

**HOLLYWOOD BEACH
COMMUNITY DEVELOPMENT DISTRICT
CITY OF HOLLYWOOD, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

**HOLLYWOOD BEACH COMMUNITY DEVELOPMENT DISTRICT
CITY OF HOLLYWOOD, FLORIDA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Hollywood Beach Community Development District
City of Hollywood, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Hollywood Beach Community Development District, City of Hollywood, Florida ("District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of September 30, 2016, and the respective changes in financial position, and, cash flows thereof for the fiscal 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 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 March 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 20, 2017, on our consideration of the District's compliance with the requirements of Section 218.415, Florida Statutes, as required by Rule 10.556(10) of the Auditor General of the State of Florida. The purpose of that report is to provide an opinion based on our examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

March 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hollywood Beach Community Development District, City of Hollywood, Florida ("District") provides a narrative overview of the District's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the District's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year resulting in a net position deficit balance of \$(5,612,447), a decrease of \$(1,159,302) in comparison with the prior fiscal year.
- During fiscal year 2016, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Please see New Accounting Standards Adopted in Note 2 of the financial statements for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the District's basic financial statements and notes to the financial statements.

Basic Financial Statements

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

The basic financial statements report on the function of the District that is principally supported by parking fees and charges.

The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual amount being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The District uses an enterprise fund to account for the operations of a parking garage which is owned and maintained by the District.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

BASIC FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, liabilities exceeded assets at the close of the most recent fiscal year.

BASIC FINANCIAL ANALYSIS (Continued)

Key components of the District's net position are reflected in the following table:

NET POSITION SEPTEMBER 30,		
	2016	2015*
Current and other assets	\$ 1,136,385	\$ 7,693,139
Capital assets, net of depreciation	31,671,854	25,602,653
Total assets	32,808,239	33,295,792
Current liabilities	1,803,300	1,124,013
Long-term liabilities	36,617,386	36,624,924
Total liabilities	38,420,686	37,748,937
Net position		
Net investment in capital assets	(8,807,773)	(11,022,271)
Restricted	2,774,175	6,560,055
Unrestricted	421,151	9,071
Total net position	\$ (5,612,447)	\$ (4,453,145)

* Restated as enterprise fund. See Note 11.

The District's net position reflects its investment in capital assets (e.g. land, land improvements, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to residents; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's other obligations.

The District's net position decreased during the most recent fiscal year. The majority of the decrease is due to the extent to which operating and non-operating expenses exceed operating revenues of the District.

Key elements of the change in net position are reflected in the following table:

CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,		
	2016	2015*
Operating revenues:	\$ 3,010,476	\$ 69,400
Operating expenses:		
Administrative and general	96,047	69,400
Cost of sales and services	652,375	-
Depreciation and amortization	644,668	-
Total operating expenses	1,393,090	69,400
Operating income	1,617,386	-
Non-operating:		
Interest income	11,850	11,462
Refund to Developer	(612,407)	-
Interest expense	(2,176,131)	(2,168,593)
Total non-operating	(2,776,688)	(2,157,131)
Change in net position	(1,159,302)	(2,157,131)
Net position - beginning, restated	(4,453,145)	(2,296,014)
Net position - ending	\$ (5,612,447)	\$ (4,453,145)

* Restated as enterprise fund. See Note 11.

BASIC FINANCIAL ANALYSIS (Continued)

The changes in net position reflect the operation of the parking garage which is owned and maintained by the District. The cost of operations is covered primarily by charges to customers. The increase in operating revenues is primarily the result of the parking garage commencing operations in the beginning of the current fiscal year as there was no parking fees recognized in the prior fiscal year. Therefore, operating expenses increased as a result of the parking garage commencing operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District reported net capital assets of \$27,809,613. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2016, the District had \$36,395,000 in Bonds outstanding. More detailed information about the District's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

It is anticipated that the operations and revenues related to the parking facility will increase in the subsequent year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, land owners, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, contact the Hollywood Beach Community Development District's Finance Department at 5385 N. Nob Hill Road, Sunrise, Florida 33351.

