decreased by \$1.2 million during the year, as a result of the approval by Florida voters of Amendment 1, a constitutional amendment that increases homestead exemptions, allows portability of Save Our Homes tax savings and limits assessments increases for all properties not previously capped.
- The reduction of \$1.4 million in the other revenues category under the governmental activities is attributable to lower interest rates on invested funds.

**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 decrease noted in physical environment expense resulted from an overall reduction of projects in the BCRA district. Specifically, completion of construction of the \$20.9 million Garfield Street Parking Garage in fiscal 2008. No similar project was undertaken in fiscal 2009. The increase noted in physical environment expense in 2008 resulted from expenses incurred on capital projects underway, most notably, the Garfield Street Parking Garage.

**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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Although it is termed "unreserved 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, unreserved fund balance of the general fund was \$19.8 million and was \$20.1 million in prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 77% and 74% of total General Fund expenditures for 2009 and 2008 respectively, while total fund balance represents 146% and 161%, respectively of that same amount.

The current year fund balance of the BCRA's general fund decreased by \$6.1 million and by \$5.3 million in the prior year. This decrease is due primarily to capital outlay expenditures funded by loan proceeds received in the prior years. During the year, revenue sources experienced shortfalls; most notably interest earned, due to the current reduction in market interest rates.

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 \$37.7 million at September 30, 2009 and \$43.8 million at September 30, 2008 and is available for debt service, capital improvements and specified activities of the fund.

**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:

- Increase in transfers out represents a refund of overpaid tax increment in the amount of \$.7 million received by the BCRA.
- Offsetting appropriation adjustments among multiple accounts totaling approximately \$1.4 million with no increase in appropriations.

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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Budget to actual fluctuations resulted from the following reasons:

- Overall General Fund expenditures for the year were \$18,565,952 under amended appropriations that had been increased during the year by approximately \$24.1 million for rollover of existing capital project budgets as well as newly approved capital projects.
- General Fund balance at year end was \$37,693,596 or \$6,106,195 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, 2009 and 2008 amounts to \$24.4 million and \$27.9 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 decrease in the BCRA's investment in capital assets for the current fiscal year was \$3.6 million or 12.7% decrease and a \$7.6 million or a 21.4% decrease in prior year.

The most notable capital asset event occurring during the year was reflected in the completion of approximately \$10.2 million in building and improvements previously reported as construction in progress.

**Table 3**  
**Capital Assets**  
**As of September 30, 2009, 2008 and 2007**  
 (\$ in thousands)

	2009	2008	2007
<b>Governmental Activities:</b>			
Land	\$ 8,247	\$ 8,247	\$ 8,247
Buildings and improvements, net	9,087	7,845	-
Equipment, net	292	371	432
Construction in progress	6,760	11,479	26,876
<b>Total</b>	<b>\$ 24,386</b>	<b>\$ 27,942</b>	<b>\$ 35,555</b>

The most significant capital project underway in the BCRA is the multi-year undergrounding of all utility lines and streetscape improvements in the beach area.

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 \$54.9 million. This debt was decreased by \$2.5 million from the previous year and \$.8 million in the year before that due to the payment of principal.

**Table 4**  
**Long-Term Debt**  
**As of September 30, 2009, 2008 and 2007**  
**(\$ in thousands)**

	2009	2008	2007
<b>Governmental Activities:</b>			
Redevelopment Revenue Bonds	\$ 54,905	\$ 57,425	\$ 58,245

The BCRA maintains an "A-" rating from Fitch for general obligation debt.

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

- The unemployment rate in the City averaged 8.5% during fiscal year 2009 based on information obtained from the U. S. Department of Labor, Bureau of Labor Statistics, which is higher than the average rate of 4.9% a year ago. This rate is lower than the state's average unemployment rate of approximately 9.5% and is the same as the national average rate of 8.5%.
- Inflationary trends in the region increased on average .1% for fiscal year 2009 as compared to a decrease of .6% in similar national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the BCRA's budget for the 2010 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, 2600 Hollywood Boulevard, Hollywood, Florida 33020.

