

Hollywood, Florida Community Redevelopment Agency (Downtown District)

Financial Report
Fiscal Year Ended September 30, 2013

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, 2013 were as follows:

HOLLYWOOD, FLORIDA COMMUNITY REDEVELOPMENT AGENCY (DOWNTOWN DISTRICT)

BOARD MEMBERS

PETER BOBER, Chairperson

RICHARD BLATTNER, Vice Chairperson – District 4

PATRICIA ASSEFF, Board Member – District 1

LINDA SHERWOOD, Board Member – District 6

PETER HERNANDEZ, Board Member – District 2

TRACI CALLARI, Board Member – District 3

KEVIN BIEDERMAN, Board Member – District 5

EXECUTIVE DIRECTOR

JORGE A. CAMEJO

GENERAL COUNSEL

JEFFREY P. SHEFFEL

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hollywood, Florida Community Redevelopment Agency (Downtown District) (DCRA), a component unit of the City of Hollywood, Florida, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the DCRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Hollywood, Florida Community Redevelopment Agency (Downtown District), as of September 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 7, 2014 and September 27, 2013 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, and 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DCRA's internal control over financial reporting and compliance.

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

Fort Lauderdale, Florida
October 7, 2014

**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, 2013 and 2012. 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 \$10.3 million (net deficit).
- The DCRA's total net position increased by \$2.4 million in fiscal year 2013 and increased by \$1.5 million in fiscal year 2012.
- Comparing fiscal 2013 with 2012, the governmental activities revenue decreased by \$0.5 million and expenses decreased by \$1.4 million. The net results from activities increased by \$0.9 million or 58.3% over the results in 2012. In fiscal years 2012 and 2011, the results of activities produced increases in net position of \$1.5 million and \$2.5 million, respectively.
- The DCRA's total long-term liabilities decreased by \$3.6 million or 14.7% during the current year and decreased by \$2.8 million or 10.1% in the prior year. No new debt was issued during either year.
- The DCRA's assets decreased \$0.4 million or 4.4% during the current year and decreased by \$1.6 million or 14.1% in the prior year. The decrease noted in 2013 resulted primarily from depreciation charges recorded on existing capital assets.

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

The statement of activities presents information showing how the DCRA's net position changed during the most recent two fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

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

The 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 schedules.

Government-wide Financial Analysis

The two government-wide statements report the DCRA's net position and how it has changed. Table 1 presents net position – 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 position is 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 (82.2% and 80.7% for 2013 and 2012, 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 Position

The table below provides a summary of net position:

**Table 1
Summary of Net Position (Deficit)
September 30, 2013, 2012 and 2011
(\$ in thousands)**

	Governmental Activities		
	2013	2012	2011
Assets			
Current and other assets	\$ 1,637	\$ 1,860	\$ 2,679
Capital assets	7,552	7,754	8,518
Total assets	9,189	9,614	11,197
Deferred Outflow of Resources			
Accumulated Decrease in the Fair Value of Hedging Derivative	2,151	3,113	3,223
Liabilities			
Current liabilities	436	616	1,070
Long-term liabilities	21,193	24,832	27,607
Total liabilities	21,629	25,448	28,677
Net position (deficit)			
Net investment in capital assets	3,733	3,447	3,733
Unrestricted deficit	(14,022)	(16,168)	(17,990)
Total net position (deficit)	\$ (10,289)	\$ (12,721)	\$ (14,257)

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

Governmental activities increased the DCRA's net position (deficit) by \$2.4 million and \$1.5 million for the years ended September 30, 2013 and 2012, 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 Position
For the fiscal years ended September 30, 2013, 2012 and 2011
(\$ in thousands)