**HOLLYWOOD BEACH COMMUNITY DEVELOPMENT DISTRICT
CITY OF HOLLYWOOD, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

ASSETS

Current assets:

Cash	\$ 1,128,426
Accounts receivable	833
Prepays and deposits	7,126
Total current assets	<u>1,136,385</u>

Noncurrent assets:

Restricted assets:

Investments	3,862,241
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Capital assets:

Depreciable, net	27,809,613
Total noncurrent assets	<u>31,671,854</u>
Total assets	<u>32,808,239</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	38,521
Due to Developer - Operations	64,306
Due to Developer - User fees	612,407
Accrued interest payable	1,088,066
Total current liabilities	<u>1,803,300</u>

Non-current liabilities:

Bonds payable	36,617,386
Total noncurrent liabilities	<u>36,617,386</u>
Total liabilities	<u>38,420,686</u>

NET POSITION

Net investment in capital assets	(8,807,773)
Restricted	2,774,175
Unrestricted	421,151
Total net position	<u>\$ (5,612,447)</u>

See notes to the financial statements

**HOLLYWOOD BEACH COMMUNITY DEVELOPMENT DISTRICT
CITY OF HOLLYWOOD, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

OPERATING REVENUES	
Parking revenues	\$ 2,398,069
User fees	612,407
Total operating revenues	<u>3,010,476</u>
OPERATING EXPENSES	
Administrative and general	96,047
Cost of operations	652,375
Depreciation and amortization	644,668
Total operating expenses	<u>1,393,090</u>
OPERATING INCOME	1,617,386
NON-OPERATING REVENUES (EXPENSES)	
Interest income	11,850
Refund to Developer	(612,407)
Interest expense	(2,176,131)
Total non-operating revenues (expenses)	<u>(2,776,688)</u>
Change in net position	(1,159,302)
Total net position - beginning, as restated (Note 11)	<u>(4,453,145)</u>
Total net position - ending	<u>\$ (5,612,447)</u>

See notes to the financial statements

**HOLLYWOOD BEACH COMMUNITY DEVELOPMENT DISTRICT
CITY OF HOLLYWOOD, FLORIDA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,009,643
Payments to suppliers	(406,880)
Payments to employees	(281,788)
Net Cash Provided (Used) by Operating Activities	<u>2,320,975</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Developer contributions	29,376
Purchase of capital assets	(2,859,166)
Interest paid	(2,176,131)
Net cash provided (used) by capital and related financing activities	<u>(5,005,921)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Sale of investments	3,785,880
Interest income	11,850
Net Cash Provided (Used) by Investing Activities	<u>3,797,730</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,112,784
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>15,642</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<u><u>\$ 1,128,426</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 1,617,386
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation and amortization	644,668
(Increase) / decrease in accounts receivable	(833)
(Increase) / decrease in prepaids and deposits	(7,126)
(Decrease) / increase in accounts payable	2,574
(Decrease) / increase in due to Developer - operations	64,306
Total adjustments	<u>703,589</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 2,320,975</u></u>

See notes to the financial statement

**HOLLYWOOD BEACH COMMUNITY DEVELOPMENT DISTRICT
CITY OF HOLLYWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Hollywood Beach Community Development District (the "District") was created on June 1, 2011 by Ordinance 0-2011-21 of the City of Hollywood, Florida, pursuant to the Uniform Community Development District Act of 1980, otherwise known as Chapter 190, Florida Statutes. The Act provides among other things, the power to manage basic services for community development, power to borrow money and issue Bonds, and to levy and assess non-ad valorem assessments for the financing and delivery of capital infrastructure.

The District was established for the purposes of financing and managing the acquisition, construction, maintenance and operation of a parking garage which is owned and maintained by the District.

The District is governed by the Board of Supervisors ("Board"), which is composed of five members. The Supervisors are elected by the owners of the property within the District. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes. At September 30, 2016, one of the board members was affiliated with Margaritaville Hollywood Beach Resort, LLC ("Developer").

