



COMMUNITY REDEVELOPMENT AGENCY

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
September 30, 2018

FORT LAUDERDALE
COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Fort Lauderdale, Florida)

REPORT ON BASIC FINANCIAL STATEMENTS

Fiscal Year Ended
September 30, 2018



FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

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Jeffrey A. Modarelli, Secretary
Alain E. Boileau, General Counsel
Donald Morris, CRA Manager
Clarence Woods, CRA Manager

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Chair of the Board
Board of Commissioners and Executive Director
Fort Lauderdale Community Redevelopment Agency
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Lauderdale Community Redevelopment Agency (the "Agency"), a component unit of the City of Fort Lauderdale, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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 each major fund of the Agency, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3 to 8 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 March 28, 2019 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.



Crowe LLP

Fort Lauderdale, Florida
March 28, 2019

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

The Management's Discussion and Analysis section provides a narrative overview of the Fort Lauderdale Community Redevelopment Agency (CRA) financial activities for fiscal year ending September 30, 2018. This discussion is broken down into three components:

- An overview of the Agency.
- A brief overview of the financial statements, including how they relate to each other and the significant differences in information they provide.
- A concise, condensed financial report that summarizes the results of operations and a narrative financial analysis of the CRA's overall financial condition and results of operations, supported by additional consolidated information about specific services provided by the CRA.

OVERVIEW

The purpose of the Community Redevelopment Agency of the City of Fort Lauderdale, Florida (the "Agency") is to eliminate identified slum and blighted conditions within identified redevelopment areas pursuant to the redevelopment plans of the Agency.

The Agency's primary source of revenue is tax increment funds. The revenue for Central Beach and Northwest-Progresso-Flagler Heights is computed by applying the operating tax rate for the City of Fort Lauderdale (City), Broward County (County), North Broward Hospital District (HD), and the Children's Services Council (CSC), multiplied by the increased value of the property located within the boundaries of the redevelopment areas of the Agency, over the base property value, minus 5% for early payment. The Central City Area receives the City contribution only. The City, County, HD and CSC are required to fund this amount annually without regard to tax collections or other obligations.

Further, the Agency's policy is set by a board of directors comprised of five (5) members of the Commission of the City of Fort Lauderdale with the Mayor serving as the Chair. The City Manager serves as the Executive Director of the Board. The Board is separate, distinct and independent from the governing body of the City of Fort Lauderdale.

The Agency was established in 1989 by the City of Fort Lauderdale, Florida under the provisions of Section 163.330, Florida Statutes. Fort Lauderdale has three (3) CRA target areas. They are Central Beach Area which was established in 1989, Northwest-Progresso-Flagler Heights which was created in 1995, and Central City which was created in 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The nature of these three components of the report is described as follows:

Government-wide financial statements

There are two financial statements in this section that address the financial position and results of operations of the Agency taken as a whole: the Statement of Net Position and the Statement of Activities.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

These two financial statements are prepared using the "full accrual" method (basis) of accounting. This is the same accounting method used by most private-sector companies to determine whether they earn a profit in any given year, and to measure the net worth of the company as of the end of the year. Under the full accrual basis of accounting, some cash flows into the organization and some of the cash flows out of the organization are not considered operating revenues or operating expenses and accordingly do not appear on a profit and loss statement. For example, under the full accrual basis of accounting, the purchase of capital assets (e.g. equipment, land, buildings that have a useful life beyond one year) is not considered an operating expense when purchased.

The statement of net position is similar to a balance sheet in that it separately identifies the assets (what the Agency owns) from the liabilities (what the Agency owes) and the net difference between the two. Cash, receivables, land, buildings and equipment are examples of assets. Bonds, notes, and payables are examples of liabilities. The increase or decrease in net position from one year to the next indicates whether the Agency's financial position is improving or deteriorating.

The statement of activities explains how or why the net position have increased or decreased during the year. The statement of activities resembles a profit and loss statement because it compares the total expenses of the government to the total revenues, with the difference between the two, equaling the increase or decrease in net position over the course of the year.

Fund financial statements

Governmental Funds (beginning on page 12) are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the previous 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 the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since 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. This comparison highlights the long-term impact of the Agency's near term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances offer a reconciliation to assist with this comparison.

The Agency maintains three (3) individual governmental funds. All governmental funds of the Agency are considered major funds and thus are reflected separately in the fund financial statements.

Notes to the financial statements

The third section of the basic financial statements is the notes to the financial statements. This section provides a further level of detail necessary to better understand the information provided within the government-wide financial statements and fund financial statements.

In addition to the three major types of data included in the basic financial statements (as defined on the preceding pages), this annual financial report also includes required supplementary information regarding the results of operations of the Agency.

Required supplementary information

Included in this section of the report is the Budgetary Comparison Schedule.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

CONDENSED FINANCIAL INFORMATION

This section presents condensed financial information from the government-wide financial statements that compares the current year to the prior year. The analysis highlights economic factors that significantly affected operating results during the year. The following condensed information is derived from the government-wide financial statements for the Fort Lauderdale Community Redevelopment Agency.

CONDENSED STATEMENT OF NET POSITION (in thousands)

| | Governmental Activities | | Increase/ (Decrease) | |
|----------------------------------|-------------------------|-------------------|----------------------|---------------|
| | 2018 | 2017 | Amount | Percent |
| Assets | | | | |
| Current and Other Assets | \$ 88,290 | \$ 80,705 | \$ 7,585 | 9.40% |
| Capital Assets (Net) | 45,051 | 31,880 | 13,171 | 41.31% |
| Total Assets | <u>133,341</u> | <u>112,585</u> | <u>20,756</u> | <u>18.44%</u> |
| Liabilities | | | | |
| Current and Other Liabilities | 5,086 | 3,139 | 1,947 | 62.06% |
| Long-Term Liabilities | 5,312 | 5,981 | (669) | -11.19% |
| Total Liabilities | <u>10,398</u> | <u>9,120</u> | <u>1,278</u> | <u>14.02%</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 39,070 | 25,251 | 13,819 | 54.72% |
| Restricted | 83,873 | 78,214 | 5,659 | 7.24% |
| Total Net Position | <u>\$ 122,943</u> | <u>\$ 103,465</u> | <u>\$ 19,478</u> | <u>18.82%</u> |