	Governmental Activities		
	2013	2012	2011
Revenues:			
General revenues:			
Increment property taxes	\$ 4,774	\$ 5,055	\$ 5,605
Miscellaneous	48	271	19
Total revenue	4,822	5,326	5,624
Expenses:			
General government	890	992	1,064
Transportation	-	-	436
Economic environment	319	1,482	171
Physical environment	23	25	14
Interest and fiscal charges	1,158	1,291	1,417
Total expenses	2,390	3,790	3,102
Net increase (decrease) in net position	2,432	1,536	2,522
Net position (deficit) – October 1	(12,721)	(14,257)	(16,779)
Net position (deficit) – September 30	\$ (10,289)	\$ (12,721)	\$ (14,257)

Key elements of the net increase are as follows:

- Property taxes decreased by \$0.3 million during 2013 as compared to 2012, as a result of an overall reduction of approximately 5.1% in taxable assessed values of properties in the DCRA with no change in the millage rate levied by the City.
- The decrease of \$0.2 million in the other revenues category under the governmental activities in 2013 is associated with the developer agreement for sale of a piece of property in the prior fiscal year. No similar transaction occurred in fiscal year 2013.
- The decrease noted in 2013 in expenses of \$1.4 million resulted from prior year expenses related to building renovation in connection with a local University. No similar event occurred in fiscal year 2013.
- Property taxes decreased by \$0.6 million during 2012, as compared to 2011, as a result of an overall reduction of approximately 3.1% 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 increase of \$0.3 million in the other revenues category under the governmental activities in 2012 is attributable to revenues associated with the developer agreement for sale of a piece of property.
- The increase noted in 2012 in expenses of \$0.7 million resulted from expenses related to building renovation in connection with a local University.

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

Management's Discussion and Analysis

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 \$1.1 million and was \$1.1 million in the prior year. Total fund balance represents 23.3% and 19.5% of total General Fund expenditures 2013 and 2012 respectively.

The current year's fund balance of the DCRA's general fund increased by \$0.02 million in the current year and decreased by \$0.6 million in the prior year. The decrease noted is due primarily to the payment of debt service and development incentives committed to in prior years.

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 \$1.1 at both September 30, 2013 and 2012 and is available for debt service, long-term notes receivable 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 \$55,000 with no increase in total appropriations.

Budget to actual fluctuations resulted from the following reasons:

- Overall General Fund expenditures for the year were approximately \$212,280 under amended appropriations that had been increased during the year by approximately \$0.2 million for rollover of existing capital project budgets as well as newly approved capital projects.
- General Fund balance at year end was \$1.1 million and substantially unchanged from 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, 2013 and 2012 is \$7.6 million and \$7.8 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 decrease in the DCRA’s investment in capital assets for the current fiscal year was 2.6% for 2013 and a decrease of 8.9% for 2012.

**Table 3
Capital Assets
As of September 30, 2013, 2012 and 2011
(\$ in thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:			
Land	\$ 4,901	\$ 4,901	\$ 4,901
Buildings and improvements, net	2,637	2,850	3,061
Equipment, net	14	4	6
Construction in progress	-	-	549
Total	\$ 7,552	\$ 7,755	\$ 8,517

There are no significant capital projects currently underway in the DCRA 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 \$17.4 million.

**Table 4
Long-Term Debt
As of September 30, 2013, 2012 and 2011
(\$ in thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:			
Redevelopment Loans	\$ 17,421	\$ 19,598	\$ 23,921

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate in the City averaged 6.3% during fiscal year 2013 based on information obtained from the U. S. Department of Labor, Bureau of Labor Statistics, and is lower than the average rate of 8.4% a year ago. This rate is lower than the state's average unemployment rate of approximately 8.1% and the national average rate of 7.6%.
- Inflationary trends in the region increased on average 1.4% for fiscal year 2013 which is lower than the 1.7% shown in similar national indices (i.e. Consumer Price Index).

