



Hallandale Beach Community Redevelopment Agency

Board of Directors Meeting

Agenda Cover Memo

Meeting Date:	October 17, 2016	Item Type:	Resolution	Ordinance	Other
					X
Fiscal Impact:	Yes	No	Ordinance Reading:		1st Reading
					2nd Reading
	X		Public Hearing:		
			Yes	No	Yes
					No
Funding Source:	HBCRA		Advertising Requirement:		Yes
					No
					X
Account Balance:	N/A				
Project Number :	N/A		RFP/RFQ/Bid Number:		
					N/A
Contract/P.O. Required:	Yes	No	Strategic Priority (Enter X in box):		
		X	Capital Improvements <input type="checkbox"/> Goal 1 - Undertake Total Improvements of Public Realm <input type="checkbox"/> Goal 2 -Promote Public/Public and <input type="checkbox"/> Public/Private Partnership <input type="checkbox"/> Promote Projects with Large-Scale Impacts <input type="checkbox"/> Goal 1 – Issue a Request for Proposals (RFP) for NW <input type="checkbox"/> infill Housing Goal 2 – Issue a Request for Qualifications (RFQ) for Dixie <input type="checkbox"/> Highway/Foster Road parcel Priority Area: North West Quadrant <input type="checkbox"/> FEC Corridor <input type="checkbox"/> Southwest Quadrant <input type="checkbox"/> Northeast Quadrant <input type="checkbox"/> Southeast Quadrant <input type="checkbox"/>		
Sponsor Name:	Daniel A. Rosemond, HBCRA Executive Director		Department:		HBCRA



Short Title:

DISCUSSION OF CITY OF HALLANDALE BEACH COMMUNITY REDEVELOPMENT AGENCY LIMITED SCOPE AUDIT AND ASSETS HELD FOR RESALE PROCESS.

Staff Summary:

Background:

On August 22, 2016, the Hallandale Beach Community Redevelopment Agency (HBCRA) Board of Directors directed staff to release a Request for Quotes (RFQ) to engage an auditing firm to conduct a Limited Scope Audit related to HBCRA's land transactions from Fiscal Year 2012 to Present, and to bring back three prospective firms to be interviewed by the Board during the September 19, 2016, HBCRA Board meeting.

A scope of work within the Limited Scope Audit was prepared and sent to five firms. Only one response was received by the due date. At the September 19, 2016 HBCRA Board Meeting, in lieu of re-releasing the request for quote, the HBCRA Board of Directors requested staff to provide details and documentation for the Assets Held for Resale Transactions and the resulting prior period adjustment to the HBCRA's FY 2015 Financial Statements.

During the fiscal year end closing process, HBCRA staff reviewed the Broward County Property Appraiser's (BCPA) website to ensure that properties (land) owned by the HBCRA were correctly recorded. During this search, staff found approximately 20 properties that were listed with HBCRA as the property owner, but were not included in the HBCRA's list of assets. Subsequently, the City and HBCRA staff performed a thorough analysis of the HBCRA properties.

Before providing an overview of the review process for HBCRA properties, below are two definitions that are the basis for determining the proper recording of a capital or fixed asset on an entity's financial statement:

Capital (Fixed) Assets – are assets purchased by an organization to be used in its day to day operations. The intent at the time of purchase is to maintain ownership of the asset. The total cost of the assets, including any demolition, closing costs or other ancillary charges, are capitalized. The total cost of the asset is then depreciated on a pro rata basis over the estimated useful life of the asset. For example, if the HBCRA purchased land to be used for a park, the land purchase would be recorded on the financial statements as a capital asset.

Assets Held for Resale - these assets are purchased or received as a donation with the express intent to resell. These assets are recorded at the purchase price (including any ancillary charges), or if donated or foreclosed, at appraised value. These assets are not depreciated. For example, a property purchased for redevelopment to eventually be sold or conveyed to a third party will be recorded as an Assets Held for Resale on the HBCRA's financial statement.

