

# McGladrey & Pullen

Certified Public Accountants

## **POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY (A Component Unit of the City of Pompano Beach, Florida)**

Basic Financial Statements  
September 30, 2008

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

The Board Members of the  
Pompano Beach Community Redevelopment Agency:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pompano Beach Community Redevelopment Agency (the "Agency"), a component unit of the City of Pompano Beach, Florida, as of and for the year ended September 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pompano Beach Community Redevelopment Agency as of September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2009 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules on pages 21 through 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Agency has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be a part of, the basic financial statements.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
February 26, 2009

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)

Statement of Net Assets

September 30, 2008

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 23,666,152
Investments	4,757,028
Interest receivable	33,037
Assets held for resale	25,878,024
Prepays	4,270
Unamortized bond issue costs	34,265
Total assets	<u>54,372,776</u>
<b>Liabilities:</b>	
Accounts payable	124,439
Accrued wages	8,163
Accrued interest payable	99,167
Noncurrent liabilities:	
Compensated absences	2,487
Due in more than one year - tax increment bonds	<u>20,000,000</u>
Total liabilities	<u>20,234,256</u>
<b>Net assets:</b>	
Unrestricted	<u>34,138,520</u>
Total net assets	<u><u>\$ 34,138,520</u></u>

See accompanying notes to financial statements.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)

Statement of Activities

For the Fiscal Year Ended September 30, 2008

Functions/programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Contributions	
Governmental activities:				
Community redevelopment-operating	\$ 1,655,957	\$ —	\$ —	\$ (1,655,957)
Community redevelopment-City property	222,586	—	—	(222,586)
Interest on long-term debt	795,104	—	—	(795,104)
Total governmental activities	<u>\$ 2,673,647</u>	<u>\$ —</u>	<u>\$ —</u>	<u>(2,673,647)</u>
General revenues:				
Incremental property taxes				9,142,152
Investment earnings				776,760
Miscellaneous				47,321
Total general revenues				<u>9,966,233</u>
Change in net assets				7,292,586
Net assets – beginning				<u>26,845,934</u>
Net assets – ending				<u>\$ 34,138,520</u>

See accompanying notes to financial statements.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)

Balance Sheet – Governmental Funds

September 30, 2008

<b>Assets</b>	<b>Northwest District Fund</b>	<b>East District Fund</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 19,693,959	\$ 3,972,193	\$ 23,666,152
Investments	4,422,397	334,631	4,757,028
Interest receivable	30,885	2,152	33,037
Assets held for resale	25,878,024	—	25,878,024
Prepays	3,992	278	4,270
<b>Total assets</b>	<b>\$ 50,029,257</b>	<b>\$ 4,309,254</b>	<b>\$ 54,338,511</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 87,141	\$ 37,298	\$ 124,439
Accrued expenses	3,882	4,281	8,163
<b>Total liabilities</b>	<b>91,023</b>	<b>41,579</b>	<b>132,602</b>
<b>Fund balances:</b>			
Reserved for:			
Prepays	3,992	278	4,270
Encumbrances	79,923	184,966	264,889
Assets held for resale	25,878,024	—	25,878,024
Unreserved	23,976,295	4,082,431	28,058,726
<b>Total fund balances</b>	<b>49,938,234</b>	<b>4,267,675</b>	<b>54,205,909</b>
<b>Total liabilities and fund balances</b>	<b>\$ 50,029,257</b>	<b>\$ 4,309,254</b>	<b>\$ 54,338,511</b>

See accompanying notes to financial statements.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2008

Fund balances – total governmental funds	\$ 54,205,909
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities, including bonds payable which are not due and payable in the current period and therefore are not reported in the governmental funds:	
Tax Increment Bonds	(20,000,000)
Compensated absences	(2,487)
Accrued interest payable	(99,167)
Debt issuance costs are capitalized and amortized over the life of debt in the statement of net assets, but are recorded as expenditures, when paid, in the governmental funds balance sheet.	<u>34,265</u>
Net assets of governmental activities	<u>\$ 34,138,520</u>

See accompanying notes to financial statements.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended September 30, 2008