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

Statements of Net Assets  
September 30, 2009 and 2008

Assets	Governmental Activities	
	2009	2008
Cash	\$ 200	\$ 200
Pooled investments	20,994,735	23,167,220
Accounts receivable	622	11
Restricted investments	17,889,080	23,696,702
Capital assets:		
Nondepreciable	15,007,678	19,726,605
Depreciable, net	9,378,688	8,215,531
<b>Total assets</b>	<b>63,271,003</b>	<b>74,806,269</b>
<b>Liabilities</b>		
Vouchers payable	508,336	315,609
Unearned revenue	-	1,433,387
Construction contracts payable	645,963	1,287,221
Due to other governments	687,378	825,862
Interest payable	222,979	231,605
Noncurrent liabilities:		
Due within one year		
Compensated absences	106,089	92,775
Bonds payable	2,625,000	2,520,000
Due in more than one year		
Compensated absences	26,400	8,256
Bonds payable	52,280,000	54,905,000
<b>Total liabilities</b>	<b>57,102,145</b>	<b>61,619,715</b>
<b>Net Assets (Deficit)</b>		
Invested in capital assets, net of related debt	8,313,106	8,693,379
Restricted for:		
Debt service	451,641	440,649
Capital improvement program	1,056,076	945,218
Unrestricted (deficit)	(3,651,965)	3,107,308
<b>Total net assets</b>	<b>\$ 6,168,858</b>	<b>\$ 13,186,554</b>

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 Years Ended September 30, 2009 and 2008

	2009			2008	
	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities	Expenses	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
Functions:					
General government	\$ 8,798,316	\$ 323,805	\$ (8,474,511)	\$ 6,199,404	\$ (6,199,404)
Public safety	-	-	-	116,679	(116,679)
Economic environment	2,252,987	-	(2,252,987)	1,244,886	(1,244,886)
Physical environment	12,628,855	-	(12,628,855)	23,043,979	(23,043,979)
Culture and recreation	228,848	-	(228,848)	133,344	(133,344)
Interest expense	2,725,515	-	(2,725,515)	2,913,035	(2,913,035)
<b>Total governmental activities</b>	<b>26,634,521</b>	<b>323,805</b>	<b>(26,310,716)</b>	<b>33,651,327</b>	<b>(33,651,327)</b>
General Revenues:					
Increment property taxes			18,907,968		20,099,709
Investment earnings			340,436		1,735,286
Miscellaneous			44,616		17,765
<b>Total general revenues</b>			<b>19,293,020</b>		<b>21,852,760</b>
<b>Change in net assets</b>			<b>(7,017,696)</b>		<b>(11,798,567)</b>
Net assets, beginning			13,186,554		24,985,121
Net assets, ending			<b>\$ 6,168,858</b>		<b>\$ 13,186,554</b>

See Notes to Financial Statements.

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

Balance Sheets  
Governmental Fund  
September 30, 2009 and 2008

Assets	2009	2008
Cash	\$ 200	\$ 200
Pooled investments	20,994,735	23,167,220
Accounts receivable	622	11
Restricted investments	17,889,080	23,696,702
<b>Total assets</b>	<b>\$ 38,884,637</b>	<b>\$ 46,864,133</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Vouchers payable	\$ 508,336	\$ 315,609
Accrued wages and leave	36,742	28,125
Unearned revenue	-	1,433,387
Construction contracts payable	645,963	1,287,221
<b>Total liabilities</b>	<b>1,191,041</b>	<b>3,064,342</b>
Fund Balances:		
Reserved for:		
Debt service	3,135,794	3,124,802
Capital improvement program	14,753,286	20,571,900
Unreserved	19,804,516	20,103,089
<b>Total fund balances</b>	<b>37,693,596</b>	<b>43,799,791</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,884,637</b>	<b>\$ 46,864,133</b>

See Notes to Financial Statements.

Hollywood, Florida Community Redevelopment Agency (Beach 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, 2009 and 2008

	2009	2008
<b>Total fund balances – governmental fund</b>	<b>\$ 37,693,596</b>	<b>\$ 43,799,791</b>
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.	24,386,366	27,942,136
Adjustment to Due to Other Governments	(687,378)	(825,862)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(55,223,726)	(57,729,511)
<b>Net assets of governmental activities</b>	<b>\$ 6,168,858</b>	<b>\$ 13,186,554</b>

See Notes to Financial Statements.

