



# Hallandale Beach Community Redevelopment Agency

(A Component Unit of the City of Hallandale Beach, Florida)

## Financial Report

### Fiscal Year Ended September 30, 2014



Hallandale Beach Community Redevelopment Agency  
(A Component Unit of the City of Hallandale Beach, Florida)  
Financial Report  
For the Year Ended September 30, 2014  
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## **FINANCIAL SECTION**



## **INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors and Executive Director  
**Hallandale Beach Community Redevelopment Agency**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hallandale Beach Community Redevelopment Agency (the CRA) for the year ended September 30, 2014, and the related notes to the financial statements which collectively comprise the CRA'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.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the CRA, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 10 and 29 - 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the CRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.

*Marcum LLP*

Fort Lauderdale, Florida  
June 30, 2015



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Hallandale Beach Community Redevelopment Agency  
(A Component Unit of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Management's Discussion and Analysis (unaudited)

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This section of the report presents our discussion and analysis of the performance of the Hallandale Beach Community Redevelopment Agency (CRA) during the year that ended September 30, 2014. Please read it in conjunction with the CRA's financial statements, which follow this section.

### Financial Highlights

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$24.1 million (net position). Of this amount, \$6.9 million (unrestricted net position) may be used to meet the CRA's ongoing obligations to citizens and creditors.
- The CRA's total net position decreased \$1,852,425 over the course of this year's operations.
- The CRA's operating fund reported an ending fund balance of \$6.5 million, a reduction of \$7.7 million from the prior year.

### Overview of the Financial Statements

The financial section of this annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

### Basic Financial Statements

***Government-wide financial statements.*** The focus of the *government-wide financial statements* is on the overall financial position and activities of the CRA. Reporting is similar to that of a private-sector business. The government-wide financial statements report information about the CRA as a whole and about its activities in a way that helps answer questions about the financial health of the CRA and whether the activities of the year contributed positively or negatively to that health.

The government-wide financial statements include the statement of net position and statement of activities.

- The *Statement of Net Position* presents information on the assets held and liabilities owed by the CRA, both long and short-term. Assets are reported when acquired and liabilities are reported when they are incurred, regardless of the timing of the related cash flows to acquire these assets or liquidate such liabilities. For example, the CRA reports buildings and infrastructure as assets, even though they are not available to pay the obligations incurred by the CRA. On the other hand, the CRA reports liabilities, even though these liabilities might not be paid until several years into the future.

The difference between the CRA's total assets and total liabilities is *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CRA is improving or deteriorating. Although the purpose of the CRA is not to accumulate net position, in general, as this amount increases it indicates that the financial position of the CRA is improving over time.

- The *Statement of Activities* presents the revenues and expenses of the CRA. The items presented on the statement of activities are measured in a manner similar to the approach used in the private-sector in that revenues are recognized when earned and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Hallandale Beach Community Redevelopment Agency  
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Management's Discussion and Analysis (unaudited)

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Both of the government-wide financial statements distinguish functions of the CRA that are principally supported by taxes and intergovernmental revenue (governmental activities). The governmental activities of the CRA are mainly economic environment activities.

***Fund financial statements.*** Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the CRA. The CRA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental fund.*** The CRA has only one governmental fund, a general fund. Financial statements consist of a balance sheet and a statement of revenue, expenditures, and change in fund balance. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables but do not include capital assets such as land and buildings. The difference between a fund's total assets and total liabilities is the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. The operating statement for governmental funds reports only those revenues that were collected during the current period or very shortly after the end of the year. Expenditures are generally recorded when incurred.

For the most part, the balances and activities accounted for in governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because different accounting bases are used to prepare governmental fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis after the governmental fund balance sheet that reconciles the total fund balance for the governmental fund to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis after the statement of revenue, expenditures, and changes in fund balance that reconciles the total change in fund balance for the general fund to the change in net position as reported in the governmental activities column in the statement of activities.

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

***Required supplementary information.*** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which is a comparison between the CRA's adopted and final budget and actual financial results for its general fund. The CRA adopts an annual budget for its general fund, and a budgetary comparison schedule has been provided to demonstrate compliance with this budget.

Hallandale Beach Community Redevelopment Agency  
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For the Year Ended September 30, 2014  
Management's Discussion and Analysis (unaudited)

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**Government-Wide Financial Analysis**

The table below presents a summary of net position as of September 30, 2014 and 2013, derived from the government-wide Statement of Net Position:

<b>Net Position (In Thousands)</b>		
<b>Governmental Activities</b>		
	2014	2013
Current and Other Assets	\$ 17,534	\$ 23,623
Capital Assets	29,510	24,683
<b>Total Assets</b>	<b>47,044</b>	<b>48,306</b>
Long-Term Liabilities	11,035	12,906
Other Liabilities	11,911	9,449
<b>Total Liabilities</b>	<b>22,946</b>	<b>22,355</b>
Net Position		
Net Investment in Capital Assets	17,201	10,960
Unrestricted	6,897	14,991
<b>Total Net Position</b>	<b>\$ 24,098</b>	<b>\$ 25,951</b>

As noted earlier, net position may serve, over time, as a useful indication of the CRA's financial position. At the close of the most recent fiscal year, the CRA's assets exceeded its liabilities by \$24.1 million.

The CRA's total net position are divided between unrestricted, at 28.6%, representing resources that are available for spending and net investment in capital assets at 71.4%. Net investment in capital assets reflects the CRA's investment in capital assets reduced by the amount of outstanding related liabilities used to acquire or construct these assets. Although the capital assets are shown net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

The CRA's investments increased by \$1.1 million from the previous year, while the amount for current liabilities was increased by \$1.6 million retrospectively. Assets held for resale decreased by approximately \$362,000 due to the sale of 5 housing units for In-Fill Housing development as part of the CRA's affordable housing project.