	<u>Northwest District Fund</u>	<u>East District Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Incremental property taxes	\$ 7,552,461	\$ 1,589,691	\$ 9,142,152
Interest earnings	665,053	111,707	776,760
Miscellaneous	47,321	—	47,321
Total revenues	<u>8,264,835</u>	<u>1,701,398</u>	<u>9,966,233</u>
Expenditures:			
Current:			
Community redevelopment-operating	1,162,610	424,892	1,587,502
Community redevelopment-City property	72,349	222,586	294,935
Debt service:			
Interest	882,580	—	882,580
Total expenditures	<u>2,117,539</u>	<u>647,478</u>	<u>2,765,017</u>
Excess of revenues over expenditures	<u>6,147,296</u>	<u>1,053,920</u>	<u>7,201,216</u>
Other Financing Sources (Uses):			
Proceeds from line of credit	457,968	—	457,968
Total other financing sources	<u>457,968</u>	<u>—</u>	<u>457,968</u>
Net change in fund balances	6,605,264	1,053,920	7,659,184
Fund balances – beginning	43,332,970	3,213,755	46,546,725
Fund balances – ending	<u>\$ 49,938,234</u>	<u>\$ 4,267,675</u>	<u>\$ 54,205,909</u>

See accompanying notes to financial statements.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended September 30, 2008

Net change in fund balances – total governmental funds	\$	7,659,184
Amounts reported for governmental activities in the statement of activities are different because:		
Some expenses reported in the statement of activities are not reported in the funds because they have no effect on current financial resources.		
Change in compensated absences liability		3,894
Change in accrued interest payable		90,740
The issuance of long-term debt 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 assets. Also, governmental funds report issuance costs and similar items as expenditures when debt is first issued, whereas those amounts are deferred and amortized in the government-wide financial statements.		
Amortization of bond issue costs		(3,264)
Proceeds from line of credit		<u>(457,968)</u>
Change in net assets	\$	<u>7,292,586</u>

See accompanying notes to financial statements.

**Pompano Beach Community Redevelopment Agency**  
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**Notes to Financial Statements**  
**September 30, 2008**

**(1) Summary of Significant Accounting Policies**

**(a) *The Financial Reporting Entity***

The City of Pompano Beach, Florida (the City) was delegated by the Broward County Board of County Commissioners (the County), the authority to exercise the powers of the Community Redevelopment Act by a resolution passed on October 14, 1980.

On March 17, 1981, by Resolution No. 81-139, the City Commission determined the existence of slum or blighted conditions within a portion of the City, which was then the Community Development Block Grant Target Area and designated such area as appropriate for community redevelopment. This area was generally bounded by Copans Road on the north, Powerline Road on the west, Atlantic Boulevard on the south, and the F.E.C. Railroad on the east.

An additional declaration of blight was made by the City Commission on December 13, 1988, by Resolution No. 89-45. This finding expanded the original redevelopment area to include areas annexed to the City subsequent to the original resolution.

Upon the proper delegation of authority from the County and upon a further finding that it is necessary in the public interest for a community redevelopment agency to be formed to function in the City, the City Commission may create a public body corporate and politic to be known as a "Community Redevelopment Agency" and prepare a Community Redevelopment Plan to carry out the Community Redevelopment purposes outlined in Florida Statutes Chapter 163, Part III.

The Community Redevelopment Agency is a separate legal entity which is comprised of a Northwest District and an East District. Each District does not constitute a separate legal entity unto itself. The Northwest District which was created by the City in 1988 (Ordinance No. 89-27) and the East District which was created by the City in 2001 (Resolution No. 2002-12), collectively referred to as the Agency, were charged with preparing a Community Redevelopment Plan that would meet the requirements of the appropriate state statutes to eliminate blight and slum conditions within the redevelopment areas of the Agency pursuant to the redevelopment plans of the Districts for new residential and commercial activity in the redevelopment area.

The Board of Directors of the Agency (the "Board") is comprised of the five members of the City Commission and the Mayor. The Agency meets the criteria for inclusion in the City's reporting entity as a blended component unit, and therefore, has been reported in the basic financial statements of the City.

**(b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements report information on all of the activities of the Agency, using the economic resources measurement focus and the accrual basis of accounting.

The statement of net assets reports all financial and capital resources of the Agency. The statement of activities represents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Program revenues derive directly from a program itself. The Agency reports rental income and donation of assets held for resale as program revenue. Direct expenses are those that are specifically associated with a program or

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**Notes to Financial Statements**  
**September 30, 2008**

function and, therefore, are clearly identifiable to a particular function. The Agency reports donated assets held for resale as program revenue-operating contributions. Incremental property taxes and other items, not properly included as program revenue are reported instead as general revenue. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Incremental property taxes are recognized as revenue in the year for which they are levied. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Their operating statements present sources (revenue and other financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Incremental property taxes, when levied for, rental revenue, proceeds from the sale of property and investment earnings associated with the current fiscal periods are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenue is considered to be measurable and available only when cash is received by the Agency or property has legally transferred to the Agency. Expenditures, other than debt service and compensated absences expenditures (recorded when due), generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliations are necessary to explain the adjustments needed to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

The Agency reports the Northwest and East Districts as major governmental funds in the accompanying financial statements. The Northwest and East District Fund accounts for a City agency, which uses tax-increment financing to encourage development in the Northwest and East community redevelopment areas.