All of these factors were considered in preparing the DCRA's budget for the 2014 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 Position
September 30, 2013 and 2012

Assets	Governmental Activities	
	2013	2012
Cash	\$ 200	\$ 200
Pooled investments	356,961	-
Notes receivable, net of allowance	1,280,063	1,860,063
Capital assets:		
Nondepreciable	4,901,427	4,901,427
Depreciable, net	2,650,873	2,853,140
Total assets	9,189,524	9,614,830
Deferred Outflow of Resources		-
Accumulated Decrease in the Fair Value of Hedging Derivative	2,151,043	3,112,648
Liabilities		
Vouchers payable	64,472	17,562
Accrued wages	4,358	5,850
Deposits payable	3,577	3,577
Due to other governments	121,853	360,201
Interest payable	202,153	227,544
Construction contracts payable	39,317	1,780
Noncurrent liabilities:		
Due within one year:		
Compensated absences	8,076	14,890
Bonds and loans payable	2,187,148	2,176,592
Other liabilities	500,000	500,000
Due in more than one year:		
Compensated absences	13,574	7,121
Bonds and loans payable	15,233,977	17,421,124
Other liabilities	1,100,000	1,600,000
Fair value of derivative instrument	2,151,043	3,112,648
Total liabilities	21,629,548	25,448,889
Net Position (Deficit)		
Net investment in capital assets	3,732,612	3,447,406
Unrestricted (deficit)	(14,021,593)	(16,168,817)
Total net position (deficit)	\$ (10,288,981)	\$ (12,721,411)

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, 2013 and 2012

	2013			2012		
	Expenses	Program Revenue Charges for Service	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	Expenses	Program Revenue Charges for Service	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Functions:						
General government	\$ (890,294)	\$ -	\$ (890,294)	\$ (991,587)	\$ -	\$ (991,587)
Economic environment	(319,518)	-	(319,518)	(1,481,819)	-	(1,481,819)
Physical environment	(23,001)	-	(23,001)	(25,025)	-	(25,025)
Interest expense	(1,157,692)	-	(1,157,692)	(1,291,338)	-	(1,291,338)
Total governmental activities	(2,390,505)	-	(2,390,505)	(3,789,769)	-	(3,789,769)
General Revenues:						
Increment property taxes			4,773,810			5,055,198
Investment earnings			453			22
Miscellaneous			48,672			270,341
Total general revenues			4,822,935			5,325,561
Changes in net position (deficit)			2,432,430			1,535,792
Net position (deficit), beginning			(12,721,411)			(14,257,203)
Net position (deficit), ending			\$ (10,288,981)			\$ (12,721,411)

See Notes to Financial Statements.

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

Balance Sheets
General Fund
September 30, 2013 and 2012

Assets	2013	2012
Cash	\$ 200	\$ 200
Pooled investments	356,961	-
Notes receivable, net of allowances	1,280,063	1,860,063
Total assets	\$ 1,637,224	\$ 1,860,263
Liabilities, Deferred Inflow of Resources and Fund Balances		
Liabilities:		
Vouchers payable	\$ 64,472	\$ 17,562
Accrued wages	4,358	5,850
Deposits payable	3,577	3,577
Due to other governments	429	234,527
Construction contracts payable	39,317	1,780
Total liabilities	112,153	263,296
Deferred Inflow of Resources:		
Unavailable revenue	386,765	482,925
Fund balances:		
Nonspendable – long-term notes receivable	1,280,063	1,860,063
Unassigned	(141,757)	(746,021)
Total fund balances	1,138,306	1,114,042
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 1,637,224	\$ 1,860,263

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 General
Fund to the Statements of Net Position
September 30, 2013 and 2012**

	2013	2012
Total fund balances – general fund	\$ 1,138,306	\$ 1,114,042
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	7,552,300	7,754,567
Other long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	386,766	482,925
Adjustment to Due to Other Governments	(121,425)	(125,673)
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.	(19,244,928)	(21,947,272)
Net position of governmental activities	\$ (10,288,981)	\$ (12,721,411)