Hallandale Beach Community Redevelopment Agency  
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For the Year Ended September 30, 2014  
Management's Discussion and Analysis (unaudited)

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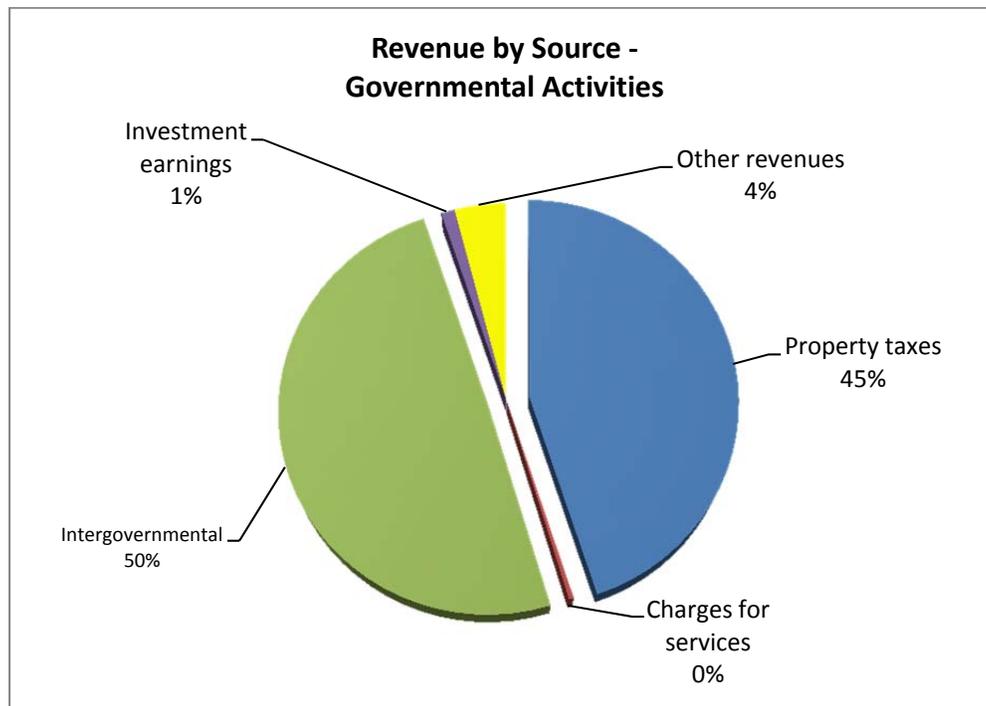
The table below presents a summary of changes in net position for the years ended September 30, 2014 and 2013, as derived from the government-wide statement of activities:

<b>Changes in Net Position (In Thousands)</b>		
<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 29	\$ 24
General Revenues:		
Property taxes	3,543	3,380
Intergovernmental revenue	3,904	3,619
Other revenue	407	544
<b>Total Revenue</b>	<b>7,883</b>	<b>7,567</b>
<b>Expenses:</b>		
General government	115	119
Public safety	2,085	1,674
Economic environment	6,551	5,316
Interest	985	1,031
<b>Total Expenses</b>	<b>9,736</b>	<b>8,140</b>
<b>Change in Net Position</b>	<b>(1,853)</b>	<b>(573)</b>
Net Position, Beginning	25,951	26,524
<b>Net Position, Ending</b>	<b>\$ 24,098</b>	<b>\$ 25,951</b>

#### Governmental activities

Governmental activities reduced the CRA's net position by \$1,852,425, while in 2013 the reduction was \$573,000. Key elements to this change in net position are as follows:

- Increase in capital outlay of approximately \$1.2 million compared to 2013
- Increase in public safety costs of approximately \$400,000 compared to 2013



### Financial Analysis of the CRA General Fund

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

The focus of the CRA's *general fund* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the CRA'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.

The CRA's general fund reported an ending fund balance of \$6.5 million, a decrease of \$7.7 million from the prior year's restated ending fund balance. The fund balance is categorized to indicate whether it is not available for new spending because it represents resources that are non-spendable (\$2.1 million) and assigned fund balance of \$4.3 million for transfer to the City for the subsequent year's principal payment and other purposes.

The fund balance of the CRA fund decreased from operations by \$7.7 million during the fiscal year. Comparisons to prior year results include:

- A 4.8% or \$162,000 increase in the CRA's portion of the City's ad valorem tax revenue;
- A 7.9% or \$286,000 increase in Tax Increment Financing revenue from outside agencies;
- Other revenues increased due to loan repayments of approximately \$102,000.

Hallandale Beach Community Redevelopment Agency  
(A Component Unit of the City of Hallandale Beach, Florida)  
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Management's Discussion and Analysis (unaudited)

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- Economic environment program expenses were \$4.8 million; this represents an increase of \$730,000, due mainly to amounts spent in FY14 for the In-Fill Housing.
- Public safety expenses increased by \$406,000, due mainly to Memorandum of Understanding (MOU) agreements for Community Involvement Unit (CIU), Community Action Team (CAT) and Neighborhood Involvement Team (NET).
- Capital Outlay increased by \$4.1 million attributed to parks, streets, and drainage improvements.

### Budgetary Highlights

Differences between the CRA's original budget and the final amended budget consist only of encumbrances and unexpended project budget amounts rolled forward from the prior to the current fiscal year. There was one subsequent amendment of \$113,058 derived from an increase in TIF revenues to provide funding for additional Capital Projects and Program expenses.

### Capital Assets and Debt Administration

**Capital assets.** As of September 30, 2014 and 2013, the CRA had \$29.9 million and \$24.6 million, respectively, invested in a variety of capital assets, as reflected in the following schedule:

Capital Assets (In Thousands, Net of Depreciation)			
Governmental Activates			
	2014	2013	
Land	\$ 20,798	\$ 19,763	
Construction in progress	7,289	3,398	
Buildings	259	274	
Improvements other than buildings	763	773	
Vehicles and equipment	78	142	
Infrastructure	323	333	
<b>Total</b>	<b>\$ 29,510</b>	<b>\$ 24,683</b>	

Major capital asset events during the year included:

- \$1 million was added to land for additional properties purchased.
- \$3.9 million was added to construction in progress for various projects such as: BF James Park Improvement, Moffitt House Relo/Renov, Schoolhouse Restoration, Ansin Blvd Sidewalk Design, Foster/Dixie Mix Use Development and Wayfinding Signage.

Additional information can be found in Note 6 – Capital Assets.

Hallandale Beach Community Redevelopment Agency  
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For the Year Ended September 30, 2014  
Management's Discussion and Analysis (unaudited)

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**Long-term liabilities.** As of year-end, the CRA had \$11.9 million in estimated future principal payments to be transferred to the City. This compares with \$12.9 million in the prior year. The decrease was the result of making a \$1 million principal payment during the year.