**(c) *Cash and Cash Equivalents***

The Agency considers cash on hand and demand and time deposits to be cash and cash equivalents. Agency deposits whose value exceeds the limits of federal depository insurance are entirely insured pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act* (the Act). Also pursuant to this Act, deposits are held in a banking institution approved by the State Treasurer of the State of Florida to hold public funds.

**Pompano Beach Community Redevelopment Agency**  
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**Notes to Financial Statements**  
**September 30, 2008**

**(d) Investments**

Investments in participating interest-earning contracts that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. All other investments are reported at fair value (quoted market price or the best available estimate thereof).

**(e) Assets Held for Resale**

The Agency acquires and develops property in economically depressed areas, for the intention of rendering the property suitable for economic development and then reselling it to private-sector purchasers meeting certain criteria. Since these properties are acquired with the express intent of resale, they are reported at lower of cost/donated value or net realizable value. Assets donated by the City or other related entities are recorded at the carrying value of the donor entity. Donated assets from other sources are recorded at fair value at the date of donation. The cost basis of assets held for resale include costs incurred to acquire the asset and prepare the asset for resale, such as purchase price, closing fees, surveys, lot clearing, demolition, judgments levied through suits, costs of construction, permits, etc. Assets held for resale include land, land improvements and buildings.

Proceeds from the sale of assets held for resale are recorded as proceeds from sale of property in the fund level financial statements and program revenue in the government-wide financial statements. The historical cost originally incurred to acquire assets held for resale is recorded as community redevelopment expenditure in the fund level financial statements and a program expense in the government-wide statement of activities when these assets are sold.

Assets held for resale activity for the year ended September 30, 2008 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Assets held for resale	\$ 24,263,630	\$ 2,098,976	\$ 484,582	\$ 25,878,024

**(f) Prepaids**

Prepaids represent goods and services which are paid for in one period, but benefit a future period. These items are recorded as an expenditure/expense in the fund level and government-wide financial statements in the period benefited. The reserve for prepaids in the fund level financial statements equals the prepaid balance to indicate that a portion of fund balance is unavailable for future expenditures.

**(g) Mortgages**

The Agency provided qualified individuals with grants to build new homes at the Canal Point (10 years), Sabal Chase (30 years) and Ortanique Estates (30 years) subdivisions which were reported as community redevelopment expenses/expenditures. In addition, the Agency also provided similar grants for various infill housing projects during the current fiscal year. The Agency has placed a mortgage on these new homes with a covenant that the owner must reside at the property for a period of time in order to remain eligible for the grant. The Agency's reasonable assumption is that the homeowner will reside at the home for the stipulated period. The Agency maintains a memorandum record of the outstanding mortgage amounts related to these grants. These amounts are reduced ratably over the ten-year period as it relates to the grants for the Canal Point subdivision and the infill housing projects. Should the homeowner

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move, sell or refinance, the Agency is paid a prorated amount of the initial grant. As it relates to the Sabal Chase Development, these loan amounts are not amortized as the homeowners are required to repay the full amount of the grant if the property is sold, transferred or conveyed within the 30 year period. As it relates to the Ortanique Estates Development, if the home is sold, transferred or conveyed within 7 years of the date of the mortgage note, the full amount of the grant is payable to the Agency. Between years 8 and 30, the amount to be repaid to the Agency is reduced by 1% for each year lapsed from the date of the mortgage note. In the case of both the Sabal Chase and Ortanique Estate Developments, the grants are forgiven after the 30 year period.

During fiscal year 2008 the Agency received \$41,999 related to these grants and reported this amount as miscellaneous revenue. At September 30, 2008, the unamortized amount outstanding related to these grants was \$2,765,145.

**(h) *Compensated Absences***

The Agency employees are granted sick leave and vacation time in accordance with established personnel regulations and a collective bargaining agreement. Unused vacation time is paid upon an employee's termination. Sick leave payments to terminated employees are based on length of service. All vacation and sick pay is accrued when earned in the government-wide statements. A liability for those amounts is reported in the governmental fund financial statements only if they have matured as a result of employee resignations or retirements.

**(i) *Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the governmental fund financial statements, bond issuance costs are reported as an expenditure when paid. The debt proceeds on new debt issuances are reported as other financing sources in the year of issuance. Payments on debt obligations are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**(j) *Fund Balance/Net Assets***

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unreserved fund balance indicates funds that are available for current expenditures.

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as unrestricted.