Hollywood, Florida Community Redevelopment Agency (Beach 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, 2009 and 2008

	2009	2008
Revenues:		
Increment property taxes:		
City	\$ 9,664,752	\$ 10,343,199
Other governmental	9,243,216	9,756,510
Charges for services – Hollywood Office of Tourism	323,805	-
Investment	340,436	1,735,286
Miscellaneous	44,616	17,765
<b>Total revenues</b>	<b>19,616,825</b>	<b>21,852,760</b>
Expenditures:		
Current:		
General government	8,532,695	5,993,265
Economic environment	2,252,987	586,386
Physical environment	2,914,646	2,027,819
Culture and recreation	228,848	133,344
Capital outlay:		
General government	8,603	68,030
Public safety	556,476	188,310
Economic environment	-	658,500
Physical environment	5,974,625	13,737,314
Debt Service:		
Principal	2,520,000	820,000
Interest and fiscal charges	2,734,140	2,923,045
<b>Total expenditures</b>	<b>25,723,020</b>	<b>27,136,013</b>
<b>Net changes in fund balances</b>	<b>(6,106,195)</b>	<b>(5,283,253)</b>
Fund balances, beginning	43,799,791	49,083,044
Fund balances, ending	<u>\$ 37,693,596</u>	<u>\$ 43,799,791</u>

See Notes to Financial Statements.

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

Reconciliations of the Statements of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Fund to the Statements of Activities  
September 30, 2009 and 2008

	2009	2008
<b>Net changes in fund balances – governmental fund</b>	<b>\$ (6,106,195)</b>	<b>\$ (5,283,253)</b>
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.	5,705,468	3,854,066
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.	(8,658,890)	(10,943,254)
Depreciation expenses on governmental capital assets included in the Governmental Activities in the Statement of Net Assets.	(602,347)	(522,180)
Repayment of long-term debt is reported as an expenditure in Governmental Fund, but as a reduction of long-term liabilities in the Statement of Net Assets.	2,520,000	820,000
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 to other governments	138,484	287,410
Accrued interest on long-term debt	8,625	10,010
Adjustment to compensated absences	(22,841)	(19,969)
Loss on disposal of capital assets	-	(1,397)
<b>Changes in net assets of governmental activities</b>	<b>\$ (7,017,696)</b>	<b>\$ (11,798,567)</b>

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 Years Ended September 30, 2009 and 2008

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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. In 2008 the BCRA did not receive any 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 (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 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 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, 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 BCRA reports the following major governmental funds:

- The general fund accounts for all financial resources that are used to finance redevelopment projects within the beach 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 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 Assets or Equity

1. CASH AND INVESTMENTS – The City is responsible for all treasury functions including 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 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, 2009.

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 ninety-five percent (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."

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)

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. 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 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:

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

6. 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.
7. 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.

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)**

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.

8. FUND EQUITY – In the financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
9. NET ASSETS – The government-wide statements utilize a net asset presentation. Net assets are categorized as invested in capital assets net of related debt or restricted. This is intended to reflect the portion of net assets which are associated with capital less outstanding capital assets related debt, net of unspent debt proceeds, restricted net assets, the portion of net assets that have third party limitations on their use, and unrestricted net assets that have no third party limitations on their use.
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 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.
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 for the amount of premium which represents the maximum liability of the BCRA for any related losses incurred for the years ended September 30, 2009 and 2008. Consequently, the BCRA does not retain its own liability in outstanding claims against it beyond the maximum premium paid.

**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 cash and investments. BCRA'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." BCRA's pooled investments with the City were approximately \$20,995,000 and \$23,167,000 in years 2009 and 2008, respectively, which represents 18.6% of the City's pooled investments as of September 30, 2009 and 18.9% as of September 30, 2008. (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, 2009 and 2008, the BCRA also had approximately \$17,889,000 and \$23,697,000, respectively, of money market mutual funds and demand deposits with the City.