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2018

CONDENSED CHANGES IN NET POSITION (in thousands)

| | Governmental Activities | | Increase/(Decrease) | |
|------------------------------------|-------------------------|-------------------|---------------------|---------------|
| | 2018 | 2017 | Amount | Percent |
| Revenues | | | | |
| Program Revenues: | | | | |
| Operating Grants and Contributions | \$ 18,938 | \$ 17,374 | \$ 1,564 | 9.00% |
| Capital Grants and Contributions | 136 | 1,204 | (1,068) | -88.71% |
| General Revenues: | | | | |
| Interest Income | 1,111 | 403 | 708 | 175.89% |
| Miscellaneous | 6,700 | 177 | 6,523 | 3678.79% |
| Total Revenues | <u>26,885</u> | <u>19,158</u> | <u>7,727</u> | <u>40.33%</u> |
| Expenses | | | | |
| Economic Environment | 7,216 | 7,830 | (614) | -7.84% |
| Interest on Long-Term Debt | 191 | 212 | (21) | -9.63% |
| Total Expenses | <u>7,407</u> | <u>8,042</u> | <u>(635)</u> | <u>-7.88%</u> |
| Change in Net Position | 19,478 | 11,116 | 8,362 | 75.21% |
| Beginning Net Position | 103,465 | 92,349 | 11,116 | 12.04% |
| Ending Net Position | <u>\$ 122,943</u> | <u>\$ 103,465</u> | <u>\$ 19,478</u> | <u>18.82%</u> |

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the fiscal year ended September 30, 2018, results of operations of the Agency viewed on a government-wide basis reflects relatively strong financial performance.

The Agency's statement of net position serves as a useful indicator of a government's financial position as of a specific point in time. The relative composition of assets versus liabilities as shown on this report is indicative of a healthy (versus a tenuous) financial position. This analysis is most easily accomplished by converting this data into ratios.

One such ratio reflects the ability of the government to meet immediate cash demands – the ratio of current assets to current liabilities:

A comparison of current assets to current liabilities as of September 30, 2018:

| | 2018 | 2017 |
|-------------------------------|----------------------|----------------------|
| Current and Other Assets | \$ 88,290,501 | \$ 80,704,753 |
| Current and Other Liabilities | 5,086,471 | 3,138,645 |
| Net Current Assets | <u>\$ 83,204,030</u> | <u>\$ 77,566,108</u> |
| Ratio | 17.36 | 25.71 |

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
 SEPTEMBER 30, 2018

FUND FINANCIAL ANALYSIS

The fund financial statements for governmental funds provide information on the near-term outflows, inflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. The CRA Trust Funds balance at September 30, 2018 was \$77.3 million, a decrease of \$1 million from the prior year balance of \$78.3 million. The Special Revenue Fund is used to account for the operating activities of the Agency. Operating revenues for FY2018 totaled \$20 million and operating expenditures totaled \$19.9 million (including encumbrances of \$14.4 million).

A summary of the operations of the Special Revenue Fund (on a budget basis), including a comparison to the approved budget, is as follows:

| | SPECIAL REVENUE FUND | | |
|---|-----------------------------|-----------------------|---|
| | Final Budget | Actual Amounts | Variance with Budget - Positive (Negative) |
| REVENUES | | | |
| Intergovernmental Revenues: | | | |
| City | \$ 7,044,749 | \$ 7,038,392 | \$ (6,357) |
| Broward County | 9,032,568 | 9,026,690 | (5,878) |
| North Broward Hospital District | 2,066,504 | 2,065,219 | (1,285) |
| Children's Services Council | 808,192 | 807,691 | (501) |
| Interest Income | 42,547 | 1,111,276 | 1,068,729 |
| Total Revenues | 18,994,560 | 20,049,268 | 1,054,708 |
| EXPENDITURES | | | |
| Current: | | | |
| Economic Environment | 21,880,190 | 19,935,416 | 1,944,774 |
| Capital Outlay | 88,838 | 13,688 | 75,150 |
| Total Expenditures | 21,969,028 | 19,949,104 | 2,019,924 |
| Excess of Revenues Over Expenditures | (2,974,468) | 100,164 | 3,074,632 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,050,529 | 1,050,529 | - |
| Transfers (out) | (15,642,531) | (9,688,804) | 5,953,727 |
| Total Other Financing Sources and (Uses) | (14,592,002) | (8,638,275) | 5,953,727 |
| Net change in Fund Balance | \$ (17,566,470) | \$ (8,538,111) | \$ 9,028,359 |

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

For more detailed budget information, please see the Budgetary Comparison Schedule in Required Supplementary Information.

As noted earlier, the Agency has three specific redevelopment areas: the Central Beach Redevelopment Area, the Northwest-Progresso-Flagler Heights Redevelopment Area, and the Central City Redevelopment Area.

The following discussion addresses these redevelopment areas within the CRA fund:

1. The Central Beach Redevelopment Area

The Central Beach Redevelopment area is a special district whose mission is to eliminate slum and blight, stimulate redevelopment of the core area as a catalyst for the revitalization of the entire Central Beach area.

2. The Northwest-Progresso-Flagler Heights Redevelopment Area

The Northwest-Progresso-Flagler Heights Redevelopment area is a special district whose mission is to promote economic development in the blighted Northwest section of the city.

3. The Central City Redevelopment Area

The Central City Redevelopment area is a special district whose mission is to invigorate the existing businesses, attract new businesses and investment, and provide a neighborhood commercial center for the surrounding neighborhoods.

Capital Assets

The Agency's investment in capital assets, net of accumulated depreciation, for governmental activities increased by \$13.2 million in FY2018. Additional information about the Agency's capital assets can be found in Note 4 to these financial statements.

