McGladrey & Pullen
Certified Public Accountants

# Miami Beach Redevelopment Agency
# (A Component Unit of the City of Miami Beach, Florida)

Financial Report
Fiscal Year Ended September 30, 2008

PREPARED BY

THE FINANCE DEPARTMENT

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McGladrey & Pullen
Certified Public Accountants

# Independent Auditor's Report

To the Board Members
Miami Beach Redevelopment Agency:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the "Agency"), a component unit of the City of Miami Beach, Florida (the "City"), 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, the business-type activities and each major fund of the Miami Beach Redevelopment Agency, as of September 30, 2008, and the respective changes in financial position and where applicable cash flows thereof 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 March 30, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 management's discussion and analysis and the budgetary comparison information as listed in table of contents 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.

McGladrey & Pullen, LLP

Miami-Dade County, Florida
March 30, 2009

## Management's Discussion and Analysis

The Management's Discussion and Analysis (the "MD&A") of the Miami Beach Redevelopment Agency (the "Agency") is intended to provide an overview of the Agency's position and results of operations for the fiscal year ended September 30, 2008. The MD&A is an element of the reporting model required by the Governmental Accounting Standards Board (the "GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments* issued in 1999. The MD&A should be read in conjunction with the Agency's financial statements, including the accompanying notes, to enhance the understanding of the Agency's financial performance.

### Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by $56.1 million (net assets).
- The Agency's net assets increased by $25.4 million. The governmental net assets increased by $23.9 million and the business-type net assets increased by $1.5 million.
- Comparing fiscal year 2008 with 2007, the governmental activities revenue decreased by $5.7 million and expenses decreased by $12.4 million. The net results from activities increased by $6.7 million or 39.4%. In both fiscal years 2008 and 2007, the results of activities produced an increase in net assets of $23.9 and $17.1 million, respectively.
- At September 30, 2008 unreserved fund balance in the Agency's governmental funds was $48.6 million. This includes unreserved fund balance in the general fund of $10.9 million and $37.7 million from the capital projects fund which has been appropriated but not yet expended for capital improvement projects.
- The Agency's total long-term liabilities decreased by $4.2 million or 4.7% during the current year. This was a result of the normal maturity of the outstanding City Center bonds. No new debt was issued during the current year.
- The Agency's assets increased by approximately $21.7 million or 16.5%. The increase is mainly attributed to an increase in cash and investments of $14.0 million or 18.1% and an increase in capital assets, net of accumulated depreciation of $7.8 million or 15.2%.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

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

The statement of net assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements listed above distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities of the Agency include general government, public safety, physical environment, transportation, economic environment and culture and recreation. The business-type activity of the Agency includes the parking and leasing operations of the Anchor Garage and Anchor Shops, respectively.

The government-wide financial statements include only the financial activities of the Agency. However, the Agency is considered a component unit of the City of Miami Beach, and as such, the financial information of the Agency is included in the City's Comprehensive Annual Financial Report for the current fiscal year.

The government-wide financial statements can be found on pages 17 – 19 of this report.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency can be divided into two categories: governmental funds and proprietary funds.

## Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities reports the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (depreciated) and changes in long-term liabilities as adjustments of expenses. Conversely, the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure and do not reflect changes in long-term liabilities.

The Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, City Center debt service fund, and City Center capital projects fund which are considered to be major funds. For the current fiscal year, the Agency does not have any nonmajor governmental funds.

## Proprietary Funds

The Agency maintains two different types of proprietary funds or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Agency uses enterprise funds to account for the parking and leasing operations of the Anchor Garage and Anchor Shops, respectively.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for parking and leasing of the Anchor Garage/Shops which are considered to be major funds of the Agency. For the current fiscal year, the Agency does not have any nonmajor proprietary funds.

The basic proprietary fund financial statements can be found on pages 24 – 26 of this report.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 27 – 43 of this report.

## Government-Wide Financial Analysis

The table below summarizes the statement of net assets:

Summary of Net Assets (in thousands)

| | Governmental Activities 2008 | Governmental Activities 2007 | Business-Type Activities 2008 | Business-Type Activities 2007 | Total 2008 | Total 2007 |
|---|---|---|---|---|---|---|
| Current and other assets | $ 82,170 | $ 69,565 | $ 11,291 | $ 10,047 | $ 93,461 | $ 79,612 |
| Capital assets | 46,480 | 38,973 | 12,567 | 12,271 | 59,047 | 51,244 |
| Total assets | 128,650 | 108,538 | 23,858 | 22,318 | 152,508 | 130,856 |
| Long-term liabilities | 85,043 | 89,227 | 66 | 65 | 85,109 | 89,292 |
| Other liabilities | 11,117 | 10,710 | 181 | 155 | 11,298 | 10,865 |
| Total liabilities | 96,160 | 99,937 | 247 | 220 | 96,407 | 100,157 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 46,480 | 38,973 | 12,567 | 12,271 | 59,047 | 51,244 |
| Restricted | 4,816 | 4,722 | - | - | 4,816 | 4,722 |
| Unrestricted | (18,806) | (35,094) | 11,044 | 9,827 | (7,762) | (25,267) |
| Total net assets | $ 32,490 | $ 8,601 | $ 23,611 | $ 22,098 | $ 56,101 | $ 30,699 |

## Management's Discussion and Analysis

There are six basic transactions that can affect the comparability of the Statement of Net Assets. They are as follows:

1) Net results of activities will impact (increase/decrease) current assets and unrestricted net assets.
2) Borrowing for capital will increase assets and long term debt.
3) Spending borrowed proceeds on new capital will reduce current assets and increase capital assets.
4) Spending non-borrowed current assets on new capital will reduce current assets and increase capital assets as well as reduce unrestricted net assets and increase invested in capital assets, net of debt.
5) Principal payments on debt will reduce current assets and reduce long-term debt as well as reduce unrestricted net assets and invested in capital assets, net of debt, if applicable.
6) Reduction of capital assets through depreciation will reduce capital assets and invested in capital assets, net of debt.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $56.1 million at September 30, 2008, an increase of $25.4 million from September 30, 2007. This is a result of a decrease in current year expense while revenue remained consistent.

A large portion of the Agency's net assets ($59.0 million) reflects its investment in capital assets (e.g., land, building, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Agency's investment in its 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.

An additional portion of the Agency's net assets (approximately $4.8 million) represents resources that are subject to external restrictions on how they may be used.

The Agency's net assets increased by $25.4 million during the current fiscal year. Governmental activities accounted for an increase of $23.9 million while Business-type accounted for $1.5 million.

There are also various normal impacts on revenue and expense that can affect the change in net assets from year to year. The economic condition, which can reflect a declining, stable or growing economic environment, can have a substantial impact on tax revenue as well as the public's spending habits on fees and charges for services. An increase/or decrease in Council approved rates can have a substantial impact on parking revenue if there is a current year increase/decrease in an approved rate. Also, current market condition may cause investment income to fluctuate from year to year. Impacts on expense from year to year could result from new programs, an increase or decrease in personnel, salary increases and of course inflation.

The table below summarizes the change in net assets:

Summary of Changes in Net Assets
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Revenues:** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | $ - | $ - | $ 3,398 | $ 3,073 | $ 3,398 | $ 3,073 |
| Operating grants and contributions | 25 | 226 | | | 25 | 226 |
| Capital grants and contributions | 122 | 2,610 | | | 122 | 2,610 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | 32,496 | 34,522 | - | - | 32,496 | 34,522 |
| Resort taxes | 3,464 | 3,199 | - | - | 3,464 | 3,199 |
| Investment earnings | 2,348 | 3,576 | 298 | 446 | 2,646 | 4,022 |
| Gain on sale of capital assets | 4 | - | - | - | 4 | - |
| **Total revenues** | 38,459 | 44,133 | 3,696 | 3,519 | 42,155 | 47,652 |
| **Expenses:** | | | | | | |
| General government | 4,812 | 4,261 | - | - | 4,812 | 4,261 |
| Public safety | 2,846 | 2,220 | - | - | 2,846 | 2,220 |
| Physical environment | 17 | - | - | - | 17 | - |
| Transportation | 715 | - | - | - | 715 | - |
| Economic environment | 1,655 | 15,842 | - | - | 1,655 | 15,842 |
| Culture and recreation | 210 | 176 | - | - | 210 | 176 |
| Parking-Anchor Garage | - | - | 2,061 | 1,843 | 2,061 | 1,843 |
| Leases-Anchor Shops | - | - | 122 | 147 | 122 | 147 |
| Interest on long-term debt | 4,315 | 4,491 | - | - | 4,315 | 4,491 |
| **Total expenses** | 14,570 | 26,990 | 2,183 | 1,990 | 16,753 | 28,980 |
| **(Decrease) Increase in net assets** | 23,889 | 17,143 | 1,513 | 1,529 | 25,402 | 18,672 |
| Net assets, beginning | 8,601 | (8,542) | 22,098 | 20,569 | 30,699 | 12,027 |
| Net assets, ending | $ 32,490 | $ 8,601 | $ 23,611 | $ 22,098 | $ 56,101 | $ 30,699 |

Governmental activities increased the Agency's net assets by $23.9 million. Additionally, total governmental fund balance increased by $12.4 million.