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**

Capital assets activity for the years ended September 30, 2009 and 2008, was as follows:

	2009			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 8,247,441	\$ -	\$ -	\$ 8,247,441
Construction in progress	11,479,164	5,484,359	10,203,286	6,760,237
<b>Total capital assets         not being depreciated</b>	<b>19,726,605</b>	<b>5,484,359</b>	<b>10,203,286</b>	<b>15,007,678</b>
Capital assets, being depreciated:				
Buildings and improvements	8,257,342	1,727,485	-	9,984,827
Equipment	648,780	38,019	-	686,799
<b>Total capital assets         being depreciated</b>	<b>8,906,122</b>	<b>1,765,504</b>	<b>-</b>	<b>10,671,626</b>
Less accumulated depreciation for:				
Buildings and improvements	412,867	484,846	-	897,713
Equipment	277,724	117,501	-	395,225
<b>Total accumulated         depreciation</b>	<b>690,591</b>	<b>602,347</b>	<b>-</b>	<b>1,292,938</b>
<b>Total capital assets,         being depreciated, net</b>	<b>8,215,531</b>	<b>1,163,157</b>	<b>-</b>	<b>9,378,688</b>
 Capital assets, net	 \$ 27,942,136	 \$ 6,647,516	 \$ 10,203,286	 \$ 24,386,366

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

Notes to Financial Statements

Note 3. Capital Assets (Continued)

	2008			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 8,247,441	\$ -	\$ -	\$ 8,247,441
Construction in progress	26,875,691	3,804,069	19,200,596	11,479,164
<b>Total capital assets not being depreciated</b>	<b>35,123,132</b>	<b>3,804,069</b>	<b>19,200,596</b>	<b>19,726,605</b>
Capital assets, being depreciated:				
Buildings and improvements	-	8,257,342	-	8,257,342
Equipment	602,720	49,997	3,937	648,780
<b>Total capital assets being depreciated</b>	<b>602,720</b>	<b>8,307,339</b>	<b>3,937</b>	<b>8,906,122</b>
Less accumulated depreciation for:				
Buildings and improvements	-	412,867	-	412,867
Equipment	170,951	109,313	2,540	277,724
<b>Total accumulated depreciation</b>	<b>170,951</b>	<b>522,180</b>	<b>2,540</b>	<b>690,591</b>
<b>Total capital assets, being depreciated, net</b>	<b>431,769</b>	<b>7,785,159</b>	<b>1,397</b>	<b>8,215,531</b>
<b>Capital assets, net</b>	<b>\$ 35,554,901</b>	<b>\$ 11,589,228</b>	<b>\$ 19,201,993</b>	<b>\$ 27,942,136</b>

Depreciation expense was charged to function as follows:

	2009	2008
<b>Governmental Activities:</b>		
General Government	\$ 602,347	\$ 522,180

During fiscal years 2009 and 2008, the BCRA contributed \$8,658,890 and \$10,943,254, respectively, of completed construction in progress to the City.

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 4. Construction Commitments**

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

	<u>2009</u>	<u>2008</u>
Various redevelopment projects	\$ 3,264,472	\$ 7,027,056

**Note 5. Long-Term Debt**

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, 2009 and 2008:

- \$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 Broadwalk 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 Debt (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, 2009 and 2008:

	2009				Amounts Due Within One Year
	Beginning Balance	Additions	Deductions	Ending Balance	
<b>Bonds Payable:</b>					
Redevelopment Revenue Bonds	\$ 57,425,000	\$ -	\$ 2,520,000	\$ 54,905,000	\$ 2,625,000
<b>Other Liabilities:</b>					
Compensated Absences	101,031	100,805	69,347	132,489	106,089
<b>Total Governmental Activities Long- Term Liabilities</b>	<b>\$ 57,526,031</b>	<b>\$ 100,805</b>	<b>\$ 2,589,347</b>	<b>\$ 55,037,489</b>	<b>\$ 2,731,089</b>
	2008				Amounts Due Within One Year
	Beginning Balance	Additions	Deductions	Ending Balance	
<b>Bonds Payable:</b>					
Redevelopment Revenue Bonds	\$ 58,245,000	\$ -	\$ 820,000	\$ 57,425,000	\$ 2,520,000
<b>Other Liabilities:</b>					
Compensated Absences	72,201	93,480	64,650	101,031	92,775
<b>Total Governmental Activities Long- Term Liabilities</b>	<b>\$ 58,317,201</b>	<b>\$ 93,480</b>	<b>\$ 884,650</b>	<b>\$ 57,526,031</b>	<b>\$ 2,612,775</b>