Debt Administration

At the end of the current fiscal year, the Agency had a Tax Increment Revenue Note outstanding of \$5,981,000. Additional information about the Agency's long-term debt can be found in Note 6 to these financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Fort Lauderdale Community Redevelopment Agency's finances and was prepared by the Finance Department of the City. Requests for additional information should be addressed to the Finance Director at 100 North Andrews Avenue, Fort Lauderdale, Florida, 33301.

***BASIC FINANCIAL
STATEMENTS***

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
September 30, 2018

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 5,926,080 |
| Investments | 67,591,797 |
| Accounts Receivable (Net) | 2,356 |
| Due from Other Governments | 6,699,685 |
| Properties Held for Resale | 8,070,583 |
| Capital Assets Not Being Depreciated | |
| Land | 2,051,784 |
| Construction in Progress | 24,566,044 |
| Capital Assets, Net of Accumulated Depreciation | |
| Buildings | 246,399 |
| Improvements | 7,738,403 |
| Infrastructure | 10,369,161 |
| Machinery, Equipment and Vehicles | 78,771 |
| Total Assets | 133,341,063 |
| LIABILITIES | |
| Accounts Payable | 2,345,583 |
| Due to Primary Government | 1,921,684 |
| Deposits | 71,205 |
| Accrued Interest Payable | 78,999 |
| Long-Term Liabilities: | |
| Due Within One Year | 669,000 |
| Due in More Than One Year | 5,312,000 |
| Total Liabilities | 10,398,471 |
| NET POSITION | |
| Net Investment in Capital Assets | 39,069,562 |
| Restricted for: | |
| Redevelopment Projects | 83,491,653 |
| Debt Service | 381,377 |
| Total Net Position | \$ 122,942,592 |

The notes to the financial statements are an integral part of the financial statements

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES
For Fiscal Year Ended September 30, 2018

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|--------------------------------------|---------------------|--|--|---|
| | | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Primary Government | | | | |
| Economic Environment | \$ 7,216,148 | \$ 18,937,992 | \$ 135,994 | \$ 11,857,838 |
| Interest on Long-term Debt | 191,580 | - | - | (191,580) |
| Total Governmental Activities | \$ 7,407,728 | \$ 18,937,992 | \$ 135,994 | 11,666,258 |
| General Revenues: | | | | |
| Interest Income | | | | \$ 1,111,276 |
| Miscellaneous | | | | 6,699,685 |
| Total General Revenues | | | | <u>7,810,961</u> |
| | | | | Change in Net Position |
| | | | | 19,477,219 |
| | | | | Net Position - Beginning |
| | | | | <u>103,465,373</u> |
| | | | | Net Position - Ending |
| | | | | <u>\$ 122,942,592</u> |

The notes to the financial statements are an integral part of the financial statements.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

| | Major Funds | | | Total CRA Funds |
|---|----------------------|-------------------|-----------------------|----------------------|
| | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 1,760,892 | \$ 460,376 | \$ 3,704,812 | \$ 5,926,080 |
| Investments | 15,509,926 | - | 52,081,871 | 67,591,797 |
| Accounts Receivable (Net) | 2,356 | - | - | 2,356 |
| Due from Other Governments | 6,699,685 | - | - | 6,699,685 |
| Properties Held for Resale | 8,070,583 | - | - | 8,070,583 |
| Total Assets | \$ 32,043,442 | \$ 460,376 | \$ 55,786,683 | \$ 88,290,501 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 162,734 | \$ - | \$ 2,182,849 | \$ 2,345,583 |
| Advancements from other funds | 1,921,684 | - | - | 1,921,684 |
| Deposits | - | - | 71,205 | 71,205 |
| Total Liabilities | 2,084,418 | - | 2,254,054 | 4,338,472 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | 6,699,685 | - | - | 6,699,685 |
| Total Deferred Inflows of Resources | 6,699,685 | - | - | 6,699,685 |
| Fund Balances: | | | | |
| Restricted for: | | | | |
| Redevelopment Projects | 23,259,339 | - | 53,532,629 | 76,791,968 |
| Debt Service | - | 460,376 | - | 460,376 |
| Total Restricted | 23,259,339 | 460,376 | 53,532,629 | 77,252,344 |
| Total Fund Balances | 23,259,339 | 460,376 | 53,532,629 | 77,252,344 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 32,043,442 | \$ 460,376 | \$ 55,786,683 | \$ 88,290,501 |

The notes to the financial statements are an integral part of the financial statements.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2018

| | | |
|---|----------------|-------------------------------------|
| Total fund balances of governmental funds | | \$ 77,252,344 |
| 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 funds. | | 45,050,562 |
| Unavailable revenue that meets the criteria for recognition in the statement of activities | | 6,699,685 |
| Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. | | |
| Notes Payable | \$ (5,981,000) | |
| Accrued Interest Payable | (78,999) | (6,059,999) |
| | | <hr/> |
| Total net position of governmental activities | | <u><u>\$ 122,942,592</u></u> |

The notes to the financial statements are an integral part of the financial statements.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For Fiscal Year Ended September 30, 2018

| | Major Funds | | | Total CRA Funds |
|--|-------------------------|----------------------|--------------------------|----------------------|
| | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | |
| REVENUES | | | | |
| Intergovernmental Revenues | | | | |
| City of Fort Lauderdale | \$ 7,038,392 | \$ - | \$ - | \$ 7,038,392 |
| Broward County | 9,026,690 | - | 135,994 | 9,162,684 |
| North Broward Hospital District | 2,065,219 | - | - | 2,065,219 |
| Children's Services Council | 807,691 | - | - | 807,691 |
| Interest Income | 1,111,276 | - | - | 1,111,276 |
| Total Revenues | 20,049,268 | - | 135,994 | 20,185,262 |
| EXPENDITURES | | | | |
| Economic Environment | 5,506,631 | - | - | 5,506,631 |
| Principal | - | 648,000 | - | 648,000 |
| Interest and Fiscal Charges | - | 200,139 | - | 200,139 |
| Capital Outlay | 13,688 | - | 14,866,126 | 14,879,814 |
| Total Expenditures | 5,520,319 | 848,139 | 14,866,126 | 21,234,584 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 14,528,949 | (848,139) | (14,730,132) | (1,049,322) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 1,050,529 | 848,869 | 8,839,935 | 10,739,333 |
| Transfers (Out) | (9,688,804) | - | (1,050,529) | (10,739,333) |
| Total Other Financing Sources (Uses) | (8,638,275) | 848,869 | 7,789,406 | - |
| Net Change in Fund Balances | 5,890,674 | 730 | (6,940,726) | (1,049,322) |
| Fund Balances - Beginning | 17,368,665 | 459,646 | 60,473,355 | 78,301,666 |
| Fund Balances - Ending | \$ 23,259,339 | \$ 460,376 | \$ 53,532,629 | \$ 77,252,344 |