Key elements of the net increase are as follows:

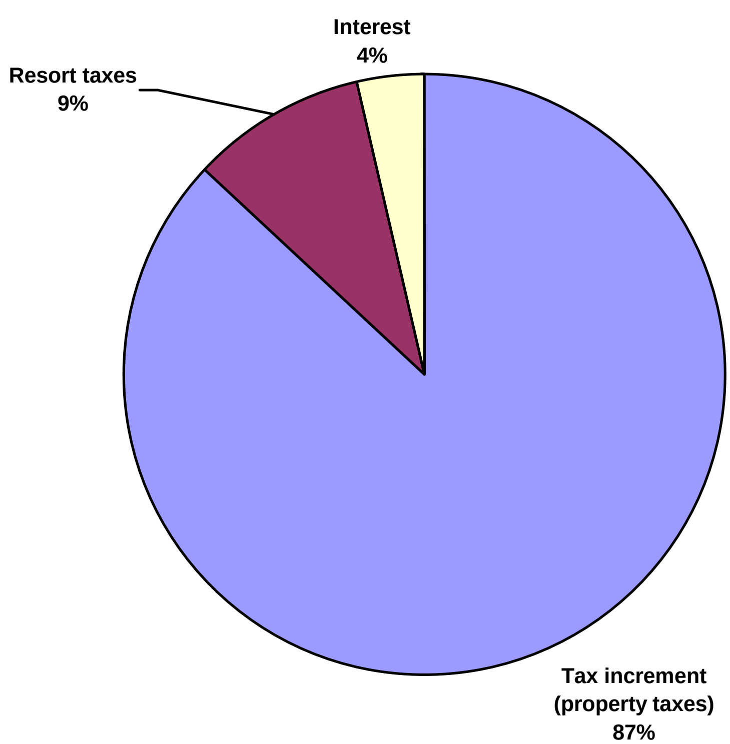
- Expenses for governmental activities decreased by approximately $12 million in 2008. Total fiscal year 2007 expense for governmental activities was approximately $27 million while total expense for 2008 was approximately $15 million. This decrease is due primarily to the fact that in 2007, an additional $14.1 million was appropriated and expended on the Housing Acquisition Initiative which provided funding to the Miami Beach Community Development Corporation (MBCDC) for the purchase of properties to be restored, renovated, operated and maintained by MBCDC. Therefore, in 2008, there is a substantial decrease in economic environment related expenses in comparison to 2007. This large decrease in economic development net with the minor increases in the other expenses such as general government, public safety, and transportation results in an overall decrease in current year expense.

- Revenues from governmental activities in fiscal year 2008 totaled $38.5 million. Revenues decreased by $5.7 million due to a decrease of $2 million in tax increment revenue, a slight increase in resort tax revenue of approximately $300 thousand and a decrease in investment income of $1.2 million. There was also a $2.6 million grant reimbursement in the prior year for the Colony Theater which creates a decrease in revenue in capital grants and contributions in the current year.

- The decrease in current year expense for governmental activities of $12.4 million net with the decrease in current year revenue of $5.7 million explains why the change in net assets in the current year of $23.9 million exceeds the change in net asset in fiscal year 2007 ($17.1) by $6.7 million.

The following chart shows the amounts of program and general revenues for fiscal year 2008:

Revenues by Source – Governmental Activities
Year Ended September 30, 2008



## Business-Type Activities

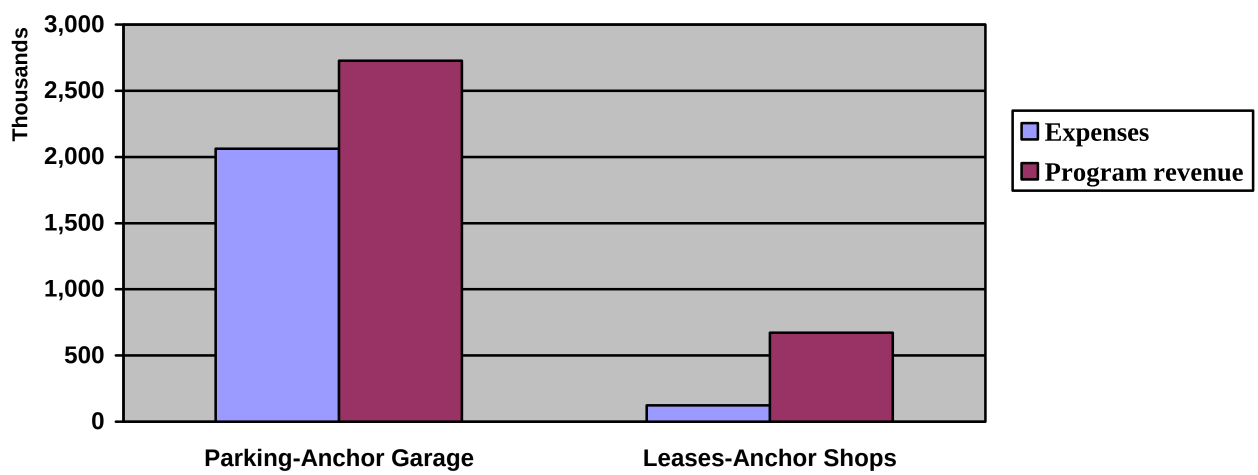
Business-type activities increased the Agency's net assets by approximately $1.5 million.

Key elements of this increase are as follows:

- The Anchor Garage's net assets increased by $839,414 as a result of maintaining operating expenses lower in relation to the revenue generated.
- The Anchor Shops' net assets increased by $673,170 as a result of maintaining operating expenses lower in relation to the revenue generated. Rental tenants remain stable.
- Revenue and Expenses continue to remain consistent and stable for both the Anchor Garage and Anchor Shops. Operating revenue and expense for the Anchor garage increased 13% and 12%, respectively. Operating revenue for the Anchor Shops remained stable while expenses decreased by approximately 16%. Both the Garage and the Shops had a decrease in interest income of approximately 33%.

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2008:

**Expenses and Program Revenues - Business-type Activities
September 30, 2008**



## Financial Analysis of the Governmental Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the Agency's governmental funds:

| | Governmental Funds (in thousands) | | | |
|---|---|---|---|---|
| | General | Debt Service City Center | Capital Projects City Center | Total Governmental Funds |
| Fund balance, September 30, 2007 | $ 30,245 | $ 7,244 | $ 25,471 | $ 62,960 |
| Revenues | 37,358 | 164 | 934 | 38,456 |
| Expenditures | (8,239) | (9,950) | (7,866) | (26,055) |
| Other financing sources (uses) | (48,356) | 8,972 | 39,388 | 4 |
| Fund balance, September 30, 2008 | $ 11,008 | $ 6,430 | $ 57,927 | $ 75,365 |

## Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Total fund balance for the Governmental Funds totaled $75.4 million at September 30, 2008. This is a total increase of $12.4 million or approximately 20%.

The general fund is the chief operating fund of the Agency. At the end of the current fiscal year, unreserved fund balance of the general fund was $10.9 million, while total fund balance of the general fund was $11.01 million.

The fund balance of the Agency's general fund decreased by $19.2 million during the current fiscal year. This decrease is due primarily to the increase in funds appropriated and transferred to the Capital Projects Fund based on the Capital Improvement Plan and Capital Budget. Also, an additional $700,000 was appropriated and expended on the Washington Bridge project during the current year.

The Agency's General Fund is required to adopt an annual budget prepared on a basis consistent with generally accepted accounting principles.

The Agency's Capital Projects Fund accounts for the financing of the Agency's capital program. The primary resources are obtained from the receipt of tax increment funds from Miami-Dade County and the City of Miami Beach, and also from the issuance of Agency debt.

## Proprietary Funds

The Agency's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total growth in net assets for both proprietary funds was approximately $1.5 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the Agency's business-type activities.

## Budgetary Highlights

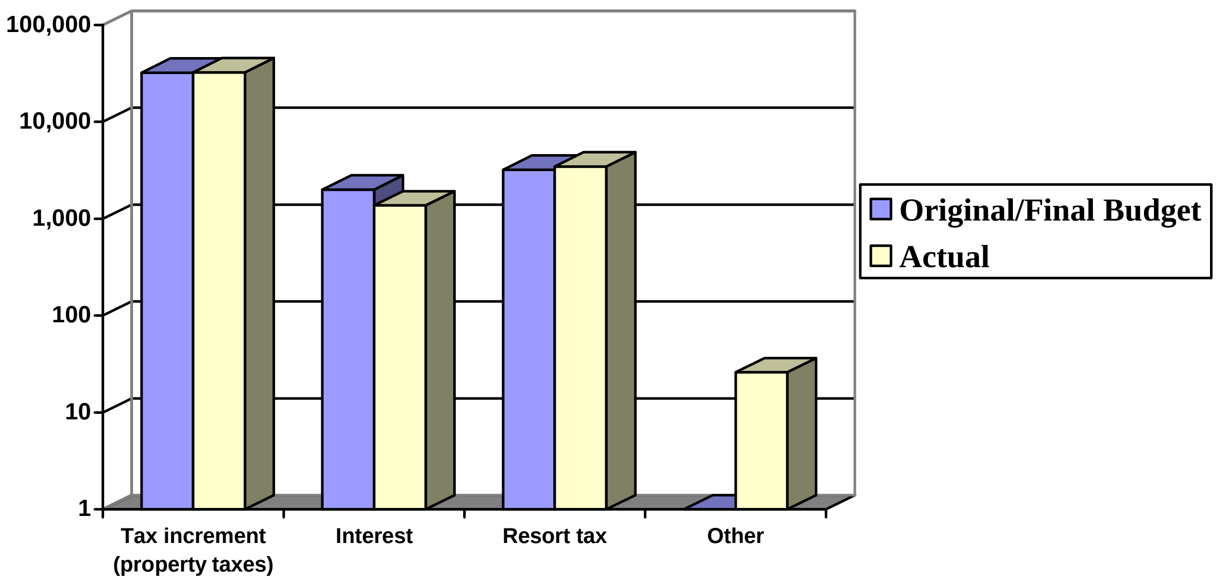
The following information is presented to assist the reader in comparing the original/final budget (Adopted Budget) and the actual results.