**(k) *Risk Management***

The City, which includes coverage for the Agency, is self-insured for automobile liability, general liability, including public official's liability and property damage claims pursuant to Florida Statue Section 768.28 (Waiver of Sovereign Immunity in Tort Actions; Recovery Limits; Limitation on Attorney Fees; Statute of Limitations; Exclusions; Indemnification; Risk

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**Notes to Financial Statements**  
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Management Programs). Per Florida Statute Section 768.28, the City is self-insured up to \$100,000 per person/\$200,000 per occurrence. The City is also self-insured for workers' compensation claims, in accordance with Florida Statute Section 440. Workers' compensation claims are self-insured up to \$350,000 per occurrence and property damage (buildings and contents) up to \$100,000, with property damage claims, related to named hurricane/windstorm, having a 5% of total location value deductible. Excess insurance policies apply above these self-insured levels. The City's risk management funds charge the Agency district funds insurance premiums. The amount of the annual premium charged to the Agency by the City represents the maximum liability of the Agency for any related losses incurred for the year ended September 30, 2008. Consequently, the Agency does not retain its own liability on outstanding cases or claims against it beyond the maximum premium paid. The City also has insurance coverage for health claims with a commercial carrier. This coverage also extends to Agency employees.

**(l) Employee Benefit Plans**

The following is a brief discussion of the Agency employees' participation in the City's General Employees Retirement Plan (the Plan). Readers should refer to the Note III (B) of the City's 2008 Comprehensive Annual Financial Report and Plan documents for detailed and comprehensive information on the Plan.

The City provides a defined benefit pension plan (the Plan) for general employees, including Agency employees. The Agency is allocated a proportionate share of contributions by the City and hence contributes annually to the Plan. Contributions made for 2008, 2007 and 2006 were \$13,914, \$18,048 and \$12,572 respectively.

**(m) Post Employment Benefits Other Than Pensions (OPEB)**

Government Accounting Standards Board (GASB Statement No. 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), was effective for the Agency beginning with its year ending September 30, 2008. This Statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan.

Pursuant to Section 112.0801, Florida Statutes, the Agency is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The City currently provides these benefits in accordance with the vesting and retirement requirements for its General Employees Retirement System (GERS). This coverage extends to Agency employees. The City is financing the post employee benefits on a pay-as-you go basis. As determined by an actuarial valuation, the City records a Net OPEB obligation in its government-wide financial statements related to the implicit subsidy. The amount of the annual

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**Notes to Financial Statements  
September 30, 2008**

health insurance premium charged to the Agency by the City represents the maximum liability of the Agency for any related OPEB liability for the fiscal year ended September 30, 2008. Consequently, the Agency does not retain its own liability beyond the maximum premium paid.

**(n) Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from management's estimates.

**(2) Cash, Cash Equivalents and Investments**

The following are components of the Agency's cash, cash equivalents and investments at September 30, 2008:

<b>Governmental activities:</b>	<b>Unrestricted</b>		<b>Total cash, cash equivalents and investments</b>
	<b>Cash and cash equivalents</b>	<b>Investments</b>	
Northwest District Fund	\$ 19,693,959	\$ 4,422,397	\$ 24,116,356
East District Fund	3,972,193	334,631	4,306,824
Total	<u>\$ 23,666,152</u>	<u>\$ 4,757,028</u>	<u>\$ 28,423,180</u>

**Public Deposits:**

At September 30, 2008, the book and bank balance of the Agency's public deposits was \$8,369,673. Deposits whose value exceeds the limits of federal depository insurance are collateralized pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under this Act, financial institutions which are qualified as public depositories place with the State Board of Administration ("SBA"), securities which have a market value equal to 50 percent of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. It is the Agency's practice to ensure that all its public deposits are maintained with a qualified depository and as a result, all Agency depositories at fiscal year end were designated as qualified public depositories.

**Investment Authorization:**

The Agency's adopted investment policy is governed by Chapters 280 (Florida Security for Public Deposits Act) and 218 (Local Government Investment Policies), Florida Statutes, and various legal covenants related to outstanding bond issues. In addition to complying with state statutes, Agency policy and existing bond covenants, the Agency applies the "Prudent Person Rule" when executing investment strategies. Investments are made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income derived.