The Board has the final responsibility for:

1. Assessing and levying assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the District is considered to be financially accountable and other organizations for which the nature and significance of their relationship with the District are such that, if excluded, the financial statements of the District would be considered incomplete or misleading. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The District reports all of its activities and functions in a single enterprise fund. The enterprise fund is used to account for the operation of a parking garage. The costs of providing services are recovered primarily through parking fees.

Enterprise funds are proprietary funds. The measurement focus is based upon determination of net position, financial position and changes in cash flow. The generally accepted accounting principles used are those applicable to similar businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) when the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public management control, accountability, or other purposes. Revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities (whether current or noncurrent) associated with an activity are included in the statement of net position. The reported net position are segregated into invested in capital assets net of related debt, restricted and unrestricted assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for parking. Operating expenses of the enterprise fund include the cost of operations and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

New Accounting Standards Adopted

During fiscal year 2016, the District adopted three new accounting standards as follows:

GASB 72, Fair Value Measurement and Application

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The Statement identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

GASB 79 - Certain External Investment Pools and Pool Participants

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Bond covenants or other contractual restrictions.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The District records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Property and equipment are stated at cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Fixed assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Parking Garage	40
Monuments	5

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the Bonds using the straight-line method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s). For example, the District would record deferred outflows of resources on the statement of net position related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt). Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s).

Net Position

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the District's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The District's investments were held as follows at September 30, 2016:

	Maturities	Amortized Cost	Credit Risk
Goldman Sachs Financial Square Money	Weighted average of		
Market Fund - Institutional #474	3 days	\$ 3,862,241	S&P AAAM
Total investments		<u>\$ 3,862,241</u>	

Credit risk – For investments, credit risk is generally 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. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The District places no limit on the amount the District may invest in any one issuer.

Interest rate risk – The District does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

Fair Value Measurement – When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Money market investments that have a maturity at the time of purchase of one year or less and are held by governments other than external investment pools should be measured at amortized cost. Accordingly, the District's investments have been reported at amortized cost above.

NOTE 4 – RESTRICTED ASSETS

Restricted assets include investments which are restricted in connection with the Bond requirements discussed in Note 6. The composition of restricted assets at September 30, 2016 was as follows:

Restricted for:	
Reserve account	\$ 2,716,692
Payment of interest	1,088,066
User fees	56,728
Acquisition	755
	<u>\$ 3,862,241</u>

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in progress	\$ 25,602,653	\$ -	\$ (25,602,653)	\$ -
Total capital assets, not being depreciated	<u>25,602,653</u>	<u>-</u>	<u>(25,602,653)</u>	<u>-</u>
Capital assets, being depreciated				
Parking garage	-	28,439,512	-	28,439,512
Monuments	-	22,307	-	22,307
Total capital assets, being depreciated	<u>-</u>	<u>28,461,819</u>	<u>-</u>	<u>28,461,819</u>
Less accumulated depreciation for:				
Parking garage	-	(651,739)	-	(651,739)
Monuments	-	(467)	-	(467)
Total accumulated depreciation	<u>-</u>	<u>(652,206)</u>	<u>-</u>	<u>(652,206)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>27,809,613</u>	<u>-</u>	<u>27,809,613</u>
Governmental activities capital assets, net	<u>\$ 25,602,653</u>	<u>\$ 27,809,613</u>	<u>\$ (25,602,653)</u>	<u>\$ 27,809,613</u>

During the current fiscal year, the District paid approximately \$2.8 million to the Developer in order to complete the parking garage. The parking garage was placed in service in October 2015.