The major variances between the adopted/final budget and actual are the interest income and the operating transfers out. The variance of approximately $600 thousand in interest income is due to a major decrease in interest rates in fiscal year 2008. The variance for the operating transfers out is due to the fact that the 2006 appropriation from the capital improvement plan was transferred to the Capital Projects Fund in the current year but had been budgeted and maintained in the General Fund in fiscal year 2006.

## General Fund Revenues

The following charts and tables summarize actual revenues by category for fiscal year 2008 and compares actual revenues with the Adopted/Final Budget:

General Fund Revenues
Fiscal Year 2008
(in thousands)




General Fund Revenues
Fiscal Year 2008
(in thousands)

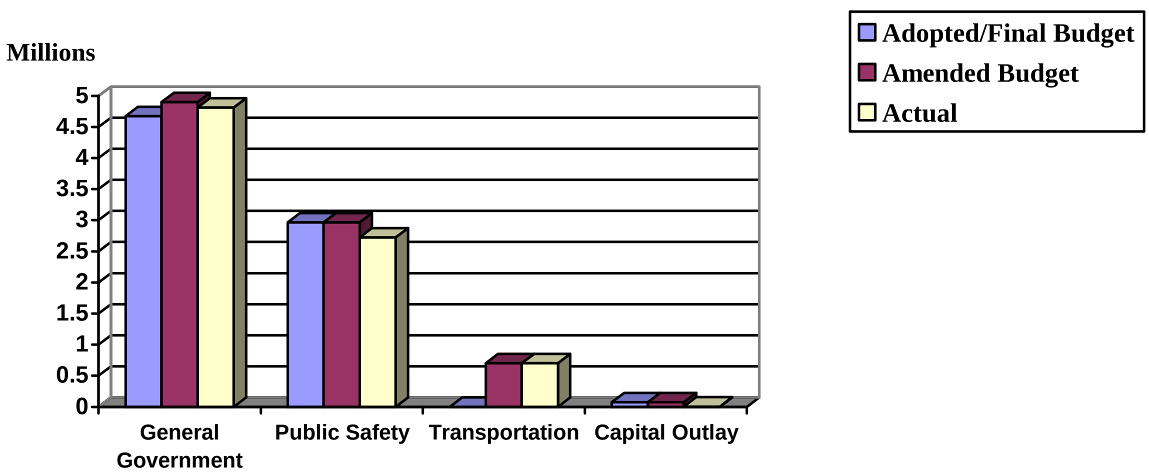
| | Original/ Final Budget | Actual Amounts |
|---|---|---|
| Revenues: | | |
| Tax increment (property taxes) | $ 32,201 | $ 32,496 |
| Resort tax | 3,206 | 3,464 |
| Interest income | 2,000 | 1,372 |
| Other | - | 26 |
| Total revenues | $ 37,407 | $ 37,358 |

## General Fund Expenditures

During the fiscal year, the adopted budget was amended by $700 thousand due to the authorization of an additional appropriation from Non-TIF funds for professional architectural, engineering services and construction services to restore the Washington Avenue Bridge's structural integrity. The adopted budget was also amended by an additional $590,000 which was authorized for appropriation from the General Fund to generate additional parking spaces in the preferred parking surface lot located North of City Hall.

The following chart and table summarize actual expenditures by function/program for fiscal year 2008 and compare the actual expenditures with the Adopted Budget and Amended Budget:

General Fund Expenditures
Fiscal Year 2008




General Fund Expenditures
Fiscal Year 2008
(in thousands)

| | Original Adopted Budget | Final Adopted Budget | Actual Amounts |
|---|---|---|---|
| Expenditures: | | | |
| General government | $ 4,673 | $ 4,898 | $ 4,812 |
| Public safety | 2,964 | 2,964 | 2,722 |
| Transportation | - | 700 | 700 |
| Capital outlay | 75 | 75 | 5 |
| Total expenditures | $ 7,712 | $ 8,637 | $ 8,239 |

## Capital Assets and Debt Administration

### *Capital Assets*

The Agency's investment in capital assets for its governmental and business-type activities as of September 30, 2008 amounts to $59 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, vehicles, machinery and equipment, streetscape improvements, restorations and renovations and construction work-in-progress, which are detailed as follows (net of accumulated depreciation):

Capital Assets
(in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land and land improvements | $ 5,928 | $ 5,928 | 3,003 | 3,003 | $ 8,931 | $ 8,931 |
| Buildings and structures | 5,868 | 4,825 | 8,816 | 9,256 | 14,684 | 14,081 |
| Vehicles | 97 | 170 | - | - | 97 | 170 |
| Machinery and equipment | 71 | 115 | 2 | 5 | 73 | 120 |
| Furniture and fixtures | 1 | 2 | - | - | 1 | 2 |
| Streetscape improvements | 1,055 | - | | | 1,055 | - |
| Restorations and renovations | 9,285 | 447 | - | - | 9,285 | 447 |
| Construction in progress | 24,175 | 27,486 | 746 | 7 | 24,921 | 27,493 |
| Total | $ 46,480 | $ 38,973 | $ 12,567 | $ 12,271 | $ 59,047 | $ 51,244 |

The Agency has developed various capital improvement programs to improve the quality of life for the residents of the City of Miami Beach. Recent projects included the restoration of the Colony Theater, Collins Park Cultural Center including the purchase of the Miami City Ballet building and the completion of the Beachwalk. Major on-going projects include streetscape improvements, the multi-purpose municipal parking facility, the Collins Canal enhancement and the Lincoln Road project between Lenox Avenue and Alton Road. Additional information on the Agency's capital assets can be found in the notes to the financial statements. Major capital asset events in progress or completed during the current fiscal year include the following:

- City Center Right-of Way Improvement Project – The City Center Right of Way ("ROW") Infrastructure Improvement Project is a $19 million infrastructure project which includes the restoration and enhancement of rights-of-way/street-scapes throughout City Center. This project includes enhancements to roadway, sidewalk, curb and gutter, landscape, streetscape irrigation, lighting, potable water, and storm drainage infrastructure as needed.
- Multi-Purpose Municipal Parking Facility – A seven level parking facility having 650 parking spaces, approximately 32,000 sq. ft. of commercial office space facing Meridian Avenue and associated site improvements. The project is located on the East side of Meridian Avenue at 17th Street in the City of Miami Beach Florida behind City Hall. The project is to be constructed in five separate construction phases: Demolition, Piling, Underground Utilities, Garage & Office Complex and Tenant Build-Out.
- Tree Wells Pilot Project – The Tree Wells Pilot Project was developed to revitalize existing tree pits along sidewalks and right of way in response to the citywide need to proactively address the existing planting wells which contain palms and trees in pedestrian areas that have outgrown their planned space. The Lincoln Road

Mall Tree Pit Restoration Pilot Project in conjunction with the Public Works Property Management Division's Up Lighting Replacement Project have both been successfully completed in full in the current fiscal year. The scope of work for the tree pit treatment included the removal of the existing surfacing, installation of new healthy tree fertilization system with Adapave bound surfacing. The scope of work for the Up lighting included the removal of the existing lighting, replacement of the electrical wiring, installation of the new lighting and repairs to the existing electrical outlet boxes. A total of 138 existing tree pits received the new tree pit treatment and Up Lighting.

- Collins Canal Enhancement Project - The Collins Canal Enhancement Project includes the development of the Dade Blvd. Bike path, which is a recreational greenway that will connect to the Venetian Causeway Bike Path and the Beachwalk, as well as seawall restoration for the north bank of the canal. The major bikeway artery will tie into a regional network of planned recreational trails/alternative transportation routes, called the Atlantic Greenway Network, connecting five public parks, eight beach access areas, and seven regional parking facilities in Miami Beach. This project is part of the larger Atlantic Greenway Network which aims to promote the use of alternative transportation and reduce traffic congestion. The Collins Canal Project will provide environmental, social and human health benefits to the community.
- Lincoln Road Project - Design, development, and construction of certain improvements to a portion of Lincoln Road Mall, between Lenox Avenue and Alton Road, including, without limitation, streetscape, street furniture, landscaping, decorative fountains/water features, and corresponding lighting, irrigation, and drainage systems, and which includes the closure of the aforestated portion of Lincoln Road Mall to vehicular traffic, and design, development, and construction of a new public pedestrian plaza, extending the pedestrian portion of Lincoln Road Mall further to the west (to include the referenced area between Lenox Avenue and Alton Road).

### *Outstanding Debt*

At the end of the current fiscal year, the Agency had a total debt outstanding in the governmental activities of \$89 million. This debt was decreased by \$4 million during the year. This decrease was due to the current year principal payment of \$3.86 million.

Miami Beach Redevelopment Agency's
Outstanding Debt
(in thousands)

| | Governmental Activities | |
|---|---|---|
| | 2008 | 2007 |
| Tax increment revenue bonds | $ 88,985 | $ 92,986 |

### *Economic Factors and Future Developments*

Following a period of extensive growth spanning the existence of City Center, the taxable value in the Redevelopment Area is only anticipated to increase by 3.4% in fiscal year 2009. This is based largely as a result of cooling market conditions and only one significant residential project coming on line. Based on the proposed millage rates, the Redevelopment Agency anticipates receiving \$34 million in Tax Increment Funds.