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**Notes to Financial Statements**  
**September 30, 2008**

**Types of Investments:**

Florida Statutes and Agency policy authorize Agency officials to invest funds in United States government obligations, guaranteed United States agency short-term issues, State Treasurer's investment pool, Florida bank certificates of deposit, money market funds, repurchase agreements and Florida League of Cities sponsored Florida Municipal Investment Trust ("FMIT"). The Agency's investment policy stipulates the following maximum portfolio percentages:

<b>Authorized Investments</b>	<b>Maximum % of Portfolio</b>
U.S. Government Direct Obligations	75%
U.S. Government Agency Obligations	30%
Certificates of Deposit	5%
Mutual Funds	10%
State Board of Administration (SBA)	90%
Florida Municipal Investment Trust	15%

During the current fiscal year, permission was obtained from the Agency's Board to deviate from the current maximum portfolio percentage allocations, given certain events which transpired related to the Florida State Board of Administration's (the SBA) Local Government Surplus Funds Trust Fund, in November 2007. The SBA is not Securities and Exchange Commission ("SEC") registered, but qualifies as an SEC 2a-7 like pool. The 90% maximum allowable percentage allocation for the SBA was temporarily superseded with a maximum of 90% allowable to be invested in any money market fund which invested in Treasuries and U.S. Agency Securities only, pending a formal revision of the Agency's current existing investment policy. On November 29, 2007, the SBA implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. The Agency withdrew all funds from the SBA prior to the freeze and did not lose any principal funds as a result of its investment with the SBA.

The Florida Municipal Investment Trust (Florida League of Cities) is an authorized investment under Section 218.415 (115), Florida Statutes for units of local government in Florida. The operation and administration of the Trust is the responsibility of a Board of Trustees who are selected from the ranks of elected officials of governmental entities participating in the Trust. The fair value of the Agency's position in the FMIT is the same as the value of the pool shares.

**Risk Disclosures:**

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits the Agency's investment portfolio to maturities not exceeding three years at time of purchase.

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**Notes to Financial Statements**  
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Information about the sensitivity of the fair value of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's debt type investments by maturity at September 30, 2008:

<b>Investment Type</b>	<b>Remaining Maturity (in Years)</b>		
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 2</b>
U.S. Agency Securities	\$ 999,200	\$ -	\$ 999,200
Local Agency Investment Pool (FMIT)	2,530,649	-	2,530,649
Money Market Funds	17,074,851	17,074,851	-
	<u>\$ 20,604,700</u>	<u>\$ 17,074,851</u>	<u>\$ 3,529,849</u>

**Breakdown: Government-Wide**

Investments (subject to interest rate risk)	\$ 20,604,700
Investments (not subject to interest rate risk):	
Certificate of Deposit	1,227,179
Cash & Cash Equivalents (other deposits)	6,591,301
Total Government-Wide	<u>\$ 28,423,180</u>

**Credit Risk** – This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Agency's investment policy utilizes portfolio diversification in order to control this risk. To control risks of illiquidity, a minimum of 15% of the operating portfolio of the Agency is to be held in highly marketable U.S. treasury bills, U.S. treasury notes, overnight repurchase agreements or the State Investment Pool (refer to "Types of Investments" above for approved deviation from policy). The following table discloses composite credit ratings by investment type as rated by Moody's, Standard and Poor's and Fitch, at September 30, 2008, as applicable:

<b>Investment Type</b>	<b>Fair Value</b>	<b>AAA</b>		
		<b>AAA</b>	<b>(Negative Watch)/B</b>	<b>AAAm</b>
U.S. Agency Securities	\$ 999,200	\$ 999,200	\$ -	\$ -
Local Government Investment Pool (FMIT)	2,530,649	2,530,649	-	-
First American Government Obligations				
Money Market Fund	3,027,208	-	-	3,027,208
Reserve U.S. Government Money				
Money Market Fund	14,047,643	-	14,047,643	-
	<u>\$ 20,604,700</u>	<u>\$ 3,529,849</u>	<u>\$ 14,047,643</u>	<u>\$ 3,027,208</u>

AAA or AAAM are the highest ratings that may be assigned by a rating agency.

Standard and Poor's assigned a AAAM (Negative Watch) rating to the Reserve's U.S. Government Money Market Fund. Negative watch means that a rating may be lowered at a future date. Moody's assigned a "B" rating to the Reserve's U.S. Government Money Market Fund. This rating implies that these fixed-income obligations generally lack characteristics of a desirable investment. These ratings reflect the management of the Reserve's decision to suspend redemptions or cash distributions from

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the U.S. Government Fund effective September 18, 2008. This action was done in an effort to preserve the \$1.00 net asset value per share and provide equal treatment to all shareholders. These rating agencies consider the decision to suspend cash redemptions a material deviation from the fund's stated objective to protect principal and provide daily liquidity. This fund, whose net asset value per share was \$1.00 on September 30, 2008, owns highly rated securities issued by the U.S. Government, its agencies and instrumentalities, or repurchase agreements collateralized by U.S. Treasury and Agency securities. The Reserve and the Fund's Board of Director's are currently working to finalize a plan of liquidation for this Fund following receipt of a Securities and Exchange Commission order permitting the further suspension of redemption rights effective September 17, 2008. Rating agencies review for possible further downgrade will focus on the ultimate liquidation plan adopted for the U.S. Government Fund, the strategies that are employed to execute the redemption initiative and the performance of the portfolio during this period.