The long-term principal payments expected to be allocated to the CRA are summarized below. Additional information can be found in Note 9 Long-Term Liabilities:

Allocation to CRA of Principal on Long-Term Debt (In Thousands) Governmental Activities		
	2014	2013
Principal Allocation	\$11,895	\$12,895

#### Contacting the CRA's Financial Management

This financial report is designed to provide residents, taxpayers, customers and creditors with a general overview of the CRA's finances and to demonstrate the CRA's accountability. If you have questions about this report or need additional information, contact the Chief Financial Officer, 400 South Federal Highway, Hallandale Beach, Florida 33009.



## **BASIC FINANCIAL STATEMENTS**

Hallandale Beach Community Redevelopment Agency  
(A Component Unit of the City of Hallandale Beach, Florida)  
Statement of Net Position  
September 30, 2014

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 12,918,231
Investments	1,408,725
Loans receivable, net of allowances	1,336,943
Due from City	1,054,800
Assets held for resale	815,540
Restricted cash and cash equivalents	690
Capital assets, nondepreciable	28,086,349
Capital assets, net of accumulated depreciation	1,423,837
<b>Total assets</b>	<u>47,045,115</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	764,946
Due to the City (Note 8)	10,271,490
Noncurrent liabilities:	
Due within one year	798,000
Due in more than one year	11,112,518
<b>Total liabilities</b>	<u>22,946,954</u>
<b>Net Position</b>	
Net investment in capital assets	17,200,970
Unrestricted	6,897,191
<b>Total net position</b>	<u>\$ 24,098,161</u>

See Notes to Financial Statements.

Hallandale Beach Community Redevelopment Agency  
 (A Component Unit of the City of Hallandale Beach, Florida)  
 Statement of Activities  
 For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenue	Charges for Services	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
Governmental activities:				
General government	\$ 115,145	\$ --		\$ (115,145)
Public safety	2,085,368	--		(2,085,368)
Economic environment	6,550,373	28,939		(6,521,434)
Interest on long-term debt	985,000	--		(985,000)
<b>Total governmental activities</b>	<b>9,735,886</b>	<b>28,939</b>		<b>(9,706,947)</b>
General revenue:				
Property taxes				3,542,687
Intergovernmental revenue (not restricted to specific programs)				3,904,548
Unrestricted investment earnings				84,710
Other revenue				322,577
Total general revenue				7,854,522
Change in net position				(1,852,425)
Net position - beginning				25,950,586
Net position- ending				\$ 24,098,161

See Notes to Financial Statements.

Hallandale Beach Community Redevelopment Agency  
(A Component Unit of the City of Hallandale Beach, Florida)  
Balance Sheet - General Fund  
September 30, 2014

<b>Assets</b>	
Cash and cash equivalents	\$ 12,918,231
Investments	1,408,725
Loans receivable, net	1,336,943
Restricted cash and cash equivalents	690
Due from City	1,054,800
Assets held for resale	815,540
<b>Total assets</b>	<b>\$ 17,534,929</b>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	\$ 764,946
Due to the City (Note 8)	10,271,490
<b>Total liabilities</b>	<b>11,036,436</b>
<b>Fund Balance:</b>	
Non-spendable:	
Assets held for resale	815,540
Long-term loans receivable	1,336,943
Assigned to:	
Payment to City for debt service	798,000
Capital projects	510,105
Subsequent year's expenditures	3,037,905
<b>Total Fund Balance</b>	<b>6,498,493</b>
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 17,534,929</b>

See Notes to Financial Statements.

Hallandale Beach Community Redevelopment Agency  
 (A Component Unit of the City of Hallandale Beach, Florida)  
 Reconciliation of the Governmental Fund  
 Balance Sheet to the Statement of Net Position  
 September 30, 2014

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<b>Total fund balance - governmental fund</b>	<b>\$ 6,498,493</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the general fund.

Governmental capital assets	\$ 30,446,206	
Less accumulated depreciation	<u>936,020</u>	
		29,510,186

Long-term liabilities are not due and payable in the current period and therefore are not reported in the general fund.

Allocation of principal on 2007A bonds	(11,895,200)	
Compensated absences	<u>(15,318)</u>	
		<u>(11,910,518)</u>

<b>Net position of governmental activities</b>	<b>\$ <u>24,098,161</u></b>
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Hallandale Beach Community Redevelopment Agency  
(A Component Unit of the City of Hallandale Beach, Florida)  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - General Fund  
For the Year Ended September 30, 2014

<b>Revenues:</b>	
Property taxes	\$ 3,542,687
Intergovernmental	3,904,548
Charges for services	28,939
Investment earnings	84,710
Other revenues	322,577
<b>Total revenues</b>	<u>7,883,461</u>
 <b>Expenditures:</b>	
Current:	
Public Safety	2,079,444
Economic environment	4,843,055
Debt Service:	
Principal	1,000,000
Interest	985,000
Capital outlay	6,652,238
<b>Total expenditures</b>	<u>15,559,737</u>
 <b>Net Change in Fund Balance</b>	 (7,676,276)
 Fund balance, beginning	 14,174,769
Fund balance, ending	<u>\$ 6,498,493</u>

Hallandale Beach Community Redevelopment Agency  
 (A Component Unit of the City of Hallandale Beach, Florida)  
 Reconciliation of the Statement of Revenue, Expenditures and Changes in  
 Fund Balance of Governmental Funds to the Statement of Activities  
 September 30, 2014

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**Net change in fund balance - total governmental fund** \$ (7,676,276)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 6,652,238	
Capital outlay transferred to City	(1,650,050)	
Depreciation expense	<u>(175,322)</u>	
		4,826,866

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payment to City for bond principal	1,000,000
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The change in compensated absence balances during the year has no effect on the expenditures in the governmental fund. The change is reported in the statement of activities.