This is the analysis of what tasks were performed. In order to determine how to record and value these properties, the following steps had to be followed:

- ✚ The BCPA property list was compared to the City's fixed asset records to determine if these properties were recorded as capital assets in the Munis Fixed Asset Module. Audit work papers and amounts included in the financial statement footnotes were also reviewed.



- ✚ If the assets were recorded in the fixed asset module, the owner (City or HBCRA) and the recorded value assigned to the property were determined.
- ✚ If the properties were not listed in the fixed asset module, the history of the property had to be researched including the purchase date, price, and other ancillary charges incurred during or after the purchase.
- ✚ Since the HBCRA purchases property primarily for redevelopment purposes, (which includes for resale to others), the HBCRA's intention for the purchase had to be determined. The purpose of the purchase is used to determine the correct accounting for both the classification and the recorded value of the property on the HBCRA's financial statements.
- ✚ If the properties were originally owned by the City, the City's purchase date, the date the transfer was made to the HBCRA and the intent of the transfer were also determined.
- ✚ After the HBCRA properties were researched, the same steps were performed for properties owned by the City as listed on the BCPA website.

During the review process, it was determined that the purchase price for land acquired by the HBCRA may not have included costs that were incurred in order to develop or resell the property. Demolition, appraisals and other ancillary fees were charged to expenditure accounts and not added as a capitalized cost to the value of the property as required by Generally Accepted Accounting Principles. Property values were also adjusted to include all ancillary fees.

The results of all research were tabulated in a spreadsheet (see Attachment A), and the required adjustments to correctly record the properties on the City's and HBCRA's books calculated. The proposed adjustments were reviewed and approved by the auditors. Once approved, the Munis General Ledger and Fixed Assets module were updated with the required corrections.

After all the corrections for the properties were made as detailed on Attachment A, it was determined that HBCRA owned a total of 43 properties with a total value of \$6,607,700. This correction resulted in a net increase of \$5,792,161 in the Assets Held for Resale on the HBCRA's financial statements with an offsetting increase to Fund Balance. Since the majority of properties were donated or purchased prior to the start Fiscal 2015, the majority of the required adjustment was recorded as a prior period adjustment. Please note that the property adjustments did not have any impact on the HBCRA's cash balance. The prior period adjustment is broken down on page 2 of Attachment B, Schedule of Findings and Responses.

At the conclusion of this extensive review, land owned by the HBCRA is now accurately recorded. Land to be used for internal HBCRA operations is recorded as a capital asset. Land purchased for redevelopment that will be sold or conveyed to another party, is recorded as Assets Held for Resale.

The following new process has been established to ensure that HBCRA purchases are accounted for properly in the future:

- ✚ Land that is classified as Assets Held for Resale will be accounted for in the City's fixed asset module under a separate asset classification, "Assets Held for Resale".
- ✚ Resale assets and any associated ancillary costs will be tracked in the fixed asset module but will not be included as a capital asset for financial statement purposes.
- ✚ All documents related to the purchase and or sale/conveyance transaction, including HBCRA Board action documenting intent of the purchase, will be scanned and uploaded as part of the asset record.
- ✚ Finance and HBCRA staff will meet on a quarterly basis to ensure that all land transactions are accurately recorded, including purchases, sales and expenditures of ancillary charges.



400 South Federal Hwy
Hallandale Beach, FL 33009

Attachment(s):

Exhibit 1 Attachment A – Combined Assets Held for Resale Schedule of all CRA Properties including adjustments required to correctly record the assets on the CRA's or City's books.

Exhibit 2 Attachment B – Schedule of Findings and Responses from CRA's FY 2015 Financial Report.

Exhibit 3 – CRA Properties Map



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Proposed Action:

Staff recommends re-releasing the request for quotes and bringing back for the Board's consideration three prospective firms during the October 17, 2016, City Commission meeting.

Attachment(s):

Exhibit 1 – Responses to RFQ