**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
General Fund
Fiscal Years Ended September 30, 2013 and 2012**

	2013	2012
Revenues:		
Increment property taxes:		
City	\$ 2,584,746	\$ 2,722,811
Other governments	2,189,064	2,332,387
Investment	453	22
Miscellaneous	144,832	103,979
Total revenues	4,919,095	5,159,199
Expenditures:		
Current:		
General government	1,181,498	1,272,235
Economic environment	330,657	487,844
Physical environment	23,001	25,025
Capital outlay:		
Economic environment	-	445,430
Debt Service:		
Principal	2,176,591	2,166,418
Interest and fiscal charges	1,183,084	1,316,584
Total expenditures	4,894,831	5,713,536
Net changes in fund balances	24,264	(554,337)
Fund balances, beginning	1,114,042	1,668,379
Fund balances, ending	\$ 1,138,306	\$ 1,114,042

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 General Fund to the Statements of Activities
September 30, 2013 and 2012**

	2013	2012
Net changes in fund balances – general fund	\$ 24,264	\$ (554,337)
Difference in amounts reported for Governmental Activities in the Statement of Activities:		
Capital outlay, reported as expenditures in the General Fund, are shown as capital assets in the Statement of Net Position.	15,500	(548,545)
Depreciation expenses on governmental capital assets is included in the Governmental Activities in the Statement of Net Position.	(217,767)	(214,297)
Revenues in the Statement of Activities that do not provide current financial resources are not reported in the Governmental Fund.	(96,159)	166,362
Repayment of long-term debt and other liabilities is reported as an expenditure in the General Fund, but as a reduction of long-term liabilities in the Statement of Net Position.	2,676,591	2,666,418
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 General Fund.		
Accrued interest expense on long-term debt	25,392	25,246
Adjustments to due to other governments	4,248	(3,584)
Adjustments to compensated absences	361	(1,471)
Changes in net position of governmental activities	\$ 2,432,430	\$ 1,535,792

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, 2013 and 2012**

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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. 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, current liabilities, and deferred inflow/outflow of resources are generally included on their balance sheet. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide governmental column, a reconciliation is necessary to explain the adjustments needed to reconcile the fund based financial statements to the governmental column of the government-wide presentation. Their operating statements present sources (revenue and financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 fund:

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

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 Position 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, 2013.

**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 position 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 year ended September 30, 2013 was \$0. Real estate for resale for the year ended September 30, 2012 is follows:

	2012			
	Beginning Balance	Additions	Deductions	Ending Balance
Real estate held for resale	\$ 1,050,000	\$ 249,517	\$ 1,299,517	\$ -

**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:

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

7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES – The Statements of Net Position include a separate section, listed below total assets, for deferred outflows of resources. The source of this item is the accumulated decrease in fair value of an interest rate swap borrowing the DCRA currently has outstanding which are deferred and will be recognized as an outflow of resources in the period that the amounts become due. The Governmental Funds Balance Sheet includes a separate section, listed below total liabilities, for deferred inflow of resources. The source of this item is recorded governmental fund receivables which will be recognized as inflow of resources in the period that the amounts become available.
8. 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.
9. LONG-TERM OBLIGATIONS – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the 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.

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

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, 2013 and 2012. Consequently, the DCRA does not retain its own liability in outstanding claims against it beyond the maximum premium paid
13. ACCOUNTING STATEMENTS ADOPTED – In the In fiscal year 2013 the DCRA adopted the following statement of financial accounting standard issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”

This statement classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The BCRA elected to include all pre-November 30, 1989 FASB pronouncements which are now codified in GASB 62.

**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)

- GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”

This statement provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position.

This statement redefines certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources”. It further requires the “capital asset, net of debt: now be titled “net investment in capital assets” and that the last line of the statements, previously titled “net assets” now be titled “net position”.

- GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities.”

This statement provides additional guidance for the items listed in GASB 63 and includes additional changes in accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement specifically addresses the calculation of a deferred outflow or inflow for the refunding of debt. This statement requires that debt issuance costs be expensed in the period in which that debt was issued. This statement also requires that taxes and contract revenues received prior to the period to which they relate are to be classified as unavailable revenue (a deferred inflow).