The notes to the financial statements are an integral part of the financial statements.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For Fiscal Year Ended September 30, 2018**

Net change in fund balances of governmental funds **\$ (1,049,322)**

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

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases exceed depreciation in the current year.

| | | |
|----------------------|--------------------|-------------------|
| Capital Outlay | \$ 15,004,985 | |
| Depreciation Expense | <u>(1,834,688)</u> | 13,170,297 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|------------------------------------|--------------|
| Change in Accrued Interest Payable | 8,559 |
|------------------------------------|--------------|

The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts (except for issuance costs) are capitalized and amortized in the statement of activities. This amount is the repayment of the principal of long-term debt.

| |
|----------------|
| 648,000 |
|----------------|

Some revenue reported in the statement of activities is not available for use and, therefore, is not reported as revenue in governmental funds.

| |
|-------------------------|
| <u>6,699,685</u> |
|-------------------------|

Change in net position of governmental activities **\$ 19,477,219**

The notes to the financial statements are an integral part of the financial statements.

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FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Lauderdale Community Redevelopment Agency's (the Agency) financial statements are prepared in accordance with United States Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Fort Lauderdale Community Redevelopment Agency was established in 1989 by the City of Fort Lauderdale, Florida (the City) under the provisions of Section 163.330, Florida Statutes. The City has created a total of three (3) Community Redevelopment Areas; Central Beach (1989), Northwest-Progresso-Flagler Heights (1995), and Central City (2012).

The board of directors of the Agency is comprised of five (5) members of the City Commission of the City and is separate, distinct, and independent from the governing body of the City.

For financial reporting purposes, the Agency is a component unit of the City and is thus included in the City's comprehensive annual financial report as a blended component unit. This report is not a complete presentation of the City of Fort Lauderdale.

B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting

The Agency's basic financial statements are presented in two separate and distinct formats. These consist of government-wide statements and fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Agency does not have any business-type activities and has only governmental activities. The accounts of the Agency are reported as special revenue funds, capital projects and debt service funds.

Government-wide Statements In the Government-wide Statement of Net Position, the government activities are presented on a consolidated basis. This statement is prepared using the *economic resources* measurement focus, meaning all assets and liabilities (including capital assets and long-term debt) are included in the Statement of Net Position. This accounting methodology is more consistent with the methodology used for business accounting in the private sector than "traditional" governmental accounting methodology.

Within this statement, the net position of the Agency (assets and deferred outflows of resources minus liabilities and deferred inflows resources) is reported in two separate components – net investment in capital assets and restricted net position.

The Government-wide Statement of Activities reports the degree to which the gross expenses, including depreciation, of the significant governmental functions provided by the Agency, are financed by the program revenues and the operating and capital grants directly related to the costs of providing each function. The statement then reports the extent to which the resulting net costs of these functions (gross expenses less directly-related program revenues and grants) are financed by general revenues of the Agency (i.e. taxes, interest income, etc.) This statement is prepared using the *full accrual* basis of accounting, which determines the timing of the recording of revenues and expenses. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when an obligation is incurred.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

Fund Financial Statements These statements report information at a higher level of detail, focusing on separate reporting of individual major funds, rather than consolidating financial data into the broad category of governmental activities.

The financial transactions of the Agency are reported in individual funds within the City's accounting system. Each fund is accounted for by providing a separate, self-balancing set of accounts comprised of the assets, liabilities, reserves, fund equity, revenues and expenditures of each fund. For purposes of this report, all of the Agency's funds are classified as major governmental funds.

Governmental Funds Within the fund financial statements, the accounting policies applied to governmental funds is intended to capture only those transactions that will occur in the short-term, and the ability to finance those activities as needed. The financial focus applied to governmental funds is called the modified accrual basis of accounting. Revenues are susceptible to accrual in the accounting period in which they become available and measurable, which generally means those revenues that are collected within 60 days after year end. The Agency accrues an asset equal to the value of all material revenue to which it is entitled. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Within governmental fund types, assets and liabilities are recorded using the *flow of current financial resources* measurement focus, meaning only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

The governmental fund types utilized by the Agency are broken down as follows:

Special Revenue Fund – account for the proceeds of specific revenue sources from tax increment and property taxes that are legally restricted to expenditures for community redevelopment.

Debt Service Fund – account for resources that are restricted to payment of principal, interest and other expenditures on long-term debt.

Capital Projects Fund – account for financial resources segregated for the acquisition or construction of major capital facilities and redevelopment area improvements.

C. Budget Policy and Budgetary Data

The City prepares an annual operating budget for the Fort Lauderdale Community Redevelopment Agency. These budgets are prepared on the modified accrual basis of accounting.

The level of control (level at which expenditures may not exceed budget) is the department. The Executive Director is authorized to transfer budgeted amounts within departments of any fund. The CRA Board must approve any revisions that alter the total expenditures of any department.

Annual budgets are adopted for all governmental funds except the capital project funds. The original and final budgets, as presented, include re-appropriated encumbrances of the prior year. The budgets have been adopted on a basis consistent with GAAP with the following exceptions: Budgetary expenditures include GAAP expenditures adjusted for encumbrances at September 30, 2018. Unencumbered balances of appropriations lapse at year-end.

As of September 30, 2018, there were no material violations of budgetary requirements.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

D. Deposits and Investments

The Agency considers cash on hand, cash with fiscal agents, demand deposits, certificates of deposit and bank repurchase agreements as cash and cash equivalents. Each fund'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. Investments are stated at fair value. Income from investments held by the individual funds is recorded in the respective fund as it is earned.