The Agency has an original adopted budget of approximately $39.7 million for fiscal year 2009 which represents a decrease of $2.2 million from fiscal year 2008. Project-related expenses account for approximately $26.3 million, comprising $3.3 million to be allocated for community policing initiatives in City Center to continue to provide enhanced levels of staffing and services throughout the area and $2.7 million for maintenance of Redevelopment Agency capital projects. On-going and planned capital projects in City Center are projected to account for approximately $20.3 million in the fiscal year 2009 budget and generally includes design and construction of the City's share of improvements related to the New World Symphony project (garage and surrounding infrastructure components); construction of streetscapes throughout City Center; construction of Collins Park, including the restoration of the Rotunda; implementation of improvements to Lincoln Road, between Collins and Washington Avenues; design development for improvements to the Little Stage Theater; planning and design costs associated with the Botanical Garden; and an allocation to address remaining close-out requirements at the Colony Theater.

### *Requests for Information*

This financial report is designed to provide a general overview of the Miami Beach Redevelopment Agency's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Miami Beach Redevelopment Agency, Finance Department, 1700 Convention Center Drive, Miami Beach, Florida 33139.

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

Statement of Net Assets
September 30, 2008

| Assets | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Current assets: | | | |
| Cash and investments | $ 80,300,637 | $ 10,811,702 | $ 91,112,339 |
| Receivables (net): | | | |
| Rent | - | 332,212 | 332,212 |
| Accounts receivables | 1,570 | 4,351 | 5,921 |
| Interest | 11,034 | - | 11,034 |
| Due from other governments | - | 1,882 | 1,882 |
| Due from primary government | 646,781 | - | 646,781 |
| Prepaid expenses | 4,490 | 74,336 | 78,826 |
| Total current assets | 80,964,512 | 11,224,483 | 92,188,995 |
| Noncurrent Assets: | | | |
| Restricted cash and investments | - | 66,099 | 66,099 |
| Deferred charges, net | 1,205,153 | - | 1,205,153 |
| Capital assets not being depreciated: | | | |
| Land | 5,928,000 | 3,003,281 | 8,931,281 |
| Construction in progress | 24,174,496 | 746,002 | 24,920,498 |
| Capital assets net of accumulated depreciation: | | | |
| Buildings and structures | 5,867,845 | 8,815,364 | 14,683,209 |
| Streetscape improvements | 1,054,866 | - | 1,054,866 |
| Restorations and renovations | 9,285,425 | - | 9,285,425 |
| Vehicles | 97,573 | - | 97,573 |
| Machinery and equipment | 71,523 | 2,248 | 73,771 |
| Furniture and fixtures | 707 | - | 707 |
| Total noncurrent assets | 47,685,588 | 12,632,994 | 60,318,582 |
| Total assets | 128,650,100 | 23,857,477 | 152,507,577 |

(Continued)

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

Statement of Net Assets (Continued)
September 30, 2008

| | | Governmental Activities | | Business-Type Activities | | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | $ | 1,009,462 | $ | 167,615 | $ | 1,177,077 |
| Retainage payable | | 501,645 | | - | | 501,645 |
| Accrued expenses | | 1,857,167 | | 823 | | 1,857,990 |
| Due to other governments | | - | | 1,622 | | 1,622 |
| Due to primary government | | 3,676,955 | | 506 | | 3,677,461 |
| Unearned revenue | | - | | 9,899 | | 9,899 |
| Portion due or payable within one year: | | | | | | |
| Accrued compensated absences | | 26,546 | | - | | 26,546 |
| Bonds payable | | 4,045,000 | | - | | 4,045,000 |
| Total current liabilities | | 11,116,775 | | 180,465 | | 11,297,240 |
| Long-term liabilities: | | | | | | |
| Liabilities payable from restricted assets: | | | | | | |
| Deposits | | - | | 66,099 | | 66,099 |
| Portion due or payable after one year: | | | | | | |
| Accrued compensated absences | | 102,319 | | - | | 102,319 |
| Bonds payable | | 84,940,453 | | - | | 84,940,453 |
| Total long-term liabilities | | 85,042,772 | | 66,099 | | 85,108,871 |
| Total liabilities | | 96,159,547 | | 246,564 | | 96,406,111 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | | 46,480,435 | | 12,566,895 | | 59,047,330 |
| Restricted for debt service | | 4,816,428 | | - | | 4,816,428 |
| Unrestricted | | (18,806,310) | | 11,044,018 | | (7,762,292) |
| Total net assets | $ | 32,490,553 | $ | 23,610,913 | $ | 56,101,466 |

See Notes to Financial Statements.

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

## Statement of Activities
Fiscal Year Ended September 30, 2008

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Activities: | | | | | | | |
| Governmental: | | | | | | | |
| General government | $ 4,812,194 | $ - | $ 25,811 | $ - | $ (4,786,383) | $ - | $ (4,786,383) |
| Public safety | 2,845,957 | - | - | - | (2,845,957) | - | (2,845,957) |
| Physical environment | 17,063 | - | - | - | (17,063) | - | (17,063) |
| Transportation | 714,857 | - | - | - | (714,857) | - | (714,857) |
| Economic environment | 1,655,074 | - | - | - | (1,655,074) | - | (1,655,074) |
| Culture and recreation | 209,598 | - | - | 122,114 | (87,484) | - | (87,484) |
| Interest on long-term debt | 4,315,344 | - | - | - | (4,315,344) | - | (4,315,344) |
| Total governmental activities | 14,570,087 | - | 25,811 | 122,114 | (14,422,162) | - | (14,422,162) |
| Business-type: | | | | | | | |
| Parking – Anchor Garage | 2,061,097 | 2,726,697 | - | - | - | 665,600 | 665,600 |
| Leasing – Anchor Shops | 122,149 | 671,611 | - | - | - | 549,462 | 549,462 |
| Total business-type activities | 2,183,246 | 3,398,308 | - | - | - | 1,215,062 | 1,215,062 |
| Total primary government | $ 16,753,333 | $ 3,398,308 | $ 25,811 | $ 122,114 | (14,422,162) | 1,215,062 | (13,207,100) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Tax increments for redevelopment districts | | | | | 32,496,438 | - | 32,496,438 |
| Resort tax | | | | | 3,463,926 | - | 3,463,926 |
| Gain on sale of capital assets | | | | | 3,746 | - | 3,746 |
| Interest | | | | | 2,347,593 | 297,522 | 2,645,115 |
| Total general revenues | | | | | 38,311,703 | 297,522 | 38,609,225 |
| Changes in net assets | | | | | 23,889,541 | 1,512,584 | 25,402,125 |
| Net assets, beginning | | | | | 8,601,012 | 22,098,329 | 30,699,341 |
| Net assets, ending | | | | | $ 32,490,553 | $ 23,610,913 | $ 56,101,466 |

See Notes to Financial Statements.

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

Balance Sheet
Governmental Funds
September 30, 2008

| Assets | General Fund | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| Cash and investments | $ 13,925,785 | $ 6,418,807 | $ 59,956,045 | $ 80,300,637 |
| Receivables: | | | | |
| Accounts receivable | 1,570 | - | - | 1,570 |
| Interest | 223 | 10,811 | - | 11,034 |
| Due from primary government | 646,001 | - | 780 | 646,781 |
| Prepaid expenses | 4,490 | - | - | 4,490 |
| Total assets | $ 14,578,069 | $ 6,429,618 | $ 59,956,825 | $ 80,964,512 |
| **Liabilities and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 6,329 | $ - | $ 1,003,133 | $ 1,009,462 |
| Retainage payable | - | - | 501,645 | 501,645 |
| Accrued expenses | 41,757 | - | 369,815 | 411,572 |
| Due to primary government | 3,521,585 | - | 155,370 | 3,676,955 |
| Total liabilities | 3,569,671 | - | 2,029,963 | 5,599,634 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Prepaid expenses | 4,490 | - | - | 4,490 |
| Debt service | - | 6,429,618 | - | 6,429,618 |
| Encumbrances | 79,074 | - | 20,247,778 | 20,326,852 |
| Unreserved | 10,924,834 | - | 37,679,084 | 48,603,918 |
| Total fund balances | 11,008,398 | 6,429,618 | 57,926,862 | 75,364,878 |
| Total liabilities and fund balances | $ 14,578,069 | $ 6,429,618 | $ 59,956,825 | $ 80,964,512 |

See Notes to Financial Statements.

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

## Reconciliation of Governmental Funds
## Balance Sheet to the Statement of Net Assets
## September 30, 2008

| | | |
|---|---|---|
| Total fund balance – governmental funds | | $ 75,364,878 |
| | | |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| Those assets consist of: | | |
| Land | $ 5,928,000 | |
| Construction in progress | 24,174,496 | |
| Buildings and structures, net of $420,576 accumulated depreciation | 5,867,845 | |
| Street improvements, net of $14,857 accumulated depreciation | 1,054,866 | |
| Restoration and renovations, net of $81,617 accumulated depreciation | 9,285,425 | |
| Vehicles, net of $263,994 accumulated depreciation | 97,573 | |
| Machinery and equipment, net of $283,647 accumulated depreciation | 71,523 | |
| Furniture and fixtures, net of $6,367 accumulated depreciation | 707 | |
| Total capital assets | | 46,480,435 |
| | | |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. | | |
| Balances at September 30, 2008 are: | | |
| Accrued interest on bonds | (1,445,595) | |
| Bonds payable | (87,785,000) | |
| Premium on bonds payable | (1,200,453) | |
| Accrued compensated absences | (128,865) | |
| Deferred charges for bond issuance costs | 1,205,153 | |
| Total long-term liabilities | | (89,354,760) |
| Total net assets of governmental activities | | $ 32,490,553 |

See Notes to Financial Statements.