(3,015)

**Change in net position of governmental activities**

\$ (1,852,425)



## **NOTES TO BASIC FINANCIAL STATEMENTS**

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

Notes to Financial Statements

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

**A. Financial Reporting Entity**

Pursuant to Section 163.387, Florida Statutes, the City of Hallandale Beach (the City) established a Redevelopment Trust Fund for the Community Redevelopment Agency (CRA or Agency), effective December 1996. The City Commission, which is the Agency's board of directors, approved a Community Redevelopment Plan, which will primarily utilize Tax Increment Financing to fund community redevelopment within the designated area. The specific area incorporates approximately two thirds of the City with the exception of the most easterly portion of the City. The base year established of January 1, 1996, will be utilized in determining the base amount of property valuation. Each year the City, County and Children's Services Council must contribute 95% of the incremental increase, if any, in ad valorem taxes levied over and above the base year. The Hospital District has made a separate agreement for a flat amount. Although the Agency is legally separate from the City, the CRA is reported as part of the City as a blended component unit as its sole purpose is to finance and redevelop the City's designated redevelopment areas.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governmental units, which are promulgated by the Governmental Accounting Standards Board (GASB). Significant accounting and reporting policies and practices used by the CRA are described below:

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

The basic financial statements consist of the government-wide financial statements and fund financial statements.

The government-wide financial statements include a statement of net position and a statement of activities. These statements report on the government as a whole and provide a complete financial picture of the CRA.

The government-wide statement of net position reports all financial and capital resources of the CRA's governmental activities. Governmental activities are those supported by taxes and intergovernmental revenue. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Program revenues include charges for services that are recovered directly from customers for services rendered. Taxes and other items not properly included among program revenues are reported instead as general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Since the CRA fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliations are provided that briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide governmental activities financial statements.

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

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 reported 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.

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

Notes to Financial Statements

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

The governmental fund financial statements (a General Fund) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are generally recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

**D. Deposits**

The CRA considers cash on hand, cash with fiscal agents, and overnight investments with original maturities of less than three months to be cash and cash equivalents. In addition, the CRA's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty. Interest earned on pooled cash and investments is allocated to the CRA based on average monthly balances. The CRA also maintains its own cash account which is used for the majority of CRA transactions.

**E. Investments**

Investments are reported at fair value. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings.

**F. Receivables**

Loans receivable are recorded and where appropriate, an associated allowance for uncollectible loans has been established. All receivables are shown net of an allowance for uncollectibles. Based on past experience, the CRA deems all balances greater than 90 days to be uncollectible unless a lien can be placed against the resident's property.

**G. Assets Held for Resale**

The assets held for resale represent properties purchased or acquired by the CRA with the express intent to resell. These properties are recorded at purchase cost (which approximates fair value), or if donated or foreclosed, at appraised value.

**H. Capital Assets**

Capital assets, including land, buildings and improvements, infrastructure and vehicles and equipment, are reported in the government-wide financial statements. Capital assets are those that have a useful life of greater than one year and a value of greater than \$1,000. Capital assets are stated at cost in the government-wide financial statements. Donated capital assets are stated at their fair value on the date contributed. Depreciation is recorded in the government-wide statements as an operating expense for all assets meeting the CRA's capitalization threshold. 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, but are expensed as incurred.

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

Notes to Financial Statements

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

Depreciation is provided over estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Vehicles and equipment	5 years
Buildings and improvements other than buildings	20 years
Infrastructure	42 years

**I. Compensated Absences**

The CRA accrues for vacation and sick leave based on anticipated use or payout (i.e., amounts that are due and payable). Accumulated and unpaid vacation pay and sick leave are recorded as expenses in the government wide statements when earned. Expenditures for accumulated compensated absences have been recorded in the CRA fund only if they have matured, for example, as a result of employee resignations and retirements.

**J. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position.

**K. Fund Balance/Net Position**

In fund financial statements, the general fund reports fund classifications that comprise a hierarchy based primarily on the extent to which the CRA is bound to honor constraints imposed on the use of resources reported. Amounts that are restricted to specific purposes either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors through a resolution are classified as committed fund balances. These constraints remain binding unless removed or changed in the same manner employed to commit those resources. Amounts that are constrained by the CRA's intent to be used for specific purposes, however, are neither restricted, nor committed are classified as assigned fund balances. Assignments are approved by the Board of Directors through adoption of the budget. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund. When both restricted and unrestricted fund balances are available for use, it is the CRA's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Net position of the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. The first category represents capital assets net of accumulated depreciation, less outstanding debt related to the acquisition or construction of the capital assets.

The restricted category, if any, 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 represent resources that are available for spending.

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

Notes to Financial Statements

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

**L. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, and liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**M. Risk Management**

The CRA is insured, through the City's self-insurance program, for general liability, workers' compensation, health, directors and officers, and property damage. The CRA pays its share of health insurance and workers' compensation premiums for its employees. There are no outstanding general liability claims related to the CRA.

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense /expenditure) until then. The CRA has no items that qualify for reporting in this category in the current year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The CRA has no items that qualify for reporting in the category in the current year.

**O. Implementation of Governmental Accounting Standards Board Statements**

The CRA implemented the following GASB Statement which had no impact on the financial statements during the year ended September 30, 2014:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

This Statement establishes 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 and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

Notes to Financial Statements

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**Note 2. Tax Increment Revenue**

The primary source of revenue is from tax increment funds received through the City, the County, the South Broward Hospital District and the Children's Services Council. The revenue from the City is treated as property taxes, while the remainder is recorded as intergovernmental revenue.

**Note 3. Deposits and Investments**

Cash and investments of the CRA consist of the following at September 30, 2014:

Cash and Cash Equivalents (Including Restricted):

Deposits with financial institutions	\$ 12,002,348
Commercial paper	916,573
Total cash and cash equivalents	<u>12,918,921</u>

Investments:

Corporate notes	137,760
U.S. Government agencies	273,270
U.S. Government treasuries	958,295
Municipal bonds	39,400
Total investments	<u>1,408,725</u>
Total cash, cash equivalents and investments	<u>\$ 14,327,646</u>

Deposits: At September 30, 2014, the carrying amount of the Hallandale Beach Community Redevelopment Agency's bank deposits was \$12,002,348. These are defined as public deposits. All CRA public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 25% to 200% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with an approved financial institution. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. The CRA's bank balances were insured either by the federal depository insurance or collateralized in the bank's participation in the Florida Security for Public Deposits Act.