E. Receivables

Receivables are reported net of allowances for uncollectible accounts where applicable.

F. Properties Held for Resale

Inventories in the governmental funds are composed of land held for redevelopment or resale and are stated at cost.

G. Unrestricted and Restricted Assets

In cases in which both unrestricted and restricted assets are available to finance an expense or program, the Agency's policy is to utilize restricted assets first whenever possible.

H. Capital Assets

Capital assets, including land, buildings, improvements other than buildings, infrastructure (that is, roads, bridges, street lighting and other similar items) and equipment, are reported in the governmental activities column in the government-wide financial statements. The Agency defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are stated at cost or estimated historical cost. Contributions of capital assets received from federal, state or local sources are recorded as contributions when received and are stated at acquisition value. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-----------------------------------|-------------|
| Buildings | 40-50 years |
| Improvements | 20-50 years |
| Infrastructure | 15-50 years |
| Machinery, Equipment and Vehicles | 3-15 years |

The Agency follows the requirements of GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" regarding potential impairment of capital assets.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

I. Revenues

Intergovernmental Revenue

The Agency's primary source of revenue is tax increment funds collected from the City, Broward County, North Broward Hospital District and the Children's Services Council deposited into the Community Redevelopment Trust Fund. These entities levy ad valorem property taxes within the legally defined redevelopment area of the Agency. The tax increment revenue is calculated by applying the adopted millage rate to the increase in current year taxable assessed valuations within the designated CRA districts using the year in which they were established as the "base year". For example, if an unimproved property was valued at \$10,000 in the base year and a new house is built on the property tomorrow, the new value of the property is \$25,000. The incremental difference in value (new assessed value – base year value) is \$15,000. Taxes collected on the property will be split amongst the City, County and various agencies. The Agency receives all taxes assessed on the incremental increase of \$15,000. Revenues generated by improvements in the Agency districts are to be reinvested in the district to continue to spur redevelopment.

Assessed values are established by the Broward County Property Appraiser. The assessed property value recognized by the City and Broward County includes the second homestead exemption while the North Broward Hospital District does not recognize such exemption. The City, Broward County, North Broward Hospital District and the Children's Services Council are required to pay 95% of these incremental property taxes to the Agency on or before January 1 of each year, otherwise the full amount of the incremental revenue will be due.

Program Revenue

In the Government-wide Statement of Activities, revenue that is derived directly from the program itself or from outside sources, if restricted to a specific program, is called program revenue. Program revenue is classified as either operating grants or capital grants. Operating grant revenues come from other government entities to support the operation costs of particular functions and also from the earnings of permanent funds that are legally restricted to a particular function. Capital grants come from other government entities for the purpose of constructing or purchasing capital assets.

J. Use of Estimates

Management has made estimates and assumptions relating to the reporting of assets and liabilities in conformity with GAAP. Actual results may differ.

K. 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency did not report any deferred outflow of resources 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 represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The Agency only has one type of item, which arises only under modified accrual basis of accounting that qualifies in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from miscellaneous income related to cancelation of the WAVE project. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

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September 30, 2018

L. Fund Balance

In the governmental funds, fund balances are reported as nonspendable if they are not in spendable form or are legally or contractually required to be maintained intact. In addition, fund balances are reported as restricted to specific purposes based upon the extent to which the Agency is bound to honor constraints placed on those funds.

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbered amounts for specific purposes are reported within the applicable restricted, committed or assigned fund balance classifications.

Net position of the government-wide fund is categorized as net investment in capital assets; restricted or unrestricted. Net investment in capital assets consists of capital assets reduced by the outstanding debt issued to acquire, construct or improve those assets, less any unspent debt proceeds. Restricted net position has regulatory or third party limitations on its use.

The governmental fund balance in detail as of September 30, 2018 is as follows:

| | <u>Governmental Funds</u> |
|------------------------|-------------------------------|
| Fund Balances: | |
| Restricted for: | |
| Redevelopment Projects | \$ 76,791,968 |
| Debt Service | <u>460,376</u> |
| Total Fund Balance | <u>\$ 77,252,344</u> |

NOTE 2 – DEPOSITS AND INVESTMENTS

The Agency maintains a pooled cash and investment fund for the Agency’s operating, debt service, and capital funds. The Agency has elected to follow the City’s investment policy. As of September 30, 2018, the total cash and investments for the Agency, was \$73,517,877.

In accordance with Section 218.415, Florida Statutes, the City’s Investment Policy applies to all cash and investments held or controlled by the City and shall be identified as “general operating funds” of the City with the exception of the City’s pension and cemetery funds. The policy was adopted on September 4, 2001 and subsequently amended on October 1, 2013, which applies to the CRA.

Permitted investments, asset allocation limits, issuer limits, credit rating requirements and maturity limits are detailed in the policy in order to protect the City’s cash and investments. The current policy allows for the purchase of the following investments: U.S. government securities, U.S. government agency securities, federal instrumentalities, interest-bearing time deposits or saving accounts, repurchase agreements, commercial paper, corporate notes, bankers’ acceptances, state or local government taxable or tax-exempt debt, City of Fort Lauderdale debt obligations, registered investment companies (money market mutual funds), and intergovernmental investment pools.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

A. Cash and Cash Equivalents

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution; a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The City's investment policy requires that public deposits be held in a State Qualified Public Depository as defined in Section 280.02, Florida Statutes. At September 30, 2018, \$3,024,038 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the Agency's name.

B. Investments

Fair Value Measurement

The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At September 30, 2018, the CRA's investments totaled \$67,591,797. The CRA has the following fair value measurements as of September 30, 2018:

US Treasury securities of \$38.21 million are valued using quoted market prices (Level 1 inputs)

Federal Instrumentalities of \$9.32 million are valued using a pricing matrix model (Level 2 inputs)

Corporate bonds of \$8.92 million are valued using a pricing matrix model (Level 2 inputs)

State and Local Government bonds of \$0.55 million are valued using a pricing matrix model (Level 2 inputs)

Investments measured at the net asset value (NAV) held in commingled domestic equity funds (1) of \$10.59 million.