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

## Statement of Revenues, Expenditures and Changes in Fund Balances
## Governmental Funds
## Fiscal Year Ended September 30, 2008

| | General Fund | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| Revenues: | | | | |
| Tax increment | $ 32,496,438 | $ - | $ - | $ 32,496,438 |
| Resort tax | 3,463,926 | - | - | 3,463,926 |
| Intergovernmental | - | - | 122,114 | 122,114 |
| Interest | 1,371,749 | 163,880 | 811,964 | 2,347,593 |
| Other | 25,811 | - | - | 25,811 |
| Total revenues | 37,357,924 | 163,880 | 934,078 | 38,455,882 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 4,812,194 | - | - | 4,812,194 |
| Public safety | 2,721,218 | - | - | 2,721,218 |
| Economic environment | - | 1,574,591 | - | 1,574,591 |
| Transportation | 700,000 | - | - | 700,000 |
| Capital outlay | 5,324 | - | 7,866,023 | 7,871,347 |
| Debt service: | | | | |
| Principal | - | 3,860,000 | - | 3,860,000 |
| Interest and fiscal charges | - | 4,515,554 | - | 4,515,554 |
| Total expenditures | 8,238,736 | 9,950,145 | 7,866,023 | 26,054,904 |
| Excess of revenues over (under) expenditures | 29,119,188 | (9,786,265) | (6,931,945) | 12,400,978 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 3,746 | - | - | 3,746 |
| Transfers in | 16,583 | 8,988,628 | 39,387,839 | 48,393,050 |
| Transfers out | (48,376,467) | (16,583) | - | (48,393,050) |
| Total other financing sources (uses) | (48,356,138) | 8,972,045 | 39,387,839 | 3,746 |
| Net change in fund balances | (19,236,950) | (814,220) | 32,455,894 | 12,404,724 |
| Fund balances, beginning | 30,245,348 | 7,243,838 | 25,470,968 | 62,960,154 |
| Fund balances, ending | $ 11,008,398 | $ 6,429,618 | $ 57,926,862 | $ 75,364,878 |

See Notes to Financial Statements.

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

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Fiscal Year Ended September 30, 2008

| | |
|---|---|
| Net change in fund balances – governmental funds | $ 12,404,724 |
| The change in net assets reported for governmental activities in the statement of activities is different because: | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay reported within the various expenditure functions ($7,871,347) exceeds depreciation ($363,595) in the current period. | 7,507,752 |
| The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The statement of net assets has been adjusted for transactions as follows: | |
| Repayments: | |
| Principal – debt service | 3,860,000 |
| Premium on bonds | 140,621 |
| Cost of issuance | (80,483) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental activities section of the statement of net assets: | |
| Accrued compensated absences | (2,662) |
| Reduction in accrued interests on bonds | 59,589 |
| Change in net assets of governmental activities | $ 23,889,541 |

See Notes to Financial Statements.

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

Statement of Net Assets
Enterprise Funds
September 30, 2008

| | Business-Type Activities Enterprise Funds | | |
|---|---|---|---|
| Assets | Parking Fund | Leasing Fund | Total |
| Current Assets: | | | |
| Cash and investments | $ 6,638,576 | $ 4,173,126 | $ 10,811,702 |
| Receivables: | | | |
| Rent, net of allowance | - | 332,212 | 332,212 |
| Accounts receivable | 4,351 | - | 4,351 |
| Due from other governments | - | 1,882 | 1,882 |
| Prepaid expenses | 7,000 | 67,336 | 74,336 |
| Total current assets | 6,649,927 | 4,574,556 | 11,224,483 |
| Noncurrent Assets: | | | |
| Restricted cash and investments | 5,913 | 60,186 | 66,099 |
| Capital assets: | | | |
| Land | 2,793,051 | 210,230 | 3,003,281 |
| Buildings and structures | 11,955,752 | 899,896 | 12,855,648 |
| Machinery and equipment | 11,825 | 9,404 | 21,229 |
| Construction in progress | 304,237 | 441,765 | 746,002 |
| Less accumulated depreciation | (3,769,290) | (289,975) | (4,059,265) |
| Total capital assets (net of accumulated depreciation) | 11,295,575 | 1,271,320 | 12,566,895 |
| Total noncurrent assets | 11,301,488 | 1,331,506 | 12,632,994 |
| Total assets | 17,951,415 | 5,906,062 | 23,857,477 |
| Liabilities and Net Assets | | | |
| Current Liabilities: | | | |
| Accounts payable | 165,365 | 2,250 | 167,615 |
| Accrued expenses | 823 | - | 823 |
| Due to other governments | 1,622 | - | 1,622 |
| Due to primary government | 381 | 125 | 506 |
| Unearned revenue | 9,899 | - | 9,899 |
| Total current liabilities | 178,090 | 2,375 | 180,465 |
| Noncurrent Liabilities: | | | |
| Liabilities payable from restricted assets: | | | |
| Deposits | 5,913 | 60,186 | 66,099 |
| Total noncurrent liabilities | 5,913 | 60,186 | 66,099 |
| Total liabilities | 184,003 | 62,561 | 246,564 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 11,295,575 | 1,271,320 | 12,566,895 |
| Unrestricted | 6,471,837 | 4,572,181 | 11,044,018 |
| Total net assets | $ 17,767,412 | $ 5,843,501 | $ 23,610,913 |

See Notes to Financial Statements.

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

Statement of Revenues, Expenses and Changes in Fund Net Assets –
Enterprise Funds
Fiscal Year Ended September 30, 2008

| | Business-Type Activities Enterprise Funds | | |
|---|---|---|---|
| | Parking Fund | Leasing Fund | Total |
| Operating revenues: | | | |
| Charges for services | $ 2,135,090 | $ - | $ 2,135,090 |
| Permits, rentals and other | 591,607 | 671,611 | 1,263,218 |
| Total operating revenues | 2,726,697 | 671,611 | 3,398,308 |
| Operating expenses: | | | |
| Operating supplies | 12,310 | - | 12,310 |
| Contractual services | 1,456,814 | 79,985 | 1,536,799 |
| Utilities | 73,187 | - | 73,187 |
| Depreciation | 410,639 | 33,307 | 443,946 |
| Other | 108,147 | 8,857 | 117,004 |
| Total operating expenses | 2,061,097 | 122,149 | 2,183,246 |
| Operating income | 665,600 | 549,462 | 1,215,062 |
| Nonoperating revenues: | | | |
| Interest income | 173,814 | 123,708 | 297,522 |
| Total nonoperating revenues | 173,814 | 123,708 | 297,522 |
| Changes in net assets | 839,414 | 673,170 | 1,512,584 |
| Total net assets, beginning | 16,927,998 | 5,170,331 | 22,098,329 |
| Total net assets, ending | $ 17,767,412 | $ 5,843,501 | $ 23,610,913 |

See Notes to Financial Statements.

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

## Statement of Cash Flows
Enterprise Funds
Fiscal Year Ended September 30, 2008

| | Business-Type Activities Enterprise Funds | | |
|---|---|---|---|
| | Parking Fund | Leasing Fund | Total |
| Cash Flows From Operating Activities: | | | |
| Cash received from customers | $ 2,750,260 | $ 678,445 | $ 3,428,705 |
| Cash paid to suppliers | (1,495,392) | (93,894) | (1,589,286) |
| Payments made to primary government | (116,523) | - | (116,523) |
| Net cash provided by operating activities | 1,138,345 | 584,551 | 1,722,896 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Purchase of capital assets | (304,237) | (435,125) | (739,362) |
| Net cash used in capital and related financing activities | (304,237) | (435,125) | (739,362) |
| Cash Flows From Investing Activities: | | | |
| Interest on investments | 173,814 | 123,708 | 297,522 |
| Net cash provided by investing activities | 173,814 | 123,708 | 297,522 |
| Net increase in cash and investments | 1,007,922 | 273,134 | 1,281,056 |
| Cash and investments – beginning of year | 5,636,567 | 3,960,178 | 9,596,745 |
| Cash and investments – end of year | $ 6,644,489 | $ 4,233,312 | $ 10,877,801 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities | | | |
| Operating income | $ 665,600 | $ 549,462 | $ 1,215,062 |
| Adjustments to reconcile operating income to cash provided by operating activities: | | | |
| Depreciation | 410,639 | 33,307 | 443,946 |
| Provisions for uncollectible accounts | - | 8,857 | 8,857 |
| Changes in assets and liabilities: | | | |
| Decrease in receivables | - | 6,834 | 6,834 |
| (Increase) in due from other government | - | (1,882) | (1,882) |
| Decrease in due from primary government | 13,029 | - | 13,029 |
| Decrease in prepaid expenses | - | 10,476 | 10,476 |
| Increase (decrease) in accounts payable | 74,050 | (7,555) | 66,495 |
| Increase in accrued expenses | 26 | - | 26 |
| (Decrease) in due to other governments | (25,037) | (15,073) | (40,110) |
| Increase (decrease) in due to primary government | (10,496) | 125 | (10,371) |
| Increase in unearned revenue | 9,899 | - | 9,899 |
| Increase in deposits | 635 | - | 635 |
| Total adjustments | 472,745 | 35,089 | 507,834 |
| Net cash provided by operating activities | $ 1,138,345 | $ 584,551 | $ 1,722,896 |

## Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

In February 1976, the Miami Beach Redevelopment Agency (the "Agency") was formed by the City of Miami Beach, Florida (the "City") under the provisions of Chapter 163 of the Florida Statutes.