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

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

The CRA follows the City's investment policy which is in accordance with Florida Statute 218.415. The policy authorizes investments in certificates of deposit, obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper, money market mutual funds, state and local government debt, corporate notes, and pooled investments of the SBA. In addition, the City's policy limits overall investment in any one issuer to 5% or less, except for United States Government Agencies, Federal Instrumentalities and Interest Bearing Time Deposits or Savings Accounts.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the CRA's investments to market interest rate fluctuations of its debt type investments using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Investment Maturities (in Years)				
	Fair Value	Less than 1 Year	1 - 5 Years	5 - 10 Years	Greater than 10 Years
U.S. Government Treasuries	\$ 958,295	\$ -	\$ 958,295	\$ -	\$ -
U.S. Government Agencies	273,270	-	273,270	-	-
Municipal Bonds	39,400	-	39,400	-	-
Corporate Notes	137,760	-	137,760	-	-
Commercial Paper	916,573	916,573	-	-	-
Total	<u>\$ 2,325,298</u>	<u>\$ 916,573</u>	<u>\$ 1,408,725</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy, inclusive of CRA investments, limits investments to those instruments rated at or better than A-1.

Presented below is the minimum rating as required for each debt type instrument for CRA investments:

Average Rating	Corporate Notes	U.S. Govt. Obligations	Municipal Bonds	Commercial Paper	Total
AAA	\$ 15,067	\$ -	\$ -	\$ -	\$ 15,067
AA+	11,299	1,231,565	-	-	1,242,864
AA	44,167	-	39,400	-	83,567
AA-	67,227	-	-	-	67,227
A-1	-	-	-	722,839	722,839
A-1+	-	-	-	193,734	193,734
TOTAL	<u>\$ 137,760</u>	<u>\$ 1,231,565</u>	<u>\$ 39,400</u>	<u>\$ 916,573</u>	<u>\$ 2,325,298</u>

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

Notes to Financial Statements

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**Note 3. Deposits and Investments (Continued)**

Custodial credit risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the CRA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City, inclusive of the CRA, does not have a formal policy, but the City's practice is to ensure that all investments including CRA investments are held by the City or its counterparty in the City's name.

**Note 4. Loans Receivable**

Loans receivable for the CRA fund, with the related allowance for uncollectible accounts, as of September 30, 2014 is as follows:

<u>Governmental Activities</u>	
CRA Loans	\$ 1,441,911
Interest	<u>4,630</u>
Gross receivables	1,446,541
Less: allowance for uncollectibles	<u>(109,598)</u>
Net total receivables	<u><u>\$ 1,336,943</u></u>

**Note 5. Assets Held for Resale**

**Affordable Housing Loan Program**

The CRA assists homebuyers with the cost of construction of a new single family home or the purchase of an existing home, condominium or townhouse by providing a lump sum of \$25,000 or \$50,000 (or up to 50% of the purchase price, whichever is less). Loans are also approved for various types of home repairs. Repayment is not required if the resident remains in the home until the completion of ten years. The CRA does not report these amounts in their financial statements due to the uncertainty as to the date or amount of future collections.

Assets held for resale consist of properties available for affordable housing. Activity for the year ended September 30, 2014 is summarized in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets held for resale	<u>\$ 1,177,330</u>	<u>\$ 856,186</u>	<u>\$ 1,217,976</u>	<u>\$ 815,540</u>

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

Notes to Financial Statements

Note 6. Capital Assets

The following is a summary of capital asset activity for the year ended September 30, 2014:

	Beginning Balance	Additions and Transfers	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 19,762,766	\$ 1,035,018	\$ -	\$ 20,797,784
Construction in progress	3,398,954	5,539,661	1,650,050	7,288,565
<b>Total capital assets not being depreciated</b>	<u>23,161,720</u>	<u>6,574,679</u>	<u>1,650,050</u>	<u>28,086,349</u>
Capital assets being depreciated:				
Buildings	326,735	-	-	326,735
Improvements other than buildings	1,009,679	47,040	-	1,056,719
Vehicles and equipment	589,487	30,519	-	620,006
Infrastructure	356,397	-	-	356,397
<b>Total capital assets being depreciated</b>	<u>2,282,298</u>	<u>77,559</u>	<u>-</u>	<u>2,359,857</u>
Less accumulated depreciation for:				
Buildings	52,127	15,241	-	67,368
Improvements other than buildings	236,683	57,254	-	293,937
Vehicles and equipment	447,950	93,654	-	541,604
Infrastructure	23,938	9,173	-	33,111
<b>Total accumulated depreciation</b>	<u>760,698</u>	<u>175,322</u>	<u>-</u>	<u>936,020</u>
<b>Total capital assets being depreciated, net</b>	<u>1,521,600</u>	<u>(97,763)</u>	<u>-</u>	<u>1,423,837</u>
Governmental activities capital assets, net	<u>\$ 24,683,320</u>	<u>\$ 6,476,916</u>	<u>\$ 1,650,050</u>	<u>\$ 29,510,186</u>

Depreciation expense was charged to function/programs of the CRA as follows:

Governmental activities:	
General government	\$ 115,145
Public safety	5,924
Economic environment	54,253
<b>Total depreciation expense, governmental activities</b>	<u>\$ 175,322</u>

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

Notes to Financial Statements

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**Note 7. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities for the CRA as of September 30, 2014 were as follows:

Vendor payables	\$ 467,257
Retainage payable	167,028
Other liabilities	<u>130,661</u>
<b>Total payables</b>	<b><u>\$ 764,946</u></b>

**Note 8. Due to the City**

Amounts due to the City consist of \$10,270,490 for the payment of administrative fees approved based on a memorandum of understanding (MOU) effective October 1, 2013 as well as various expenditures paid by the City's pooled cash account and not yet reimbursed by the CRA back to the City.

**Note 9. Long-Term Liabilities**

Long-term liabilities consist mainly of the allocation of the CRA's portion of principal due on the City's 2007A bonds. This is based on the percentage of bond proceeds spent on park lands that lie within the boundaries of the CRA. Future principal payments are to be re-allocated as the ratio of CRA to non-CRA spending is accumulated. When the bond proceeds are fully expended, the ratio over the life of the bond issue is expected to be approximately 78% and 22% for CRA and non-CRA properties, respectively.