On January 16, 2009, the Reserve distributed the remainder of funds on deposit to the Agency, including accrued interest. The Agency did not lose any principal funds related to this investment.

**Concentration of Credit Risk** – The investment policy of the Agency includes no limitations on the amount that can be invested in any one issuer other than the maximum portfolio percentages stated above.

**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are held by the counterparty. It is the Agency's policy that all investments purchased by the Agency be designated as an asset of the Agency in the Agency's name, despite being held in safekeeping by the Agency's custodial bank or a third party custodial institution, chartered by the United States Government or the State of Florida. Investments in mutual funds and external investment pools are not subject to custodial credit risk.

**(3) Long-Term Obligations**

Summarized below are the Agency's debt issued to finance the acquisition of properties for development which were outstanding at September 30, 2008.

***Governmental Activities Debt:***

- On December 16, 2003, the Agency authorized the issuance of Tax Increment Bond – Series 2003A in an original principal amount not to exceed \$10,000,000, with Wachovia Bank, National Association (the Bank) being the registered holder of the bond. On December 22, 2003, the Agency also entered into a non-revolving line of credit agreement (line of credit) with the Bank, not to exceed \$10,000,000, which represents the Bank's obligation to fund advances of principal of the Series 2003A Bond. The Series 2003A Bond represent the Agency's obligation to reimburse the Bank for up to \$10,000,000 of drawings made under the line of credit. The line of credit is secured by a senior lien on all tax increment revenues generated within the Agency's boundaries on a parity with the lien of the Agency's Series 2004A Bond as discussed below. Draws under the line, which constitute advances of principal of the Series 2003A Bond, may only be made through November 1, 2008. At September 30, 2008, the City had \$10,000,000 outstanding related to this line of credit. Proceeds of these draws were used to finance the current refunding of the Agency's Special Obligation Bonds – Series 1999, the cost of redevelopment projects and costs of issuance. Interest on the 2003A Bond is variable (based on the one-month

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London Interbank Offering Rate-LIBOR, plus 50 basis points), with a final maturity date of November 1, 2018. At September 30, 2008, the one-month LIBOR was 2.49%. Interest on the Series 2003A Bond is due and payable quarterly. Commencing November 1, 2009, principal is due and payable quarterly.

- On January 21, 2004, the Agency authorized the issuance of Tax Increment Bonds – Series 2004A in an original principal amount not to exceed \$10,000,000, with Wachovia Bank, National Association (the Bank) being the registered holder of the Series 2004A Bond. On January 21, 2004, the Agency also entered into a non-revolving line of credit agreement (line of credit) with Wachovia Bank, National Association (the Bank), in an amount not to exceed \$10,000,000, representing the Bank’s obligation to fund advances of principal of the Series 2004A Bond. The Series 2004A Bond represents the Agency’s obligation to reimburse the Bank for up to \$10,000,000 of drawings made under the line of credit. The line of credit is secured by a senior lien on all tax increment revenues generated within the Agency’s boundaries on a parity with the Agency’s Series 2003A Bond, as discussed above. Draws under the line (advances of principal of the Series 2004A Bond) may only be made through November 1, 2008. At September 30, 2008 the City had \$10,000,000 outstanding related to this line of credit. Proceeds of these draws were used to finance the cost of redevelopment projects. Interest on the Series 2004A Bond is variable (based on the one-month London Interbank Offering Rate-LIBOR, plus 50 basis points), with a final maturity date of November 1, 2018. At September 30, 2008 the one month LIBOR was 2.49%. Interest on the Series 2004A Bond is due and payable quarterly. Commencing November 1, 2009, principal is due and payable quarterly.

The principal and interest remaining on the bonds is \$25,048,500, payable through November 2019. For the current fiscal year, interest paid and total tax increment revenues were \$882,580 and \$7,552,461, respectively.

	<b>Changes in long-term liabilities</b>			<b>Ending balance</b>
	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	
<b>Governmental activities:</b>				
Bonds payable:				
Tax increment bonds	\$ 19,542,032	\$ 457,968	\$ -	\$ 20,000,000
Compensated absences	6,381	588	4,482	2,487
Total long-term liabilities	<u>\$ 19,548,413</u>	<u>\$ 458,556</u>	<u>\$ 4,482</u>	<u>\$ 20,002,487</u>

The annual requirements to pay principal and interest on the tax increment bonds at September 30, 2008 are as follows:

	<b>Governmental activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ -	\$ 878,000	\$ 878,000
2010	2,162,162	842,405	3,004,567
2011	2,162,162	747,486	2,909,648
2012	2,162,162	652,568	2,814,730
2013	2,162,162	557,649	2,719,811
2014-2018	10,810,811	1,364,460	12,175,271
2019	540,541	5,932	546,473
	<u>\$ 20,000,000</u>	<u>\$ 5,048,500</u>	<u>\$ 25,048,500</u>

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Interest on the bonds was fixed on October 30, 2008 at 4.39%, which was based on the 10 year U.S. Swap rate on that date. Original issuance costs on long-term debt are amortized over the life of the respective bond. At September 30, 2008, the Agency had \$34,265 in unamortized issuance costs related to the Tax Increment Bonds.