The Agency's stated purpose was to spur development and redevelopment in the South Pointe area of the City, an area which includes approximately 250 acres at the southern tip of the City, and a redevelopment area called the City Center/Historic Convention Village Redevelopment and Revitalization Area. During fiscal year 2006, the South Pointe district, under the Agency's jurisdiction expired, and at that point, the City assumed the responsibilities for the South Pointe area. At that time, the stated purpose became specifically the City Center/Historic Convention Village Redevelopment and Revitalization Area.

Subsequent to its inception in March 1977, the City adopted the Agency's redevelopment plan which provided for the construction of residential housing, hotels, a marina and commercial, recreational and entertainment facilities. Because of the desire of the City Commission to revise the concept for redevelopment of the South Pointe area, on December 17, 1982, the City Commission declared itself to be, and to constitute the Agency. This action resulted in the City Commissioners becoming the new Agency's Board Members and the City manager becoming the executive director of the Agency. The Agency's budget is adopted by its Board of Directors. The Agency meets the criteria for inclusion in the City's reporting entity as a component unit and therefore has been reported in the basic financial statements of the City.

The City Center/Historic Convention Village Redevelopment and Revitalization Area was formed in the same manner as the South Pointe Area. In March 1993, the City adopted the Agency's redevelopment plan for the City Center/Historic Convention Village Redevelopment and Revitalization Area, which called for the revitalization of the blighted area surrounding the Miami Beach Convention Center and Lincoln Road.

The City has expended certain of its funds prior to and subsequent to the inception of the Agency for various projects, which have benefited the redevelopment area. These expenditures have been recorded in the accounting records of the City, and accordingly, are not reflected in the accompanying financial statements of the Agency.

The City provides the Agency facilities for its operations.

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.

The financial statements were prepared in accordance with Governmental Auditing Standards Board ("GASB") Codification Section 2100, which established standards for defining and reporting on the financial reporting entity. For financial reporting purposes, the Agency includes those operations that are generally controlled by or dependent on the Authority. Control by or dependence on the Agency is determined on the basis of such factors as budget adoption, outstanding debt secured by revenue of the Agency and obligation of the Agency to finance any deficit that may occur.

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

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

The government-wide financial statements report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. The government-wide focus is more on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements focus on short-term results of operations and financing decisions at a specific fund level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. The Agency's program revenue consists of charges to customers or applicant's who purchase, use or directly benefit from goods, services or privileges provided by a given functional category. Taxes and other items not properly included among program revenues are reported instead as general revenues.

### C. 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 are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes (tax increments) are recognized as revenue in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on their balance sheet. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide governmental activities column, a reconciliation is necessary to explain the adjustments needed to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation. Their operating statements present sources (revenue and financing sources) and uses (expenditures and other financing uses) of available spendable resources during the period. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, compensated absence and claims expenditures, are recorded only when the liability has matured and payment is due.

Tax increment when levied for, resort taxes, grants when all the eligibility requirements have been met, and interest associated with the current fiscal period, are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenues are measurable upon receipt of cash and are recognized at that time.

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

Amounts reported as program revenue in the government-wide financial statements include charges to customers or applicants for goods and services or privileges provided and, operating grants and contributions and capital grants and contributions restricted to a particular program. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included in general revenues.

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

The Agency reports the following major governmental funds:

- The general fund is the general operating fund of the Agency. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund.

- The City Center debt service fund is used to account for the accumulation of resources for the payment of general long-term debt, principal, interest and related costs associated with the City Center District.

- The City Center capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities within the City Center District.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Agency established the use of proprietary funds to account for its business-type activities; accordingly, the operations of the Agency's parking and leasing activities are accounted for in separate enterprise funds.

The Agency reports the following major proprietary funds:

- The Parking Fund accounts for the parking operations of the Anchor Garage, which is located within the City Center District.

- The Leasing Fund accounts for the leasing operations of the Anchor Shops, which included seven tenants during the current fiscal year. The Anchor Shops are also located within the City Center District.

GASB statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, offers the option of following all Financial Accounting Standards Board (FASB) standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The Agency has selected not to implement FASB standards issued after November 30, 1989 for reporting business-type activities and enterprise funds.

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

D. Assets, Liabilities and Net Assets or Equity

1. Capital Assets

Capital assets, which include property, vehicles, machinery, furniture and fixtures, are reported in the applicable governmental or business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of $500 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or at valuations, which approximate cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets, interest expense of business-type activities is included as part of the capitalized cost of the assets constructed.

Property, furniture and fixtures of the Agency are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| Assets | Years |
|---|---|
| Buildings | 30 – 60 |
| Improvements | 10 – 60 |
| Vehicles, machinery and furniture | 3 – 5 |

In governmental funds, capital outlay (capital assets) is reported as an expenditure and no depreciation expense is reported.

2. Cash and Investments

Cash is comprised of deposits with financial institutions. Investments are comprised of U.S. Treasury obligations, state or municipal obligations, commercial paper, money market funds and repurchase agreements. For the purpose of the statement of cash flows for the proprietary fund types, cash and investments are short-term, highly liquid investments with an original maturity of three months or less.

Investments are recorded at fair value using quoted market price or the best available estimate thereof, except for those investments with remaining maturities of one year or less, when purchased, which are recorded at amortized cost, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

3. Prepaid Items

Expenditures made for services that will benefit periods beyond September 30, 2008 are recorded as prepaid expenses in the government-wide statements. Expenditures made for services that will benefit periods beyond September 30, 2008 are recorded as prepaid expenditures in the fund financial statements. Accordingly, a portion of fund balance has been reserved to indicate that these funds are not available for appropriation.

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

4. Fund Equity/Net Assets

   a. Reserved Fund Balance – A fund balance reservation indicates that this portion of fund equity has been segregated for specific or legal purposes or is not otherwise available for appropriation, such as encumbrances, which are purchase order commitments for the expenditures of monies recorded in order to reserve that portion of the applicable appropriation in the governmental funds. They do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year; and

   b. Designated Fund Balance – A fund balance designation indicates that this portion of fund equity has been segregated based on tentative plans of the Agency; and

   c. Undesignated Fund Balance – This portion of fund equity is available for any lawful use by the Agency.

   d. Net Assets – The government-wide and proprietary funds financial statements utilized a net asset presentation. Net assets are categorized as invested in capital assets net of related debt, restricted or unrestricted. The first category represents capital assets, less accumulated depreciation and net of any outstanding debt associated with the acquisition of capital assets. Restricted net assets represent amounts that are restricted by requirement of debt indenture. Unrestricted net assets represents the net assets of the Agency which are not restricted for any project or purpose. The unrestricted deficit in the governmental activities net assets is a result of the outstanding debt not being included in the invested in capital assets net of related debt calculation. This is because the capital assets were not financed by the outstanding debt.

5. 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.

6. Risk Management

The City, which includes coverage for the Agency, is self-insured for automobile liability, general liability, police professional liability, workers' compensation, theft and property damage. The Agency is charged a premium by the City's self-insurance fund. The Agency does not retain any risk beyond premiums paid to the City. For fiscal year ended September 30, 2008, the City charged the Agency $21,662 for automobile liability, general liability, police professional liability and workers' compensation coverage.

7. Employee Benefit Plan

The following is a brief description of the Agency employees' participation in the Miami Beach Employees' Retirement Plan and the City's Pension Fund for Firefighter's and Police (the "Plans"). Readers should refer to Note H parts 3 (a) and (b) of the City's 2008 Comprehensive Annual Financial Report and Plan documents for detailed and comprehensive information on the Plans.

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

### 7. Employee Benefit Plan (Continued)

All full-time employees of the City who work more than 30 hours per week and hold classified or unclassified positions, except for Policemen and Firemen, are covered by the Miami Beach Employees' Retirement Plan (the "Plan"). The Plan provides retirement benefits as well as death and disability benefits at two different tiers depending on when the employees entered the plan. All First Tier employees who participate are required to contribute 10% of their salary to the Plan. All Second Tier employees are required to contribute 8% of their salary. The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The City's Pension Fund for Firefighters and Police (the "Plan) is a defined benefit pension plan covering substantially all police officers and firefighters of the City. Members of the plan contribute 10% of their salary. The City is required to contribute an actuarially determined amount that, when combined with members' contributions, will fully provide for all benefits as they become payable.

Based on a percentage of budgeted salary by position per department, the Agency is allocated a proportionate share of contributions by the City and hence contributes annually to the Plans. Contributions for 2008 were $402,228. At September 30, 2008 the Agency did not have a net pension obligation or a net pension asset.

### 8. 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 112.08, Florida Statutes, the City is required to permit eligible retirees and their eligible dependents to participate in the City's health insurance program at a cost to the retirees that is no greater than the cost at which coverage is available for active employees. This coverage extends to Agency employees.

The City has the authority to establish and amend funding policy. The annual cost (expense) of the City's Plan is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years.

The Agency's Annual Required Contribution (ARC) to the OPEB Trust for the fiscal year ended September 30, 2008 was based on an actuarially determined amount for the City. The Agency was allocated its equitable share of the ARC based on its covered payroll. The Agency contributed $25,806 to the OPEB Trust. At September 30, 2008, the Agency did not have a net OPEB obligation or a net OPEB asset. Readers should refer to Note H part 3 (e) of the City's 2008 Comprehensive Annual Financial Report for detailed and comprehensive information on OPEB.

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

9. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Debt principal payments are reported as debt service expenditures.