The following is a summary of long-term liabilities and other obligation transactions for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Long-term liabilities:					
Principal allocation	\$ 12,895,200	\$ -	\$ 1,000,000	\$ 11,895,200	\$ 798,000
Compensated absences	<u>12,303</u>	<u>11,770</u>	<u>8,755</u>	<u>15,318</u>	<u>-</u>
Long-term liabilities	<b><u>\$ 12,907,503</u></b>	<b><u>\$ 11,770</u></b>	<b><u>\$ 1,008,755</u></b>	<b><u>\$ 11,910,518</u></b>	<b><u>\$ 798,000</u></b>

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

Notes to Financial Statements

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**Note 9. Long-Term Liabilities (Continued)**

A summary of expected annual transfers to the City for debt service as of September 30, 2014 is as follows:

Year Ending September 30,	Revenue Bonds Series 2007A		
	Principal	Interest	Total
2015	\$ 798,000	\$ 695,400	\$ 1,493,400
2016	839,800	655,500	1,495,300
2017	881,600	613,510	1,495,110
2018	927,200	569,430	1,496,630
2019	969,000	528,865	1,497,865
2020-2024	4,784,600	1,690,495	6,475,095
2025-2027	2,695,000	273,875	2,968,875
	<u>\$ 11,895,200</u>	<u>\$ 5,027,075</u>	<u>\$ 16,922,275</u>

**Note 10. Pension Plan**

**Money-Purchase Plan and Trust**

The City maintains a single-employer money-purchase plan created in accordance with Internal Revenue Code Section 401(a). This defined contribution plan is comprised of seven plans with varying levels of employer and employee contributions. Professional/Management employees and Non-represented employees hired after January 1, 2007, as well as General employees hired after June 19, 2013, are required to enter this plan instead of the defined benefit plan. The plan requires the City to contribute 7.5% to 17% of the members' base pay depending on plan membership. Employee required contributions are 3% to 5.5%.

The CRA's contributions were calculated using the covered payroll amount of \$216,889. In year 2014, the CRA's contribution amounted to \$19,696 or 9.08% of current covered payroll.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Notes to Financial Statements

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Note 11. Deposits and Withdrawals

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits to, and the purpose and amounts of withdrawals from the Community Redevelopment Agency Funds (CRA) for the year ended September 30, 2014:

	Deposits	Withdrawals
Source of deposits:		
Tax increment revenues-Hallandale Beach	\$ 3,542,687	\$ -
Tax increment revenues-other agencies	3,904,548	-
Loan repayments	322,577	-
Loan application fees	28,939	-
Investment income	84,710	-
Purpose of withdrawals:		
Salaries and benefits	-	528,051
Utilities	-	4,463
Materials and supplies	-	75,066
Repairs and maintenance	-	4,019
Community redevelopment programs	-	1,940,150
Grants to community organizations	-	148,382
Professional and outside services	-	2,758,027
Other service charges	-	146,164
Subsidized loan programs	-	1,081,897
Administrative charges	-	236,280
Capital outlay	-	6,652,238
Reimbursement for debt service	-	1,985,000
	\$ 7,883,461	\$ 15,559,737

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

Notes to Financial Statements

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Note 12. Commitments

Construction and purchase commitments: The CRA has active construction and economic development projects as of September 30, 2014. The projects include park development, street and beautification projects, and stormwater drainage improvements. As of September 30, 2014, the CRA's significant commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment	Total Project Cost
Drainage improvements	\$ 2,548,666	\$ 235,637	\$ 2,784,303
Street and beautification projects	126,120	9,502	135,622
Parks & Recreation/Open Spaces projects	3,169,614	331,097	3,500,711
Other projects	1,499,114	85,752	1,584,866
<b>Total</b>	<u>\$ 7,343,514</u>	<u>\$ 661,988</u>	<u>\$ 8,005,502</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

Hallandale Beach Community Redevelopment Agency  
(A component Unit of the City of Hallandale Beach, Florida)  
Required Supplementary Information  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 25,000	\$ 25,000	\$ 28,939	\$ 3,939
Intergovernmental	3,915,226	3,915,226	3,904,548	(10,678)
Investment earnings	1,630,000	1,630,000	84,710	(1,545,290)
Other revenues	375,000	429,000	322,577	(106,423)
<b>Total revenues</b>	<b>5,945,226</b>	<b>5,999,226</b>	<b>4,340,774</b>	<b>(1,658,452)</b>
<b>Expenditures:</b>				
Personal services	547,137	547,137	528,054	19,083
Operating expenditures	5,211,044	9,144,406	5,164,165	3,980,241
Grants and aids	1,889,529	2,744,200	1,230,280	1,513,920
Capital outlay	3,928,226	10,259,438	6,652,238	3,607,200
<b>Total expenditures</b>	<b>11,575,936</b>	<b>22,695,181</b>	<b>13,574,737</b>	<b>9,120,444</b>
<b>Deficiency of revenues under expenditures</b>	<b>(5,630,710)</b>	<b>(16,695,955)</b>	<b>(9,233,963)</b>	<b>(10,778,896)</b>
<b>Other financing sources (uses):</b>				
Transfers in (1)	3,561,746	3,561,746	3,542,687	(19,059)
Transfers out (2)	(1,985,000)	(1,985,000)	(1,985,000)	-
<b>Total other financing sources (uses)</b>	<b>1,576,746</b>	<b>1,576,746</b>	<b>1,557,687</b>	<b>(19,059)</b>
<b>Net change in fund balance</b>	<b>\$ (4,053,964)</b>	<b>\$ (15,119,209)</b>	<b>\$ (7,676,276)</b>	<b>\$ (10,797,955)</b>
<b>Appropriated Fund Balance</b>	<b>\$ 4,053,964</b>	<b>\$ 4,053,964</b>		

(1) For GAAP reporting, budget transfers in were presented as property tax revenue.

(2) For GAAP reporting, budget transfers out were presented as debt service and operating expenditures.

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

Notes to Required Supplementary Information (unaudited)

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**Note 1. Budgetary Data**

The Board of Directors follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the Executive Director submits to the Board of Directors a proposed operating and capital budget for the fiscal year commencing October 1. The operating and capital budget includes proposed expenditures and means of financing them.
2. The Board of Directors holds public workshops on the prepared budget.
3. Prior to October 1, the budget is legally enacted by resolution.

The legal level of control, the level at which expenditures may not exceed the budget, is at the category level within a fund. Categories, as used here, include personal services, operating expenditures and capital outlay. The Executive Director is authorized to make transfers of budgeted funds within categories except contingencies and debt service. Unencumbered balances of appropriation lapse at year-end.