**(4) Incremental Property Tax Revenue**

The Agency's primary source of revenue is tax-increment funds. This revenue is computed by applying the respective operating tax rates for the City, the County, the Children's Service Council and the North Broward Hospital District, multiplied by the increased value of property located within the boundaries of the redevelopment areas of the Agency in excess of the base property value, minus 5%. The City, the County, the Children's Service Council and the North Broward Hospital District are required to fund this amount annually without regard to tax collections or other obligations.

**(5) Commitments**

The Agency had contractual commitments at September 30, 2008 as follows:

	<b>Expended from inception through September 30, 2008</b>	<b>Committed</b>
Chen & Associates-Lift Station 21 Rehabilitation	\$ 344,029	\$ 184,198
KSS DBA Southeast Group-Hunters Manor Park	1,732,114	74,256
	\$ 2,076,143	\$ 258,454

**(6) Risk Management**

The Agency is exposed to various risks and losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and group health. The City is self-insured except for commercial insurance purchased for airpark liability and group insurance, and purchases of excess commercial insurance beyond the self-insured retention for general liability, auto liability, property damage and workers' compensation and has not incurred a reduction in insurance coverage. This coverage includes the Agency. There were no settlements involving Agency employees, which exceeded the City's self-insured retention for each of the past three years. All Agency funds participate in the program and make premium payments to the risk management fund based on actuarial estimates of the amounts needed to ultimately settle claims. However, the Agency does not retain any risk beyond premiums paid to the City. For the fiscal year ended September 30, 2008, the City charged the Agency \$46,651 for health insurance premiums and \$2,803 for general liability, auto liability, property damage and workers' compensation coverage.

**(7) New Accounting Pronouncements Not Yet Adopted**

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* issued November 2006, is effective for the Agency beginning with its fiscal year ending September 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Agency has begun the process of ensuring that such obligations will be properly captured and recorded.

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**Notes to Financial Statements**  
**September 30, 2008**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, is effective for the Agency beginning with its fiscal year ending September 30, 2010. This Statement establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The Agency's management has not yet determined the effect this Statement will have on the Agency's financial statements, but will ensure implementation within the required timeframe.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the Agency beginning with its fiscal year ending September 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income. The Agency's management does not anticipate that this statement will have an impact on its financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Agency beginning with its fiscal year ending September 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. The Agency's management does not anticipate that this statement will have an impact on its financial statements as the Agency's investment policy prohibits investments in derivative instruments.

**(8) Subsequent Event**

As reported in Note 2, the Agency had \$14,047,643 on deposit with the Reserve's U.S. Government Money Market Fund at September 30, 2008, which was subject to a freeze on redemptions retroactive to September 17, 2008. This freeze was mandated by an order issued by the Securities and Exchange Commission (the SEC) in order to preserve the net asset value of the fund at \$1.00 per share following excessive redemptions prompted by a downgrade in certain securities held in other funds managed by the Reserve. In November 2008, the Reserve, after establishing an orderly distribution plan, as approved by the SEC, distributed approximately \$8.2 million to the Agency. On January 16, 2009, the Reserve distributed the remainder of funds on deposit to the Agency, including accrued interest. The Agency did not lose any principal funds related to this investment.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)  
Required Supplementary Information - Unaudited