NOTE 6 – LONG-TERM LIABILITIES

Series 2014

On January 23, 2014, the District issued \$36,395,000 of Taxable Revenue Bonds, Series 2014 consisting of \$5,040,000 Term Bonds due on October 1, 2024 with a fixed interest rate of 5%, \$10,280,000 Term Bonds due on October 1, 2034 with a fixed interest rate of 6%, \$7,885,000 Term Bonds due on October 1, 2039 with a fixed interest rate of 6.125%, and \$13,190,000 Term Bonds due on October 1, 2045 with a fixed interest rate of 6.25%. The Bonds were issued to finance the acquisition and construction of a parking garage that is owned and maintained by the District. Interest is to be paid semiannually on each April 1 and October 1. Principal on the Bonds is to be paid serially commencing October 1, 2017.

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Series 2014 (Continued)

The Bonds are subject to redemption at the option of the District prior to their maturity. The Bonds are subject to extraordinary mandatory redemption prior to their selected maturity in the manner determined by the Bond Registrar if certain events occurred as outlined in the Bond Indenture.

The Bond Indenture established a debt service reserve requirement as well as certain restrictions and requirements relating principally to the procedures to be followed in the collection of pledged revenues and the application of the revenues to the various restricted accounts. The District's main revenue source is the collection of parking fees from the parking garage. In addition user fees are also pledged for the payment of debt service. See Note – 7 Public User Fees. The user fees are refundable to the Developer as long as the District meets the Debt Service Coverage ratio and meets the debt service reserve requirement. As of September 30, 2016, the District owes the Developer \$612,407 for all user fees remitted as the District was able to cover its debt service from parking fees and met the other requirements for refund of the user fees.

In addition, the District can special assess the Developer's property if such parking fees and user fees are not sufficient to cover its operating expenses and debt service on the Bonds. In addition, the City of Hollywood has made a guarantee that they will fund any deficiency in the debt service reserve fund from legally available non ad valorem revenues. The District is in compliance with the requirements of the Bond Indenture.

Long-term Debt Activity

Changes in long-term liabilities for the fiscal year ended September 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2014	\$ 36,395,000	\$ -	\$ -	\$ 36,395,000	\$ -
Unamortized premium	229,924	-	(7,538)	222,386	-
Total	<u>\$ 36,624,924</u>	<u>\$ -</u>	<u>\$ (7,538)</u>	<u>\$ 36,617,386</u>	<u>\$ -</u>

At September 30, 2016, the scheduled debt service requirements on the long-term liabilities for were as follows:

Year ending September 30:	Principal	Interest	Total
2017	\$ -	\$ 2,176,131	\$ 2,176,131
2018	530,000	2,162,881	2,692,881
2019	555,000	2,135,756	2,690,756
2020	580,000	2,107,381	2,687,381
2021	610,000	2,077,631	2,687,631
2022-2026	3,545,000	9,882,381	13,427,381
2027-2031	4,660,000	8,720,656	13,380,656
2032-2036	6,235,000	7,095,734	13,330,734
2037-2041	8,370,000	4,887,856	13,257,856
2042-2046	11,310,000	1,853,125	13,163,125
Total	<u>\$ 36,395,000</u>	<u>\$ 43,099,532</u>	<u>\$ 79,494,532</u>

NOTE 7 – PUBLIC USER FEES

The District has contracted with the Developer whereby the Developer is acting as a collecting agent of a 1% user fee on all applicable sales within the Resort property and parking garage. Such amounts are being remitted by the Developer to the District on a monthly basis. During the term of the outstanding Bonds, the public user fees collected are applied by the Bond Trustee in accordance with the Bond Indenture. The user fees have been approved for up to 2.5%.

NOTE 8 – CONCENTRATION

The District's activity is dependent upon the continued involvement of the Developer, the loss of which could have a material adverse effect on the District's operations.

NOTE 9 – MANAGEMENT AGREEMENT

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, computer and other administrative costs.