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 Position under the caption “Pooled investments” other than investments titled “restricted.” DCRA’s investments with the city were approximately \$356,961 and \$0 in years 2013 and 2012, respectively, which represents less than 1% of the City’s pooled investments as of September 30, 2013 and September 30, 2012. (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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current Loans	\$ 365,063	\$ 1,045,063
Long-term Loans	5,223,242	5,223,242
	<u>5,588,305</u>	6,268,305
Less: Allowance for Uncollectibles	(4,308,242)	(4,408,242)
Notes Receivable – Net	<u><u>\$ 1,280,063</u></u>	<u><u>\$ 1,860,063</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, 2013 and 2012 was as follows:

	2013			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 4,901,427	\$ -	\$ -	\$ 4,901,427
Total capital assets not being depreciated	4,901,427	-	-	4,901,427
Capital assets, being depreciated:				
Buildings and improvements	4,410,091	-	-	4,410,091
Equipment	80,188	15,500	-	95,688
Total capital assets being depreciated	4,490,279	15,500	-	4,505,779
Less accumulated depreciation for:				
Buildings and improvements	1,560,836	211,942	-	1,772,778
Equipment	76,303	5,825	-	82,128
Total accumulated depreciation	1,637,139	217,767	-	1,854,906
Total capital assets, being depreciated, net	2,853,140	(202,267)	-	2,650,873
Capital assets, net	\$ 7,754,567	\$ (202,267)	\$ -	\$ 7,552,300

During fiscal year 2013, there was no significant capital asset activity other than depreciation of existing assets.

**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)

	2012			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,901,427	\$ -	\$ -	\$ 4,901,427
Construction in progress	548,545	-	548,545	-
Total capital assets not being depreciated	5,449,972	-	548,545	4,901,427
Capital assets, being depreciated:				
Buildings and improvements	4,410,091	-	-	4,410,091
Equipment	80,188	-	-	80,188
Total capital assets being depreciated	4,490,279	-	-	4,490,279
Less accumulated depreciation for:				
Buildings and improvements	1,348,894	211,942	-	1,560,836
Equipment	73,948	2,355	-	76,303
Total accumulated depreciation	1,422,842	214,297	-	1,637,139
Total capital assets, being depreciated, net	3,067,437	(214,297)	-	2,853,140
Capital assets, net	\$ 8,517,409	\$ (214,297)	\$ 548,545	\$ 7,754,567

During fiscal year 2012, the DCRA contributed \$548,545 of completed construction in progress to the City.

Depreciation expense was charged to function as follows:

	2013	2012
Governmental Activities:		
General Government	\$ 217,767	\$ 214,297

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:

	2013	2012
Various redevelopment projects	\$ 165,818	\$ -

**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

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, 2013 and 2012:

- \$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 2.00% at September 30, 2013 and 2012.

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.

Hedging Derivative

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, 2013 and 2012 the underlying swap with Bank of America had a fair value of \$2,151,043 and \$3,112,648, respectively. The notional value of 12,641,667 and \$14,008,333 for 2013 and 2012 respectively, of this borrowing is included in bonds, loans and leases payable in the statement of net position. 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, 2013 and 2012 by Moody's/Standard and Poor's were A3/A. 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, 2013 and 2012, 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:

2013				
Fiscal Year Ending	Principal	Interest	Swap Rate Interest	Total
2014	\$ 1,366,667	\$ 229,560	\$ 612,463	\$ 2,208,690
2015	1,366,667	203,199	542,133	2,111,999
2016	1,366,667	176,838	471,802	2,015,307
2017	1,366,667	150,477	401,471	1,918,615
2018	1,366,667	124,116	331,140	1,821,923
2019-2023	5,808,332	233,404	622,720	6,664,456
	<u>\$ 12,641,667</u>	<u>\$ 1,117,594</u>	<u>\$ 2,981,729</u>	<u>\$ 16,740,990</u>