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---------------|----------------------|----------------------|--------------------------|
| Commingled Domestic Equity Funds ⁽¹⁾ | \$ 10,587,502 | \$ - | Daily | 1 |

1. *Commingled Domestic Equity Funds* - consists of a broad range of U.S. dollar denominated money market instruments, including government, U.S. and foreign bank, and commercial obligations and repurchase agreements. The Fund may also invest in mortgage- and asset-backed securities, short-term obligations. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

Credit Risk

GASB Statement No. 40 (GASB 40), "Deposit and Investment Risk Disclosures", requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investments in debt securities as described by nationally recognized statistical rating organizations. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Corporate Obligations

Corporate obligations issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum "Aa" by Moody's Investor Service and a minimum "AA" by Standard & Poor's. As of September 30, 2018, \$8,925,459 of the CRA's investments was in corporate obligations. These issues met or exceeded the minimum rating requirements at the time of purchase.

Federal Instrumentalities

Although the City's investment policy states no rating requirement for federal instrumentalities, all investments of this type were rated AA+ by Standard & Poor's or Aaa by Moody's Investor Service. This portfolio held \$9,325,047 in this type of investment.

State and Local Obligations

Investment in state and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's or "AA" S&P and Fitch for long-term debt, or rated at least "MIG-2" by Moody's and "SP-1" by S&P and "F-1" by Fitch for short-term debt. At purchase, securities shall hold the minimum rating by at least two of the three ratings agencies. As of September 30, 2018, \$544,025 of the CRA's investments was in state and local government municipal bonds. These issues met or exceeded the minimum rating requirements at the time of purchase.

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party to the transaction, a government may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

All investments were held with third-party custodians as required by the City's investment policies. The amounts in excess of FDIC insurance limits are uncollateralized.

Concentration of Credit Risk

GASB 40, requires disclosure of investments in any one issuer that represent five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments. Per this disclosure requirement, none of CRA's investments were with any one single issuer that represents 5% or more of all of the CRA's portfolios.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

In addition, the City’s investment policy establishes limits on portfolio composition, both by investment type and by issuer. The CRA’s investments did not exceed these limits during the year ended September 30, 2018. As of September 30, 2018, the CRA’s portfolios consisted of the following:

| Community Redevelopment Agency Portfolio | Amount | Percent of Portfolio |
|--|--------------|----------------------|
| Corporate Bonds | \$ 8,925,459 | 15.71% |
| Federal Instrumentalities | | |
| Federal Home Loan Bank | 1,480,472 | 2.61% |
| Federal National Mortgage Association | 7,844,575 | 13.83% |
| State/Local Government Municipal Bonds | 546,098 | 0.96% |
| U.S. Government Securities | 38,207,691 | 66.88% |

Interest Rate Risk

Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The CRA manages its portfolios’ exposures to declines in fair value due to rising interest rates by limiting individual investments to maturities of ten (10) years or less from the date of purchase. Also, the overall “weighted average maturity” shall be less than three (3) years. This portfolio uses “weighted average maturity” as measurement of interest rate risk. The following table illustrates the interest rate risk for debt investments:

| Community Redevelopment Agency Portfolio | Amount | Weighted Average Maturity |
|--|--------------|---------------------------|
| Corporate Bonds | \$ 8,925,459 | 0.47 |
| Federal Instrumentalities | | |
| Federal Home Loan Bank | 1,480,472 | 0.85 |
| Federal National Mortgage Association | 7,844,575 | 0.38 |
| State/Local Government Municipal Bonds | 546,098 | 0.17 |
| U.S. Government Securities | 38,207,691 | 0.30 |

NOTE 3 – INTER-FUND TRANSFERS

The composition of inter-fund transfers for the year ended September 30, 2018 was as follows:

| <u>Financing Source</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>Total Transfers Out</u> |
|------------------------------------|------------------------------|---------------------------|-------------------------------|----------------------------|
| Governmental Funds | | | | |
| Special Revenue Funds | \$ - | \$ 848,869 | \$ 8,839,935 | \$ 9,688,804 |
| Capital Projects Funds | \$ 1,050,529 | \$ - | \$ - | \$ 1,050,529 |
| <u>Total Transferred in</u> | <u>\$ 1,050,529</u> | <u>\$ 848,869</u> | <u>\$ 8,839,935</u> | <u>\$10,739,333</u> |

The Agency transfers funds from the Special Revenue Fund to the debt service fund to meet debt service requirements. Transfers to the capital projects funds of \$8,839,935 provides funding for specific projects within the Community Investment Program. Transfers in to special revenue of \$1,050,529 provides funding for operation costs for the Agency.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 – CAPITAL ASSETS

A. Capital Activity

Capital assets of the Agency as of September 30, 2018, consisted of the following:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|----------------------|---------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,051,784 | \$ - | \$ - | \$ 2,051,784 |
| Construction in progress | 11,544,995 | 14,991,297 | 1,970,248 | 24,566,044 |
| Total capital assets not being depreciated | <u>13,596,779</u> | <u>14,991,297</u> | <u>1,970,248</u> | <u>26,617,828</u> |
| Capital assets being depreciated | | | | |
| Buildings | 395,999 | - | - | 395,999 |
| Improvements | 8,667,851 | 1,620,405 | - | 10,288,256 |
| Infrastructure | 15,017,812 | 343,932 | - | 15,361,744 |
| Equipment | 108,279 | 19,599 | - | 127,878 |
| Total capital assets being depreciated | <u>24,189,941</u> | <u>1,983,936</u> | <u>-</u> | <u>26,173,877</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 132,000 | 17,600 | - | 149,600 |
| Improvements | 1,660,962 | 888,891 | - | 2,549,853 |
| Infrastructure | 4,082,632 | 909,951 | - | 4,992,583 |
| Equipment | 30,861 | 18,246 | - | 49,107 |
| Total accumulated depreciation | <u>5,906,455</u> | <u>1,834,688</u> | <u>-</u> | <u>7,741,143</u> |
| Total capital assets being depreciated, net | <u>18,283,486</u> | <u>149,248</u> | <u>-</u> | <u>18,432,734</u> |
| Net Capital Assets | <u>\$ 31,880,265</u> | <u>\$ 15,140,545</u> | <u>\$ 1,970,248</u> | <u>\$ 45,050,562</u> |