In addition, the District has entered into an agreement with the Developer for management of the parking garage. The monthly fee is equal to 4% of parking garage revenues. In accordance with the agreement, the District incurred \$98,786 for management fees and owed the Developer \$13,904 for such fees as of September 30, 2016. In addition the majority of the operating expenses are paid by the Developer initially and then charged to District by the Developer.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. There were no settled claims during the past three years.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

During the prior fiscal year, the operations of the District were being accounted for using governmental funds when an enterprise fund should have been active. The following prior period adjustment has been made in order to account for the operations of the District as an enterprise fund:

	Governmental Funds	Enterprise Fund	Governmental Activities
Total fund balance/net position - beginning, previously stated	\$ 7,636,640	\$ -	\$ (4,453,145)
Elimination of Governmental funds	(7,636,640)	7,636,640	(7,636,640)
To record capital assets	-	25,602,653	(25,602,653)
To record unamortized bond issuance premium	-	(229,924)	229,924
To record face amount of bonds payable	-	(36,395,000)	36,395,000
To record accrued interest payable	-	(1,088,066)	1,088,066
To reclassify Developer contribution to prior year revenue recognition	-	20,552	(20,552)
Total fund balance/net position - beginning restated	\$ -	\$ (4,453,145)	\$ -



**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 Board of Supervisors
Hollywood Beach Community Development District
City of Hollywood, 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 basic financial statements of Hollywood Beach Community Development District, City of Hollywood, Florida ("District") as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our opinion thereon dated March 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted certain matters that we reported to management of the District in a separate letter dated March 20, 2017.

The District's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the District's responses and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 20, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Supervisors
Hollywood Beach Community Development District
City of Hollywood, Florida

We have examined Hollywood Beach Community Development District, City of Hollywood, Florida's ("District") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2016. Management is responsible for District's compliance with those requirements. Our responsibility is to express an opinion on District'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 District'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 District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2016.

This report 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, management, and the Board of Supervisors of Hollywood Beach Community Development District, City of Hollywood, Florida and is not intended to be and should not be used by anyone other than these specified parties.

March 20, 2017



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Supervisors
Hollywood Beach Community Development District
City of Hollywood, Florida

Report on the Financial Statements

We have audited the accompanying basic financial statements of Hollywood Beach Community Development District, City of Hollywood, Florida ("District") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 20, 2017.

Auditor's 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 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*; 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, which are dated March 20, 2017, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the financial statements of the District, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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, as applicable, management, and the Board of Supervisors of Hollywood Beach Community Development District, City of Hollywood, Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank Hollywood Beach Community Development District, City of Hollywood, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

March 20, 2017

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2016-01 Employee Parking:

Observation: Per the Bond Indenture as long as the Bonds are outstanding the District shall not allow parking at the facility free of charge or for nominal amounts. The Developer has allowed their employees to park at the facility at reduced rates.

Recommendation: The District should determine if the reduced amounts collected result in amounts being owed by the Developer to the District.

Reference Numbers for Prior Year Findings: N/A

Management Response: The District has determined that the reduced amounts collected have not resulted in amounts owed by the Developer. The District has prepared the Certificate of Debt Service Coverage in accordance with Section 4.01(h) of the First Supplemental Trust Indenture which reflects a 112% Debt Service Coverage Ratio for Fiscal Year 2016. As a result, the Developer will be paid the full amount of the Public User Fee's collected during Fiscal Year 2016. In addition, the District has prepared a cash flow for Fiscal Year 2017 which reflects the estimated Pledged Revenues for the Series 2014 Bonds will be sufficient to meet or exceed 100% of the Maximum Annual Debt Service. Charging employees a reduced rate for parking is an important and necessary benefit in order to maintain longterm stable employees in a cost effective manner without impacting the District's ability to meet its annual debt service obligations. Therefore, in accordance with the auditor's management comment which is based on the First Supplemental Trust Indenture, the District will adopt Public Parking Garage Rates for employee's that reflect a reduced rate.

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2015.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2016, except as noted above.

REPORT TO MANAGEMENT (Continued)

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2016, except as noted above.

4. The name or official title and legal authority of the District are disclosed in the notes to the financial statements.
5. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2016 financial audit report.
6. The District has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
7. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2016. It is management's responsibility to monitor 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.