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

Notes to Financial Statements

Note 5 Long-Term Debt (Continued)

C. Summary of Annual Debt Service Requirements

The annual debt service requirements to maturity for debt outstanding as of September 30, 2009 and 2008 are as follows:

2009			2008		
Fiscal Year Ending:	BCRA Redevelopment Revenue Bonds		Fiscal Year Ending:	BCRA Redevelopment Revenue Bonds	
	Principal	Interest		Principal	Interest
2010	\$ 2,625,000	\$ 2,621,317	2009	\$ 2,520,000	\$ 2,727,511
2011	2,735,000	2,509,609	2010	2,625,000	2,621,317
2012	2,850,000	2,391,875	2011	2,735,000	2,509,609
2013	2,970,000	2,267,057	2012	2,850,000	2,391,875
2014	3,095,000	2,135,603	2013	2,970,000	2,267,057
2015-2019	17,800,000	8,252,494	2014-2018	16,985,000	9,100,238
2020-2024	22,830,000	3,086,187	2019-2023	21,700,000	4,243,062
	<u>\$ 54,905,000</u>	<u>\$ 23,264,142</u>	2024	5,040,000	130,984
				<u>\$ 57,425,000</u>	<u>\$ 25,991,653</u>

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, 2009 and 2008:

Bond Description	Pledged Revenue	Revenue Received	Principal and Interest	Outstanding Principal and Interest	Pledged Through
<u>2009</u>					
Redevelopment Revenue Bonds					
Series 2004 and Series 2007	Increment Tax Revenues	\$ 18,907,968	\$ 5,247,512	\$ 78,169,142	2024
<u>2008</u>					
Redevelopment Revenue Bonds					
Series 2004 and Series 2007	Increment Tax Revenues	\$ 20,099,709	\$ 3,739,390	\$ 83,416,653	2024

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 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%. 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. The amounts required by the Hospital District are capped at \$300,000.

**Note 7. Other Information**

A. Restricted Assets

Borrowing agreements require restriction of certain assets. Amounts required to be restricted totaled \$3,135,794 and \$3,124,802 at September 30, 2009 and 2008, respectively. These amounts represent required debt service reserves for the Redevelopment Revenue Bonds, Series 2004.

B. 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.

C. 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 directors 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, CRA Board resolution.
2. DEFERRED COMPENSATION PLANS – The City offers certain 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.

REQUIRED SUPPLEMENTARY INFORMATION  
(OTHER THAN MD&A)

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

Budgetary Comparison Schedule (Budgetary Basis) – General Fund  
Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Increment property taxes:				
City	\$ 9,739,646	\$ 9,739,646	\$ 9,664,752	\$ (74,894)
Other governmental	9,235,591	9,235,591	9,243,216	7,625
Investment	-	-	340,436	340,436
Miscellaneous	-	-	44,616	44,616
<b>Total revenues</b>	<b>18,975,237</b>	<b>18,975,237</b>	<b>19,293,020</b>	<b>317,783</b>
<b>Expenditures:</b>				
Current:				
General government	6,890,278	7,944,968	7,830,211	114,757
Economic environment	1,969,500	3,639,185	2,252,987	1,386,198
Physical environment	3,983,252	5,233,252	2,914,646	2,318,606
Culture and recreation	229,000	229,000	228,848	152
<b>Total current</b>	<b>13,072,030</b>	<b>17,046,405</b>	<b>13,226,692</b>	<b>3,819,713</b>
Capital Outlay:				
General government	600,000	4,955,371	8,603	4,946,768
Public safety	-	1,028,045	556,476	471,569
Physical environment	600,000	15,302,527	5,974,625	9,327,902
<b>Total capital outlay</b>	<b>1,200,000</b>	<b>21,285,943</b>	<b>6,539,704</b>	<b>14,746,239</b>
Debt Service:				
Principal	2,520,000	2,520,000	2,520,000	-
Interest and fiscal charges	2,732,012	2,734,140	2,734,140	-
<b>Total debt service</b>	<b>5,252,012</b>	<b>5,254,140</b>	<b>5,254,140</b>	<b>-</b>
<b>Total expenditures</b>	<b>19,524,042</b>	<b>43,586,488</b>	<b>25,020,536</b>	<b>18,565,952</b>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<b>(548,805)</b>	<b>(24,611,251)</b>	<b>(5,727,516)</b>	<b>18,883,735</b>
<b>Other Financing Sources:</b>				
Transfers in:				
Downtown Community Redevelopment Fund	548,805	548,805	323,805	(225,000)
Transfers out:				
General Fund	-	(702,484)	(702,484)	-
<b>Total other financing sources (uses)</b>	<b>548,805</b>	<b>(153,679)</b>	<b>(378,679)</b>	<b>(225,000)</b>
<b>Excess (deficiency) of revenues and     other financing sources over     (under) expenditures</b>	<b>\$ -</b>	<b>\$ (24,764,930)</b>	<b>(6,106,195)</b>	<b>\$ 18,658,735</b>
Fund balance, beginning			43,799,791	
Fund balance, ending			<u>\$ 37,693,596</u>	