B. Depreciation Expense

Included in the government-wide Statement of Activities is depreciation expense for the year ended September 30, 2018, distributed to governmental functions as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| Economic Environment | \$ 1,834,688 |
| Total depreciation expense - governmental activities | <u>\$ 1,834,688</u> |

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 5 – RISK FINANCING ACTIVITIES

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has established a self-insurance fund that is used to account for and finance both uninsured and insured risks of loss. Coverage is provided for workers' compensation, property, employment practices, public officials' liability, active shooter, crime, cyber liability, general liability, automobile liability, watercraft liability, airport liability, police professional liability, and certain medical benefits. Settlements have rarely exceeded the retention on these policies for each of the past three fiscal years.

The Agency participates in the City's self-insurance program and made premium payments in the amount of \$17,519. There is no insurance claims payable at September 30, 2018. Refer to the City of Fort Lauderdale, Florida Comprehensive Annual Financial Report (CAFR) for additional disclosure. The CAFR is located on the City's website at www.fortlauderdale.gov/departments/finance/financial-reports.

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions of the Agency for the year ended September 30, 2018.

| | Beginning Balance | Additions | Deletions | Ending Balance | Amount Due within One Year |
|--|----------------------|-------------|-------------------|---------------------|----------------------------------|
| Tax Increment Revenue Notes, Series 2015 | \$ 6,629,000 | \$ - | \$ 648,000 | \$ 5,981,000 | \$ 669,000 |
| | <u>\$ 6,629,000</u> | <u>\$ -</u> | <u>\$ 648,000</u> | <u>\$ 5,981,000</u> | <u>\$ 669,000</u> |

On April 9, 2015, the Agency issued CRA Tax Increment Revenue Note, Series 2015 for \$7,603,000. The proceeds were used to pay for costs related to the design and construction of the North Loop of the WAVE modern streetcar project, which is located in the Northwest-Progresso-Flagler Heights area of the Agency. The Series 2015 note provides for semi-annual interest payments at a rate of 3.17% and annual principal payments until maturity in 2025. As of September 30, 2018, the Agency's liability for the note totaled \$5,981,000. The note is secured by the Northwest-Progresso-Flagler CRA Trust Fund revenues so long as the Series 2015 note remains outstanding. The percent of debt service to pledged revenue for the current year was 11.7%

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

The requirement to repay all long-term debt outstanding as of September 30, 2018 is summarized in the following table:

| Year Ending September 30 | Governmental Activities | |
|-----------------------------|-------------------------|-------------------|
| | Tax Increment Note | |
| | Principal | Interest |
| 2019 | \$ 669,000 | \$ 178,994 |
| 2020 | 690,000 | 157,454 |
| 2021 | 712,000 | 135,232 |
| 2022 | 734,000 | 112,313 |
| 2023 | 757,000 | 88,681 |
| 2024-2026 | 2,419,000 | 116,640 |
| | <u>\$ 5,981,000</u> | <u>\$ 789,314</u> |

Short-term debt

| | Beginning Balance | Additions | Deletions | Ending Balance |
|------------------------------|----------------------|--------------------|-------------|--------------------|
| Line of Credit from the City | \$ - | \$1,921,684 | \$ - | \$1,921,684 |
| | <u>-</u> | <u>\$1,921,684</u> | <u>\$ -</u> | <u>\$1,921,684</u> |

On August 21, 2018, the CRA Board of Commissioners approved an agreement between the City of Fort Lauderdale and the CRA for a line of credit for \$1,921,684 to finance cost for the renovation of the Fort Lauderdale Aquatic Center

NOTE 7 – FUTURE COMMITMENTS

The Agency currently has the following future commitments included in the City’s Community Investment Plan (CIP) segregated by the specific redevelopment area:

| <u>CRA Area</u> | <u>Amount</u> |
|---------------------------------------|----------------------|
| Central Beach | \$ 62,579,776 |
| Northwest Progresso - Flagler Heights | 9,368,884 |
| Central City | 89,705 |
| | <u>\$ 72,038,365</u> |

NOTE 8 – SERVICE AGREEMENT

As of October 1, 2016 The Agency entered into a service agreement with the City to provide services related to the operations of the CRA that included staffing. The Agency paid the City \$1,611,532 during the fiscal year ended September 30, 2018 under this agreement.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 9 – ACCOUNTING AND REPORTING CHANGES

New Accounting Pronouncements

Implemented

In June 2015, the GASB issued Statements No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. The objective of this Statement is to improve the financial reporting by state and local governments for postemployment benefits other than pensions and improves information for OPEB that is provided by other entities. The provisions of this Statement are effective for financial statements for the City’s financial year ending September 30, 2018. This statement had no effect on the Agency.

In March 2016, the GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements”. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The provisions of this Statement are effective for financial statements for the Agency’s financial year ending September 30, 2018. This statement had no effect on the Agency.

In March 2016, the GASB issued Statement No. 82, “Pension Issues – an Amendment of GASB Statements No. 67, No, 68 and no. 73”. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for the Agency’s financial year ending September 30, 2018, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement had no effect on the Agency.

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017". The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The provisions of this Statement are effective for the Agency's financial year ending September 30, 2018. This statement had no effect on the Agency.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues". The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of this Statement are effective for the Agency's financial year ending September 30, 2018. This statement had no effect on the Agency.