The budget for the CRA's general fund has been adopted on a basis consistent with GAAP.

The CRA provides funds allocated to specific projects for two main categories – community redevelopment programs (operating expenditures) and construction projects (capital outlay). Funds are provided through the original adoption of a budget line item. Often the projects overlap several years, and the unspent funds from the prior year are normally rolled forward into the final budget of the current year, which can result in significant differences between the original and final budgets.

During the year the Board passes a resolution to increase the budget for anticipated projects, most of which is not completed during the current fiscal year.



## **REPORTING SECTION**

**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 Members of the Board of Directors and Executive Director  
**Hallandale Beach Community Redevelopment Agency**

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 Hallandale Beach Community Redevelopment Agency (the CRA) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements and have issued our report thereon dated June 30, 2015.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 CRA'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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2014-001, 2014-002, and 2014-003 to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the CRA'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 CRA'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 CRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Fort Lauderdale, FL  
June 30, 2015

**Hallandale Beach Community Redevelopment Agency  
(A Component Unity of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Schedule of Findings And Responses**

**Material Weaknesses**

***2014-001 Loans Receivable***

***Criteria***

100% forgivable loans should be treated as a grant and expensed in the year the funds were disbursed. No loan receivable should be recorded until the grantee is in default of the promissory note (grant agreement). Loans that contain portions that were not 100% forgivable should however, be included in loan receivables and reduced as payments are received. Monitoring of the applicable eligibility requirements for loans should be monitored throughout the year and evidence of the monitoring procedures should be maintained by the Hallandale Beach Community Redevelopment Agency (the HBCRA).

***Condition***

Our audit of the loans receivable related to the HBCRA revealed two separate loans receivable schedules being maintained by the HBCRA, with inconsistencies noted between the two schedules. The first schedule we received, from which we made selections for testing, included very few current year loans. We later received a second schedule, which included many more current year loans, and therefore our selections for testing needed to be revised. Our audit of the loans receivable revealed several instances where 100% forgivable loans were posted as receivables in the general ledger. Furthermore, we noted several instances where amounts owed to the HBCRA were incorrectly excluded from receivables. During our audit, we also noted that certain monitoring in the area of eligibility requirements were not being verified and certain loan records were not being properly maintained.

***Cause***

A lack of adequate internal control over the monitoring and tracking of loans resulted in inaccurate record keeping of the HBCRA loans. In addition, a lack of adequate internal control over the processing of the loan transactions resulted in an inaccurate loans receivable detail.

***Effect***

As a result of the condition identified, Marcum noted that the HBCRA had overstated their loans receivable by approximately \$678,000 of amounts never to be collected. In addition, the loans receivable balance was also understated by approximately \$125,000 of amounts that are due and payable to the HBCRA. The net effect of the amounts was an overstatement of the loans receivable balance of approximately \$553,000.

**Hallandale Beach Community Redevelopment Agency  
(A Component Unity of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Schedule of Findings And Responses**

***Recommendation***

We recommend that the HBCRA improve internal controls over the tracking, monitoring and record keeping process for loans issued to residents and City businesses. The HBCRA should maintain up-to-date records for loans and track the loans on only one schedule in order to improve monitoring to an acceptable level and mitigate the risk of inaccurate financial reporting and to ensure compliance with ongoing eligibility requirements.

***Views of Responsible Officials and Planned Corrective Action***

Acknowledged. In response to the auditors' request, HBCRA Fiscal Operations Manager inadvertently provided the auditor a schedule for the Neighborhood Improvement Program Loans (NIP) which was extracted from the HBCRA's internal shared drive. This schedule is not representative of the current status of the NIP Loans, as it is not generated from the HTE System.

The auditor received a subsequent NIP Loan schedule which was generated from HTE. The system generates a report which is then imported into an excel spreadsheet. This report is reconciled to the general ledger. The subsequent NIP Loan schedule provided to the auditor reflects all active loans in the NIP. It is acknowledged that some of the loans which are 100% forgivable are reflected in the HTE System as fully receivable. This is due to the HTE system limitation (it is not a true loan servicing system). To address this shortcoming, the City's Finance Department practice has been to prepare a Journal Entry at the end of each year to reverse receivable amounts for said 100% forgivable loans.

To appropriately address the system limitation going forward, HBCRA has purchased a true loan servicing software (AutoPal) which will allow for the proper entry of receivable amounts into the system. The AutoPal loan servicing software also provides for regular loan monitoring to determine delinquencies, periodic inspections, etc. The HTE system is not designed for loan servicing, especially loans with varying terms (i.e. forgiveness provisions, varying interest rates, payment dates, etc.). As of May, 2015, all active loans for the HBCRA's programs (NIP, Business Incentive Program, and Down Payment Assistance) have been entered into AutoPal. HBCRA is working with the consultant hired to assist with this task (Munilytics) to finalize the transfer of files and provide a report reflecting delinquent loans in excess of 90 days. Staff anticipates that this task will be completed by June 30, 2015.

HBCRA Staff is confident that this approach will ensure an accurate reflection of Receivables on its active loan portfolio going forward.

**Hallandale Beach Community Redevelopment Agency  
(A Component Unity of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Schedule of Findings And Responses**

***2014-002 Bank Reconciliations***

***Criteria***

Prudent practice would dictate that a formal bank reconciliation be performed each month prior to the end of the following month with the appropriate review and sign off as evidence of the completeness, accuracy and timeliness of the reconciliation. Performing timely monthly bank reconciliations reduces the risk that errors, fraud or misuse of funds could go undetected and/or uncorrected.

***Condition***

During our audit of the year ended September 30, 2014, we selected 3 months of bank reconciliations for the HBCRA bank account; July 2014, August 2014 and September 2014, and noted that they were not prepared or reviewed timely. There was no evidence of sign off by the preparer or the reviewer and based on our inquiry we were informed that they were not prepared in a timely manner. In addition, based on this finding, we requested the October 2014 and November 2014 bank reconciliations but the HBCRA was not able to provide those to us as they had not yet been prepared. **Based on further inquiry, it was noted that as of May 28, 2015, the bank reconciliations since September 30, 2014 have not yet been prepared.**

***Cause***

There is a lack of adequate internal control over financial close and reporting as it relates to the bank reconciliation process.