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

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

Budgetary Comparison Schedule (Budgetary Basis) – General Fund  
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Increment property taxes:				
City	\$ 10,335,768	\$ 10,335,768	\$ 10,343,199	\$ 7,431
Other governmental	9,749,717	9,749,717	9,756,510	6,793
Investment	65,000	65,000	1,735,286	1,670,286
Miscellaneous	-	-	17,765	17,765
<b>Total revenues</b>	<b>20,150,485</b>	<b>20,150,485</b>	<b>21,852,760</b>	<b>1,702,275</b>
<b>Expenditures:</b>				
Current:				
General government	5,948,764	5,999,834	5,993,265	6,569
Economic environment	1,840,000	2,829,685	586,386	2,243,299
Physical environment	2,100,000	2,333,863	2,027,819	306,044
Culture and recreation	229,000	229,000	133,344	95,656
<b>Total current</b>	<b>10,117,764</b>	<b>11,392,382</b>	<b>8,740,814</b>	<b>2,651,568</b>
Capital Outlay:				
General government	5,523,401	5,523,401	68,030	5,455,371
Public safety	500,000	1,478,872	188,310	1,290,562
Economic environment	-	658,500	658,500	-
Physical environment	350,000	32,392,327	13,737,314	18,655,013
<b>Total capital outlay</b>	<b>6,373,401</b>	<b>40,053,100</b>	<b>14,652,154</b>	<b>25,400,946</b>
Debt Service:				
Principal	820,000	820,000	820,000	-
Interest and fiscal charges	2,839,320	2,844,320	2,923,045	(78,725)
<b>Total debt service</b>	<b>3,659,320</b>	<b>3,664,320</b>	<b>3,743,045</b>	<b>(78,725)</b>
<b>Total expenditures</b>	<b>20,150,485</b>	<b>55,109,802</b>	<b>27,136,013</b>	<b>27,973,789</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (34,959,317)</b>	<b>(5,283,253)</b>	<b>\$ 29,676,064</b>
Fund balance, beginning			49,083,044	
Fund balance, ending			<b>\$ 43,799,791</b>	

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

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

Notes to Required Supplementary Information  
 September 30, 2009  
 (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:

2009		Revenues	Expenditures
Revenue and expenditures – budgetary basis	\$ 19,293,020	\$ 25,020,536	
Transfer in – Downtown Community Redevelopment Fund	323,805		-
Transfer out – City of Hollywood General Fund	-		702,484
Revenue and expenditures – GAAP basis	<u>\$ 19,616,825</u>	<u>\$ 25,723,020</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 the financial statements of the governmental activities and the major fund of The Hollywood, Florida Community Redevelopment Agency (Beach District) (the "BCRA"), a component unit of the City of Hollywood, Florida, as of and for the years ended September 30, 2009 and 2008, which collectively comprise the BCRA's basic financial statements and have issued our report thereon dated September 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audits, we considered the BCRA'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 opinions on the effectiveness of the BCRA's internal control over financial reporting. Accordingly, we do not express opinions on the effectiveness of the BCRA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the BCRA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the BCRA's financial statements, that is more than inconsequential, will not be prevented or detected by the BCRA's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as IC 2009-01 and IC 2009-02 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the BCRA's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the above noted significant deficiencies to be material weaknesses.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the BCRA'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The BCRA's responses to the findings identified in our audits are described in the accompanying schedule of findings and responses. We did not audit the BCRA's responses and, accordingly, we express no opinions on them.