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***REQUIRED
SUPPLEMENTARY
INFORMATION***

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
For the Year Ended September 30, 2018**

| | SPECIAL REVENUE FUND | | | Variance with Budget - Positive (Negative) |
|--|-----------------------|------------------------|----------------------|---|
| | Original Budget | Final Budget | Actual Amounts | |
| REVENUES | | | | |
| Intergovernmental Revenues: | | | | |
| City of Fort Lauderdale | \$ 7,044,749 | \$ 7,044,749 | \$ 7,038,392 | \$ (6,357) |
| Broward County | 9,032,568 | 9,032,568 | 9,026,690 | (5,878) |
| North Broward Hospital District | 2,066,504 | 2,066,504 | 2,065,219 | (1,285) |
| Children's Services Council | 808,192 | 808,192 | 807,691 | (501) |
| Miscellaneous: | | | | |
| Interest Income | 42,547 | 42,547 | 1,111,276 | 1,068,729 |
| Total Revenues | <u>18,994,560</u> | <u>18,994,560</u> | <u>20,049,268</u> | <u>1,054,708</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic Environment | 11,298,125 | 21,880,190 | 19,935,416 | 1,944,774 |
| Capital Outlay | - | 88,838 | 13,688 | 75,150 |
| Total Expenditures | <u>11,298,125</u> | <u>21,969,028</u> | <u>19,949,104</u> | <u>2,019,924</u> |
| Excess of Revenues Over Expenditures | <u>7,696,435</u> | <u>(2,974,468)</u> | <u>100,164</u> | <u>3,074,632</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,050,529 | 1,050,529 | 1,050,529 | - |
| Transfers (out) | (13,650,162) | (15,642,531.00) | (9,688,804) | 5,953,727 |
| Total Other Financing Sources and (Uses) | <u>(12,599,633)</u> | <u>(14,592,002)</u> | <u>(8,638,275)</u> | <u>5,953,727</u> |
| Net change in Fund Balance | <u>\$ (4,903,198)</u> | <u>\$ (17,566,470)</u> | <u>(8,538,111)</u> | <u>\$ 9,028,359</u> |
| Fund Balance - Beginning | | | <u>17,368,665</u> | |
| Fund Balance - Ending | | | <u>\$ 8,830,554</u> | |
| Comparison of Budget to Actual Results | | | | |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Ending Balance | | | <u>\$ 23,259,339</u> | |
| Encumbrances as of September 30, 2018 | | | <u>(14,428,785)</u> | |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual | | | <u>\$ 8,830,554</u> | |

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Data

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the Executive Director submits to the CRA Board a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted.
3. Prior to October 1, the budget is legally enacted.
4. The level of control (level at which expenditures may not exceed budget) is the department. The Executive Director is authorized to transfer budgeted amounts within departments of any fund. The CRA Board must approve any revisions that alter the total expenditures of any department.
5. Annual budgets are adopted for all governmental funds except the capital project funds. The original and final budgets, as presented, include re-appropriated encumbrances of the prior year. The budgets have been adopted on a basis consistent with GAAP with the following exceptions: Budgetary expenditures include GAAP expenditures adjusted for encumbrances at September 30, 2018. Unencumbered balances of appropriations lapse at year-end.

The Community Redevelopment Agency business incentive program awards funding to encourage private partnerships in undertaking redevelopment projects in target areas within the CRA. Amounts awarded for these programs are encumbered upon approval of an eligible applicant and have been included as an encumbrance in the actual amounts for a total of \$14,428,785.

The reported budgetary data represents the final approved budget after amendments adopted by the Agency. Individual amendments were not material in relation to the original adopted budget.

As of September 30, 2018, there were no material violations of budgetary requirements.

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***SUPPLEMENTAL AUDIT
REPORTS***

INDEPENDENT AUDITOR'S 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 Chair of the Board
Board of Commissioners and Executive Director
Fort Lauderdale Community Redevelopment Agency
Fort Lauderdale, Florida

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 each major fund of the Fort Lauderdale Community Redevelopment Agency (the "Agency"), a component unit of the City of Fort Lauderdale, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Agency's Response to Findings

The Agency's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Fort Lauderdale, Florida
March 28, 2019



To the Chair of the Board
Board of Commissioners and Executive Director
Fort Lauderdale Community Redevelopment Agency
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the financial statements of the Fort Lauderdale Community Redevelopment Agency (the "Agency"), a component unit of the City of Fort Lauderdale, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 28, 2019.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's 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*, the Schedule of Findings and Responses, and Independent Accountant's 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 March 28, 2019, should be considered in conjunction with this management letter.

Official Title and Legal Authority

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. This information is disclosed in the financial statements.

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, the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe LLP".

Crowe LLP

Fort Lauderdale, Florida
March 28, 2019



**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

To the Chair of the Board
Board of Commissioners and Executive Director
Fort Lauderdale Community Redevelopment Agency
Fort Lauderdale, Florida

We have examined the Fort Lauderdale Community Redevelopment Agency's (the "Agency") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended September 30, 2018. Management of the Agency is responsible for the Agency's compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the requirements contained in Section 218.415, *Florida Statutes* for the year ended September 30, 2018.

The purpose of this report is solely to comply with Chapter 10.550, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP".

Crowe LLP

Fort Lauderdale, Florida
March 28, 2019

FORT LAUDERDALE COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF FINDING AND RESPONSE

YEAR ENDED SEPTEMBER 30, 2018

Finding 2018-001

Classification: Material Weakness

Criteria or specific requirement: Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual; that is measurable and available to finance the Agency's operations. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period

Context: The Agency recorded other revenues for an amount not received within 60 days after fiscal year end.

Effect: Overstatement of revenue.

Cause: The Agency did not complete a detail review over revenue accounts to ensure that they had been received and available for the current period.

Recommendation: Crowe recommends the Agency complete a review over the fiscal year end revenue accounts in order to determine if all recorded revenues have been received within the Agency's recognition policy time period of 60 days.

Views of responsible officials and planned corrective actions: On May 10, 2018, the City of Fort Lauderdale (City) terminated the Wave Streetcar project. The Agency paid approximately \$7.5 million to fund the north loop of the project. The City sent a demand letter requesting the reimbursement of unused Agency funds on July 11, 2018. The Agency fully expected to receive the reimbursement in a timely manner. Unfortunately, the unwinding of the multi-agency agreements for this project took much longer than anticipated and the revenue was not received prior to the end of the recognition period. Moving forward, the Agency will evaluate the probability of collection of revenues, to ensure the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.



**City of Fort Lauderdale
Community Redevelopment Agency (CRA)**

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