## Note 2. Deposits and Investments

Deposits

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida, to hold public funds. Under the Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% 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 municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. 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 Agency adopted the City's ordinance designating the investments which are allowable for its cash management activities. The policy specifies the types and limits by instrument and establishes a diversified investment objective that takes into consideration the safety, return and liquidity of capital. The authorized investments include direct U.S. treasury obligations, U.S. government agencies, corporate bonds, commercial paper, state or municipal obligations and repurchase agreements. These investments are insured, or registered, or the securities are held by its agent in the Agency's name.

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 rates.

Investments are made based on prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved by the sale of an investment, prior to maturity, with the reinvestment of the proceeds, then this provision is allowed. As a means of limiting its exposure to fair value losses, the Agency's investment policy limits maturity of its investments to seven years or less. At September 30, 2008, all of the Agency's investments had a maturity of less than one year.

## Note 2. Deposits and Investments (Continued)

As of September 30, 2008, the Agency had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in years) Less Than 1 |
|---|---|---|
| U.S. Treasury Securities | $ 48,614,646 | $ 48,614,646 |
| Money Market Funds | 6,358,388 | 6,358,388 |
| Repurchase Agreements | 6,076,739 | 6,076,739 |
| | $ 61,049,773 | $ 61,049,773 |

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. State law limits investments in commercial paper and corporate bonds rated in one of the top two ratings issued by the Nationally Recognized Statistical Rating Organization ("NRSRO"). It is the Agency's policy to limit its investments in these investment types to the top rating issued by the NSRSO. As of September 30, 2008, the Agency had no investments in commercial paper or corporate bonds.

Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

As of September 30, 2008 the Agency's investments were rated by Moody's Investors Service and Standard & Poor's as follow:

Concentration of credit risk: The Agency's investment plan limits the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. The maximum portfolio allocation is 100% for both repurchase agreements and Treasury Securities as well as money market funds unless they are private money market mutual funds backed by "Full Faith and Credit" U.S. Government Securities in which case they cannot exceed 25%.

| Investment Type | Issuer | Standard & Poor's | Moody's | Fair Value |
|---|---|---|---|---|
| U.S. Government Treasuries | U.S. Government | AAA | Aaa | $ 54,593,078 |
| Money Market Trust | U.S. Government | AAA | Aaa | 6,358,388 |

## Note 2. Deposits and Investments (Continued)

Custodial credit risk: The Agency's investment policy requires that securities be registered in the name of the Agency. All safekeeping receipts for investment instruments are held in accounts in the Agency's name and all securities are registered in the Agency's name. For an investment, custodial credit risk 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 in the possession of an outside party. All of the Agency's investments in Treasury securities and repurchase agreements are held by a counterparty in the Agency's name. The Agency's cash and investments at September 30, 2008 are shown below:

| | Carrying Amount | % of Portfolio |
|---|---|---|
| Demand deposits – interest bearing | $ 30,226,972 | 33.15% |
| Money market trust | 6,358,388 | 6.97% |
| Repurchase agreements | 6,076,739 | 6.66% |
| Treasury securities | 48,516,339 | 53.21% |
| | $ 91,178,438 | 100.00% |

## Note 3. Capital Assets

Capital asset activities for the year ended September 30, 2008 were as follows:

A. Governmental activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 5,928,000 | $ - | $ - | $ 5,928,000 |
| Construction in progress | 27,485,603 | 7,866,023 | 11,177,130 | 24,174,496 |
| Total capital assets, not being depreciated | 33,413,603 | 7,866,023 | 11,177,130 | 30,102,496 |
| Capital assets, being depreciated: | | | | |
| Buildings and structures | 5,059,880 | 1,228,541 | - | 6,288,421 |
| Streetscape improvements | - | 1,069,723 | - | 1,069,723 |
| Restorations/renovations | 488,176 | 8,878,866 | - | 9,367,042 |
| Vehicles | 376,204 | - | 14,637 | 361,567 |
| Machinery and equipment | 349,846 | 5,324 | - | 355,170 |
| Furniture and fixtures | 7,074 | - | - | 7,074 |
| Total capital assets being depreciated | 6,281,180 | 11,182,454 | 14,637 | 17,448,997 |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | 234,850 | 185,726 | - | 420,576 |
| Streetscape improvements | - | 14,857 | - | 14,857 |
| Restorations/renovations | 40,682 | 40,935 | - | 81,617 |
| Vehicles | 206,637 | 71,994 | 14,637 | 263,994 |
| Machinery and equipment | 234,979 | 48,668 | - | 283,647 |
| Furniture and fixtures | 4,952 | 1,415 | - | 6,367 |
| Total accumulated depreciation | 722,100 | 363,595 | 14,637 | 1,071,058 |
| Total capital assets, being depreciated, net | 5,559,080 | 10,818,859 | - | 16,377,939 |
| Governmental activities capital assets, net | $ 38,972,683 | $ 18,684,882 | $ 11,177,130 | $ 46,480,435 |

## Note 3. Capital Assets (Continued)

B. Business-Type Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 3,003,281 | $ - | $ - | $ 3,003,281 |
| Construction in progress | 6,640 | 739,362 | - | 746,002 |
| Total capital assets, not being depreciated | 3,009,921 | 739,362 | - | 3,749,283 |
| Capital assets, being depreciated: | | | | |
| Buildings and structures | 12,855,648 | - | - | 12,855,648 |
| Machinery and equipment | 21,229 | - | - | 21,229 |
| Total capital assets being depreciated | 12,876,877 | - | - | 12,876,877 |
| Less accumulated depreciation for: | | | | |
| Buildings and structures | 3,599,516 | 440,768 | - | 4,040,284 |
| Machinery and equipment | 15,803 | 3,178 | - | 18,981 |
| Total accumulated depreciation | 3,615,319 | 443,946 | - | 4,059,265 |
| Total capital assets, being depreciated, net | 9,261,558 | (443,946) | - | 8,817,612 |
| Business-type activities capital assets, net | $ 12,271,479 | $ 295,416 | $ - | $ 12,566,895 |

## Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of Agency as follows:

| | | |
|---|---|---|
| **Governmental activities:** | | |
| Public safety | $ | 122,077 |
| Physical environment | | 17,063 |
| Transportation | | 14,857 |
| Culture and recreation | | 209,598 |
| Total deprecation expense - governmental activities | $ | 363,595 |
| | | |
| **Business-type activities:** | | |
| Parking | $ | 410,639 |
| Leasing | | 33,307 |
| Total deprecation expense - business-type activities | $ | 443,946 |

## Note 4. Construction Commitments

The Agency had the following construction commitments in the Capital Projects Funds as of September 30, 2008:

| | | |
|---|---|---|
| City Center Capital Projects | $ | 20,247,778 |

## Note 5. Tenant Leases

The Agency serves as the lessor for the tenants leasing various retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2016. For leases that contain predetermined fixed escalations of the minimum rentals, the Agency recognizes the related rental revenue on the straight-line basis over the initial lease term. Future minimum lease payments to be received under the operating leases at September 30, 2008 are as follows:

| Year Ending September 30, | | |
|---|---|---|
| 2009 | $ | 769,225 |
| 2010 | | 769,225 |
| 2011 | | 769,225 |
| 2012 | | 769,225 |
| 2013 | | 666,740 |
| 2014 - 2016 | | 1,370,206 |
| | $ | 5,113,846 |

The following schedule provides an analysis of the Agency's investment in property under operating leases and property held for lease by major classes as of September 30, 2008:

| | | |
|---|---|---|
| Retail Space | $ | 1,110,125 |
| Less: Accumulated Depreciation | | (282,820) |
| | $ | 827,305 |

## Note 6. Tax Increment Revenue Bonds

On July 1, 1998, the Agency issued $29,105,000 (Series 1998A) and $9,135,000 (Series 1998B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the funds, which include: (a) the net trust fund revenue received by the Agency from the City Center/Historic Convention Village Redevelopment and Revitalization Area, (b) the portion of the proceeds for the City's municipal resort tax levied and collected by the City and received by the trustee, and (c) moneys and investments in the funds and accounts created under the resolution. The Series 1998A bonds were issued with interest rates of 6.70% to 7.00% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2020. The Series 1998B bonds were issued with interest rates of 3.60% and 5.20% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2008. The bonds are subject to a trust indenture, which requires that annual debt service requirements be fully funded upon receipt of trust fund revenue and supplemental revenue, and that any shortage shall be funded based on the supplemental revenue resolution. The bonds were issued for the development and construction of certain areas within the Redevelopment Area. Specifically, these projects include certain public areas of the Loews Miami Beach Hotel, development of the Anchor Garage, acquisition of property for the development and construction of the Royal Palm Crowne Plaza Resort Hotel, acquisition of property for development and construction of a portion of the cultural center facilities and additional public improvements within the Redevelopment Area. The Series 1998A and 1998B tax-increment bonds were partially refunded/defeased by the issuance of the Series 2005A and 2005B tax-increment revenue refunding bonds on September 22, 2005. The Series 1998A and Series 1998B bonds had a remaining outstanding principal balance, after the refunding, of $11,230,000 at September 30, 2008.

On September 22, 2005, the Agency issued $51,440,000 (Series 2005A) and $29,330,000 (Series 2005B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the funds, which include: (a) the net trust fund revenue received by the Agency from the Redevelopment Area, (b) the portion of the proceeds for the City's municipal resort tax levied and collected by the City and received by the trustee, and (c) moneys and investments in the funds and accounts created under the resolution. The Series 2005A bonds were issued with interest rates of 4.31% to 5.22% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The Series 2005B bonds were issued with interest rates of 3.25% to 5.00% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2022. The bonds are subject to a trust indenture, which requires that annual debt service requirements be fully funded upon receipt of trust fund revenue and supplemental revenue, and that any shortage shall be funded based on the supplemental revenue resolution. The bonds were issued to partially refund the outstanding Tax Increment Revenue Bonds, Taxable Series 1996A and 1996B, to refund all of the outstanding Tax Increment Revenue Bonds, Series 1993, and to partially refund the outstanding Tax Increment Revenue Bonds, Series 1998A and 1998B.