Budgetary Comparison Schedule - Budgetary Basis  
Northwest District Fund

For the Fiscal Year Ended September 30, 2008

	Budgeted amounts		Actual (budgetary basis)	Variance with Final budget – positive (negative)
	Original	Final		
Revenues:				
Incremental property taxes	\$ 7,477,599	\$ 7,477,599	\$ 7,552,461	\$ 74,862
Investment earnings	450,000	450,000	665,053	215,053
Miscellaneous	—	—	47,321	47,321
Total revenues	<u>7,927,599</u>	<u>7,927,599</u>	<u>8,264,835</u>	<u>337,236</u>
Expenditures:				
Current:				
Community redevelopment	5,282,182	5,524,633	1,168,277	4,356,356
Capital outlay	—	1,747,735	146,605	1,601,130
Debt service:				
Interest	1,200,000	1,200,000	882,580	317,420
Total expenditures	<u>6,482,182</u>	<u>8,472,368</u>	<u>2,197,462</u>	<u>6,274,906</u>
Excess of revenue over (under) expenditures	<u>1,445,417</u>	<u>(544,769)</u>	<u>6,067,373</u>	<u>6,612,142</u>
Other Financing Sources (Uses):				
Proceeds from line of credit	—	146,604	457,968	311,364
Total other financing sources (uses)	<u>—</u>	<u>146,604</u>	<u>457,968</u>	<u>311,364</u>
Net change in fund balances	\$ <u>1,445,417</u>	\$ <u>(398,165)</u>	<u>6,525,341</u>	\$ <u>6,923,506</u>
Fund balances - beginning			43,332,970	
Fund balances - ending			<u>\$ 49,858,311</u>	

The above schedule reflects certain adjustments to actual expenditures to present data on a basis comparable to the adopted budget. See notes to required supplementary information.

**POMPANO BEACH COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of Pompano Beach, Florida)  
Required Supplementary Information - Unaudited

Budgetary Comparison Schedule - Budgetary Basis  
East District Fund

For the Fiscal Year Ended September 30, 2008

	<u>Budgeted amounts</u>		<u>Actual (budgetary basis)</u>	<u>Variance with Final budget – positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Incremental property taxes	\$ 1,601,148	\$ 1,601,148	\$ 1,589,691	\$ (11,457)
Investment earnings	62,131	62,131	111,707	49,576
<b>Total revenues</b>	<u>1,663,279</u>	<u>1,663,279</u>	<u>1,701,398</u>	<u>38,119</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Community redevelopment	471,059	471,059	425,662	45,397
Community redevelopment-City property	—	515,000	406,782	108,218
Capital outlay	—	293,368	—	293,368
<b>Total expenditures</b>	<u>471,059</u>	<u>1,279,427</u>	<u>832,444</u>	<u>446,983</u>
Excess of revenue over expenditures	<u>\$ 1,192,220</u>	<u>\$ 383,852</u>	868,954	<u>\$ 485,102</u>
Fund balances - beginning			3,213,755	
Fund balances - ending			<u>\$ 4,082,709</u>	

The above schedule reflects certain adjustments to actual expenditures to present data on a basis comparable to the adopted budget. See notes to required supplementary information.

**Pompano Beach Community Redevelopment Agency**  
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Notes to the Required Supplementary Information  
September 30, 2008

**Budgetary Information**

The Agency adopts an annual budget for each District. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except the budgets for each district includes encumbrances as the equivalent of expenditures. A budgetary comparison schedule is presented for each District. Budgetary control is maintained at the fund level.

No later than 30 days after the date the City Commission establishes the millage rate for the City, the Agency's director prepares, for the approval of the board, the budget for the operations of the Districts for the ensuing fiscal year. The budget is prepared in the same manner as required of all departments of the City. When approved by the board, the budget does not require approval of any officer or body of the City.

Adjustments necessary to convert the Northwest District and East District Fund's change in fund balance as of September 30, 2008 from the accounting principles generally accepted in the United States of America basis of accounting to the budget basis is as follows:

	<b>Revenues/Other Financing Sources</b>	<b>Expenditures/Other Financing Uses</b>	<b>Change in Fund Balances</b>
<b>Northwest District</b>			
<b><u>Fund</u></b>			
GAAP Basis	\$ 8,722,803	\$ (2,117,539)	\$ 6,605,264
Encumbrances	-	(79,923)	(79,923)
Budgetary Basis	<u>\$ 8,722,803</u>	<u>\$ (2,197,462)</u>	<u>\$ 6,525,341</u>

	<b>Revenues/Other Financing Sources</b>	<b>Expenditures/Other Financing Uses</b>	<b>Change in Fund Balance</b>
<b>East District</b>			
<b><u>Fund</u></b>			
GAAP Basis	\$ 1,701,398	\$ (647,478)	\$ 1,053,920
Encumbrances	-	(184,966)	(184,966)
Budgetary Basis	<u>\$ 1,701,398</u>	<u>\$ (832,444)</u>	<u>\$ 868,954</u>

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditors' Report  
on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

The Board Members of the  
Pompano Beach Community Redevelopment Agency:

We have audited the financial statements of the governmental activities and each major fund of the Pompano Beach Community Redevelopment Agency (the Agency), a component unit of the City of Pompano Beach, Florida, as of and for the year ended September 30, 2008, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***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 grants 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.

This report is intended solely for the information and use of the Honorable Mayor, members of the Board, management of the Agency, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
February 26, 2009