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

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
September 1, 2010

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

Schedule of Findings and Responses  
September 30, 2009

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I – Financial Statement Findings

A. Internal Control

**IC 2009- 01 Lack of Proper Authorization and Support of Transactions**

Criteria: Internal control policies and procedures should provide that each transaction has supporting documentation with proper authorization for requisitioning and purchasing goods and services, including controls to provide reasonable assurance that only authorized vendors are included on the vendor list and only authorized vendors are utilized.

Condition: For disbursements relating to the Hollywood, Florida Community Redevelopment (Beach District), we noted that there was a lack of evidence of proper approval authorizing the procurement of goods or services. There was also a lack of evidence supporting that the vendors that were utilized were duly approved – that is subjected to an open competitive bidding process. We also noted that certain transactions recorded in the general ledger system did not have proper supporting documentation to indicate the nature of and extent of the items.

Questioned Costs: Not applicable.

Context: Of the 124 items selected for testing, 14 were noted to have the noted exceptions.

Effect: Failure to adopt and implement prudent procurement policies and the maintenance of supporting documentation could result in the acquisition of unauthorized items and the misuse of resources.

Cause: The findings are attributable to the lack of a formalized policy.

Recommendation: We recommend that the BCRA implement proper internal control policies and procedures, similar to those of the City's, so that each transaction has supporting documentation with proper authorization procedures for requisitioning and purchasing, including controls to ensure only authorized vendors are included on the vendor list and only authorized vendors are utilized.

Views of responsible officials and planned corrective action: The BCRA concurs with the recommendation, and corrective action has been taken. Prior to November, 2008, the BCRA did not have formal policies and procedures in place as it relates to proper authorization. The BCRA has taken the following corrective action steps:

- (1) The BCRA implemented a formal policy and procedure manual that mirrored the City's procurement guidelines in November 2008;
- (2) Since November 2009 the BCRA has implemented proper controls by utilizing the requisition and purchasing process, requiring quotations and bids when necessary, with the assistance of the City's Office of Budget and Procurement Services;
- (3) The BCRA has received oversight from the City Manager's office since November 2009 which has properly aligned the Executive Director's authority parallel to that of a Department Director within the City.

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

Schedule of Findings and Responses  
September 30, 2009

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IC 2009-02 Budgeting System

Criteria: The budgeting system is an essential element of the financial planning, spending control, and performance evaluation processes. Original and final adopted legal budgets should be accurately recorded and maintained in order to effectively monitor spending compliance.

Condition: We noted that the budgets relating to the CRAs that are maintained in the general ledger system did not agree with the original or final legally adopted budgets.

Questioned Costs: Not applicable.

Context: This condition is considered to be systemic in nature.

Effect: If the system is not reflective of the Board's intentions, the BCRA could expend in a manner that is not approved.

Cause: The findings are attributable to the lack of a formalized policy where the inputs are reviewed for accuracy.

Recommendation: We recommend that the BCRA implement controls to ensure the budget approved by the Board is the budget that is utilized in daily transactions. Once the budget is approved we recommend that it is input to the system by one individual with the inputs approved by another. All amendments should be input in the same manner. The budget that is input to the financials should also be input and reviewed for accuracy.

Views of Responsible Officials and Planned Corrective Action: The BCRA concurs with the recommendation, and corrective action has been taken. The BCRA utilized excel spreadsheets to present, approve and track the budget. The system required manual input and reconciliation by staff which was inconsistent. The spreadsheets were then sent to the City's budget office for input into the financial system with no formal review process following. Beginning with the fiscal year end 2011 budget the BCRA will utilize the same system as is used by the City to ensure that the proper controls are in place.

B. Compliance

None reported.