***Effect***

Without bank reconciliations being prepared and reviewed timely for accuracy and completeness, HBCRA would not know if the cash position is accurate and whether or not there were errors, fraud or misuse of funds.

***Recommendation***

We strongly recommend the HBCRA implements internal controls associated with the preparation and review of bank reconciliations that will ensure reconciliations are prepared and reviewed on a monthly basis. Monthly bank reconciliations should be prepared and reviewed within 30 days of the month end to ensure accuracy and completeness of cash balances reported by HBCRA.

**Hallandale Beach Community Redevelopment Agency  
(A Component Unity of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Schedule of Findings And Responses**

***Views of Responsible Officials and Planned Corrective Action***

Acknowledged. The HBCRA staff responsible to perform this assignment (Fiscal Operations Manager) failed to complete this recurring task as instructed by the HBCRA Director. The previous Fiscal Operations Manager indicated difficulty in understanding the system(s) (HTE & Munis) and claimed to have had difficulty in getting City Finance Staff to assist with the task that needed to be completed. The previous Fiscal Operations Manager's performance was deficient and was documented accordingly. That individual resigned his position from the HBCRA on 10-6-2014 after 9 months on the job.

The new Fiscal Operations Manager was hired in December, 2014. Upon the new staff person's arrival, their priorities were bank reconciliations, and the reconciliations of the MOU's between the HBCRA and the City. The bank reconciliations for fiscal year 2014 were the first priority in order to allow the City and CRA to close its books at year end.

The bank reconciliations for FY 15 have lagged in their completion as a result of competing priorities (year-end close out, budget preparation, and audit). HBCRA recognizes the critical nature of bank reconciliations to ensure its knowledge of the Agency's cash position. Procedures have been established requiring bank reconciliations to be done monthly, along with the appropriate transfers to/from the City as appropriate. These procedures include a face to face meeting between the Fiscal Operations Manager and the designated Finance Department person to review expenditures made by the City on the HBCRA's behalf, as well as to review payments received by the City on HBCRA loans. The monthly reconciliation will result in the appropriate wire transfer from either entity to the other.

With respect to the bank reconciliations, HBCRA staff is bringing in additional resources to bring this task current. Staff expects this to be completed no later than July 31, 2015.

***2014-003 Internal Control over Financial Close and Reporting Procedures***

***Criteria***

Prudent policies include a formal closing process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded. Timeliness of closing procedures is crucial to proving accurate accounting data and financial information including interim and year-end financial statements.

**Hallandale Beach Community Redevelopment Agency  
(A Component Unity of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Schedule of Findings And Responses**

***Condition***

In addition to the journal entries noted in our finding 2014-001, there were numerous significant auditor adjusting journal entries proposed to correct account balances such as property held for sale which was understated by approximately \$321,000, accrued payroll which was understated by approximately \$15,000, retainage payable was understated by approximately \$191,000, due from the City which was understated by approximately \$1,054,000. In addition, in many instances, schedules requested in our initial planning letter were not readily available at the commencement of our audit engagement.

***Cause***

There is a lack of sufficient and timely closing process.

***Effect***

Multiple account balances were not properly stated prior to the performing their necessary procedures and an untimely close of the books and records in order to prepare accurate financial statements.

***Recommendation***

We recommend a detailed general ledger account analysis of all accounts be performed on a monthly or quarterly basis (in a timely manner) and reviewed by supervisory staff to ensure accurate recording of transactions. Supervisory personnel should also perform an analytical review of account balances with the prior year balances prior to closing the books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required. We further recommend that employees responsible for the books and records and approval of journal entries consult with their auditors or others for unusual or difficult to record transactions especially given the complexities associated with the accounting standards.

***Views of Responsible Officials and Planned Corrective Action***

Acknowledged. The recommended procedure was established during FY 14, whereby the HBCRA Financial Staff would meet monthly with the assigned staff person from the City's Finance Department. The purpose of this monthly reconciliation meeting is to review transactions and activities on the part of the HBCRA and ensure that said transactions were properly coded in the general ledger. However, due to substantial turnover in staff, both in the City's Finance Department and within the HBCRA Fiscal Operations Manager position, the monthly general ledger account analysis was not current.

**Hallandale Beach Community Redevelopment Agency  
(A Component Unity of the City of Hallandale Beach, Florida)  
For the Year Ended September 30, 2014  
Schedule of Findings And Responses**

*Views of Responsible Officials and Planned Corrective Action (continued)*

The established GL account analysis procedure will be updated by HBCRA Staff within thirty (30) days, and will require sign off by the City's Chief Financial Officer and the City Manager/HBCRA Executive Director to ensure an appropriate level of accountability.

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE  
AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Members of the Board of Directors and Executive Director  
**Hallandale Beach Community Redevelopment Agency**

***Report on the Financial Statements***

We have audited the financial statements of the Hallandale Beach Community Redevelopment Agency (the CRA), as of and for the year ended September 30, 2014, and have issued our report thereon dated June 30, 2015.

***Auditors' Responsibility***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

***Other Reports and Schedule***

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2015, should be considered in conjunction with this management letter.

***Prior Audit Findings***

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The CRA has made these disclosures in the notes to the financial statements. There are no component units.

### ***Financial Condition***

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the CRA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the CRA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures to the City of Hallandale Beach as a whole, which included the CRA as a blended component unit. It is management's responsibility to monitor the CRA's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was done as of the fiscal year end.

### ***Other Matters***

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### ***Purpose of this Letter***

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Marum LLP*

Fort Lauderdale, FL  
June 30, 2015

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO  
SECTION 218.415 FLORIDA STATUTES**

To the Members of the Board of Directors and Executive Director  
**Hallandale Beach Community Redevelopment Agency**

We have examined the Hallandale Beach Community Redevelopment Agency's compliance with Section 218.415 Florida Statutes during the year ended September 30, 2014. Management is responsible for the Hallandale Beach Community Redevelopment Agency's compliance with those requirements. Our responsibility is to express an opinion on the Hallandale Beach Community Redevelopment Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Hallandale Beach Community Redevelopment Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Hallandale Beach Community Redevelopment Agency's compliance with specified requirements.

In our opinion, the Hallandale Beach Community Redevelopment Agency complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of management, the Board of Directors, others within the Hallandale Beach Community Redevelopment Agency and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum LLP*

Fort Lauderdale, Florida  
June 30, 2015