2012				
Fiscal Year Ending	Principal	Interest	Swap Rate Interest	Total
2013	\$ 1,366,667	\$ 260,618	\$ 678,097	\$ 2,305,382
2014	1,366,667	233,773	608,250	2,208,690
2015	1,366,667	206,928	538,403	2,111,998
2016	1,366,667	180,084	468,556	2,015,307
2017	1,366,667	153,239	398,709	1,918,615
2018-2022	6,833,333	363,523	945,844	8,142,700
2023	341,665	559	1,455	343,679
	<u>\$ 14,008,333</u>	<u>\$ 1,398,724</u>	<u>\$ 3,639,314</u>	<u>\$ 19,046,371</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, 2013 and 2012:

	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Bonds, Notes and Loans Payable:					
Redevelopment Bonds, Loans and Notes Payable	\$ 19,597,716	\$ -	\$ 2,176,591	\$ 17,421,125	\$ 2,187,148
Total payable	19,597,716	-	2,176,591	17,421,125	2,187,148
Other Liabilities:					
Compensated Absences	22,011	7,715	8,076	21,650	8,076
Other Liabilities (Note 7)	2,100,000	-	500,000	1,600,000	500,000
Total other liabilities	2,122,011	7,715	508,076	1,621,650	508,076
 Total governmental activities long- term liabilities	 \$ 21,719,727	 \$ 7,715	 \$ 2,684,667	 \$ 19,042,775	 \$ 2,695,224

**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)

	2012				
	Beginning	Additions	Deductions	Ending	Amounts
	Balance			Balance	Due Within One Year
Bonds, Notes and Loans Payable:					
Redevelopment Bonds, Loans and Notes Payable	\$ 21,764,134	\$ -	\$ 2,166,418	\$ 19,597,716	\$ 2,176,592
Total payable	21,764,134	-	2,166,418	19,597,716	2,176,592
Other Liabilities:					
Compensated Absences	20,540	16,361	14,890	22,011	14,890
Other Liabilities (Note 7)	2,600,000	-	500,000	2,100,000	500,000
Total other liabilities	2,620,540	16,361	514,890	2,122,011	514,890
Total governmental activities long- term liabilities	\$ 24,384,674	\$ 16,361	\$ 2,681,308	\$ 21,719,727	\$ 2,691,482

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, 2013 and 2012 are as follows:

Fiscal Year Ending	2013	
	DCRA Redevelopment Revenue Loans (a)	
	Principal	Interest
2014	\$ 2,187,148	\$ 1,050,231
2015	2,198,300	919,015
2016	2,209,998	789,220
2017	2,222,517	654,667
2018	2,172,392	521,482
2019-2023	6,430,770	954,965
	\$ 17,421,125	\$ 4,889,580

**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)

Fiscal Year Ending	2012	
	DCRA Redevelopment Revenue Loans (a)	
	Principal	Interest
2013	\$ 2,176,592	\$ 1,183,078
2014	2,187,148	1,051,009
2015	2,198,300	919,663
2016	2,209,998	789,739
2017	2,222,517	655,056
2018-2022	8,261,495	1,470,658
2023	341,666	6,178
	<u>\$ 19,597,716</u>	<u>\$ 6,075,381</u>

(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, 2013 and 2012:

Bond/Loan Description	Pledged Revenue	Revenue Received	Principal and Interest	Outstanding Principal and Interest	Pledged Through
2013					
Redevelopment Loans					
Series 2002 to 2006A	Increment Tax Revenues	\$ 4,773,810	\$ 3,359,675	\$ 22,310,705	2023
2012					
Redevelopment Loans					
Series 2002 to 2006A	Increment Tax Revenues	\$ 5,055,198	\$ 3,483,002	\$ 25,673,097	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. The 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, 2013 and 2012 were \$1,600,000 and \$2,100,000, respectively.

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

Note 9. Fund Balance Reporting

FUND BALANCE REPORTING –Governmental Accounting Standards Board Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) provides a structured classification of fund balance 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. Examples of nonspendable fund balance include inventory and prepaid items.

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

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

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

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

UNASSIGNED FUND BALANCE includes the remaining fund balance (deficit), 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, 2013 and 2012 are as follows:

Year 2013

NONSPENDABLE – The DCRA currently has \$1,280,063 classified as nonspendable.

UNASSIGNED – The DCRA currently has a deficit balance of \$141,757 classified as unassigned.

Year 2012

NONSPENDABLE – The DCRA currently has \$1,860,063 classified as nonspendable.

UNASSIGNED – The DCRA currently has a deficit balance of \$746,021 classified as unassigned.

Note 10. Other Information

A. Contingent Liabilities

The DCRA 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 DCRA.

B. Pension Plan Information

1. **DEFINED CONTRIBUTION PENSION PLANS** – The DCRA 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)**

**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, 2013**

	<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	\$ 2,634,666	\$ 2,634,666	2,584,746	\$ (49,920)
Other governments	2,255,608	2,255,608	2,189,064	(66,544)
Investment	2,000	2,000	453	(1,547)
Miscellaneous	11,000	11,000	144,832	133,832
Total revenues	4,903,274	4,903,274	4,919,095	15,821
Expenditures:				
Current:				
General government	1,154,046	1,377,436	1,181,498	195,938
Economic environment	325,000	332,500	330,657	1,843
Physical environment	25,000	37,500	23,001	14,499
Total current	1,504,046	1,747,436	1,535,156	212,280
Debt Service:				
Principal	2,176,591	2,176,591	2,176,591	-
Interest and fiscal charges	1,183,706	1,183,706	1,183,084	622
Total debt service	3,360,297	3,360,297	3,359,675	622
Total expenditures	4,864,343	5,107,733	4,894,831	212,902
Excess (deficiency) of revenues over (under) expenditures	\$ 38,931	\$ (204,459)	24,264	\$ 228,723
Fund balance, beginning			1,114,042	
Fund balance, ending			<u>\$ 1,138,306</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, 2012**

	<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	\$ 2,767,262	\$ 2,722,811	2,722,811	\$ -
Other governmental	2,352,670	2,332,387	2,332,387	-
Investment	197,309	197,309	22	(197,287)
Miscellaneous	24,200	24,200	103,979	79,779
Total revenues	5,341,441	5,276,707	5,159,199	(117,508)
Expenditures:				
Current:				
General government	1,176,305	1,353,406	1,272,235	81,171
Economic environment	325,000	369,700	487,844	(118,144)
Physical environment	25,000	125,000	25,025	99,975
Total current	1,526,305	1,848,106	1,785,104	63,002
Capital Outlay:				
Economic environment	-	451,455	445,430	6,025
Total capital outlay	-	451,455	445,430	6,025
Debt Service:				
Principal	2,166,405	2,166,405	2,166,418	(13)
Interest and fiscal charges	1,316,512	1,316,512	1,316,584	(72)
Total debt service	3,482,917	3,482,917	3,483,002	(85)
Total expenditures	5,009,222	5,782,478	5,713,536	68,942
Excess (deficiency) of revenues over (under) expenditures	\$ 332,219	\$ (505,771)	(554,337)	\$ (48,566)
Fund balance, beginning			1,668,379	
Fund balance, ending			<u>\$ 1,114,042</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, 2013 and 2012
(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 30th, 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 30th. 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.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the City of Hollywood, Florida Community Redevelopment Agency (Downtown District) (the "DCRA"), a component unit of the City of Hollywood, Florida, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the DCRA's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DCRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Fort Lauderdale, Florida
October 7, 2014

**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, 2013 and 2012**

I – Financial Statement Findings

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, 2013 and 2012**

I – Financial Statement Findings

None Reported.