The Agency has pledged net revenues received from the City Center/ Historic Convention Village Redevelopment and Revitalization Area and the Agency's portion of the proceeds from the municipal resort tax levied and collected by the City for the 1998 Series Tax Increment Revenue Bonds and 2005 Series Tax Increment Revenue Refunding Bonds. The total principal and interest remaining to be paid on the bonds is $126,173,559. For the fiscal year ended September 30, 2008, debt service on the tax increment bonds was $8,375,554 and tax increment revenues totaled $32,496,438.

## Note 6. Tax Increment Revenue Bonds (Continued)

The combined annual debt service costs are presented below:

| Year Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2009 | 4,045,000 | 4,329,697 | 8,374,697 |
| 2010 | 4,255,000 | 4,138,267 | 8,393,267 |
| 2011 | 4,450,000 | 3,943,254 | 8,393,254 |
| 2012 | 4,660,000 | 3,733,816 | 8,393,816 |
| 2013 | 4,885,000 | 3,512,766 | 8,397,766 |
| 2014 – 2018 | 28,340,000 | 13,689,602 | 42,029,602 |
| 2019 – 2023 | 37,150,000 | 5,041,157 | 42,191,157 |
| | 87,785,000 | 38,388,559 | 126,173,559 |
| Add unamortized bond premium | 1,200,453 | - | 1,200,453 |
| | $ 88,985,453 | $ 38,388,559 | $ 127,374,012 |

## Note 7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2008 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| Tax increment revenue bonds | $ 92,986,074 | $ - | $ 4,000,621 | $ 88,985,453 | $ 4,045,000 |
| Total bonds payable | 92,986,074 | - | 4,000,621 | 88,985,453 | 4,045,000 |
| Compensated absences | 126,203 | 28,660 | 25,998 | 128,865 | 26,546 |
| Governmental activity long-term liabilities | $ 93,112,277 | $ 28,660 | $ 4,026,619 | $ 89,114,318 | $ 4,071,546 |
| Business-type activities: | | | | | |
| Tenant deposits | $ 65,464 | $ 1,315 | $ 680 | $ 66,099 | $ - |
| Business-type activity long-term liabilities | $ 65,464 | $ 1,315 | $ 680 | $ 66,099 | $ - |

## Note 8. Tax Increment Revenue

The Agency is primarily funded through tax-increment revenue. This revenue is computed by applying the operating tax for the City and Miami-Dade County, Florida, (the "County") multiplied by the increased value of property in the district over the base property value minus 5%. Both the City and the County are required to fund this amount annually without regard to tax collections or other obligations.

## Note 9. Related-Party Transactions

The Agency obtains certain managerial and administrative services from the Primary Government in accordance with a management agreement. The Agency incurred $672,277 of management-fee expense under this agreement for the year ended September 30, 2008. Presented below are the Agency's balances outstanding at September 30, 2008, resulting from other transactions with the Primary Government. The majority of the balance due to the primary government represents sanitation and property management expenses incurred by the City on behalf of the Agency as well as community policing overtime due to the City. The majority of the balance due from the primary government represents the remaining resort tax proceeds due to the Agency for fiscal year 2008.

| | | |
|---|---|---|
| Governmental funds: | | |
| Due from the primary government to: | | |
| General fund | $ | 646,001 |
| Capital projects fund | | 780 |
| Total due from the primary government | $ | 646,781 |
| Due to the primary government from: | | |
| General fund | $ | 3,521,585 |
| Capital projects fund | | 155,370 |
| | $ | 3,676,955 |
| Due to the primary government from: | | |
| Enterprise funds – parking fund | $ | 381 |
| Enterprise funds – leasing fund | | 125 |
| | $ | 506 |
| Total due to the primary government | $ | 3,677,461 |

## Note 10. Interfund Transfers

Interfund transfers for the year ended September 30, 2008 consisted of the following:

| | | |
|---|---|---|
| Governmental funds: | | |
| Transfers from the general fund to: | | |
| Debt service | $ | 8,988,628 |
| Capital projects | | 39,387,839 |
| Total transfers from the general fund | $ | 48,376,467 |
| | | |
| Transfers from the debt service fund to: | | |
| General fund | $ | 16,583 |

Transfers are used to: (1) move revenues from the fund that budget requires to collect them to the fund that budget requires to expend them, and (2) move receipts restricted for debt services from the funds collecting the receipts to the debt service fund.

## Note 11. Receivables

Receivables at September 30, 2008 for the Agency's governmental and enterprise funds are as follows:

| | Governmental Activities | | |
|---|---|---|---|
| | General | Debt Service | Total |
| Receivables: | | | |
| Interest | $ 223 | $ 10,811 | $ 11,034 |

| | Business-Type Activities | | |
|---|---|---|---|
| | Parking Fund | Leasing Fund | Total |
| Receivables: | | | |
| Rent | $ - | $ 491,889 | $ 491,889 |
| Accounts | 4,351 | - | 4,351 |
| Gross receivables | 4,351 | 491,889 | 496,240 |
| Less allowance for uncollectible | - | 159,677 | 159,677 |
| Net receivables | $ 4,351 | $ 332,212 | $ 336,563 |

# REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

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

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2008
(Unaudited)

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget – Positive (Negative) |
|---|---|---|---|---|
| Revenues: | | | | |
| Tax increment | $ 32,201,069 | $ 32,201,069 | $ 32,496,438 | $ 295,369 |
| Resort tax | 3,205,500 | 3,205,500 | 3,463,926 | 258,426 |
| Interest | 2,000,000 | 2,000,000 | 1,371,749 | (628,251) |
| Other | - | - | 25,811 | 25,811 |
| Total revenues | 37,406,569 | 37,406,569 | 37,357,924 | (48,645) |
| Expenditures: | | | | |
| General government | 4,673,606 | 4,898,607 | 4,812,194 | 86,413 |
| Public safety | 2,963,692 | 2,963,692 | 2,721,218 | 242,474 |
| Transportation | - | 700,000 | 700,000 | - |
| Capital outlay | 74,725 | 74,725 | 5,324 | 69,401 |
| Total expenditures | 7,712,023 | 8,637,024 | 8,238,736 | 398,288 |
| Excess of revenues over expenditures | 29,694,546 | 28,769,545 | 29,119,188 | 349,643 |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | 3,746 | 3,746 |
| Operating transfers in | - | - | 16,583 | 16,583 |
| Operating transfers out | (34,184,312) | (34,774,312) | (48,376,467) | (13,602,155) |
| Total other financing sources (used) | (34,184,312) | (34,774,312) | (48,356,138) | (13,581,826) |
| Net change in fund balance | (4,489,766) | (6,004,767) | (19,236,950) | (13,232,183) |
| Fund balance, beginning | 30,245,348 | 30,245,348 | 30,245,348 | - |
| Fund balance, ending | $ 25,755,582 | $ 24,240,581 | $ 11,008,398 | $ (13,232,183) |

See Accompanying Notes to Required Supplementary Information.

## Note 1. Budgetary Policy

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The Agency uses appropriations in the capital budget to authorize the expenditures of funds for various capital projects. Capital appropriations, unless modified or rescinded, remain in effect until the completion of each project.

At least 65 days prior to the beginning of the fiscal year, the City Commission, which also serves as the Agency's Board of Directors, is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of financing them. After Commission review and public hearings, the budget is adopted prior to October 1st. The budget is approved by district and fund. Management may transfer amounts between line items within a fund as long as the transfer does not result in an increase in the fund's budget. Increases to fund budgets require Commission approval.

Budgets are considered a management control and planning tool and as such are incorporated in the accounting system of the Agency. Budgets are adopted on the modified accrual basis of accounting with the inclusion of encumbrances as reductions in the budgetary amount available. All appropriations lapse at year-end. Outstanding encumbrances at year-end are reported as a reservation of fund equity.

Encumbrance accounting, under which purchase order commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

SUPPLEMENTARY INFORMATION

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

## Budgetary Comparison Schedule
## Debt Service Fund
## Year Ended September 30, 2008

| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget – Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Interest | $ - | $ 163,880 | $ 163,880 |
| Total revenues | - | 163,880 | 163,880 |
| Expenditures: | | | |
| Economic environment | 1,574,591 | 1,574,591 | - |
| Debt Service: | | | |
| Principal | 3,860,000 | 3,860,000 | - |
| Interest | 4,515,554 | 4,515,554 | - |
| Total expenditures | 9,950,145 | 9,950,145 | - |
| Excess of revenues over expenditures | (9,950,145) | (9,786,265) | 163,880 |
| Other financing sources (uses): | | | |
| Operating transfers in | 9,950,145 | 8,988,628 | (961,517) |
| Operating transfers out | | (16,583) | (16,583) |
| Total other financing sources (uses) | 9,950,145 | 8,972,045 | (978,100) |
| Net change in fund balance | - | (814,220) | (814,220) |
| Fund balance, beginning | 7,243,838 | 7,243,838 | - |
| Fund balance, ending | $ 7,243,838 | $ 6,429,618 | $ (814,220) |

OTHER REPORT

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
Miami Beach Redevelopment Agency
Miami Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the "Agency"), a component unit of the City of Miami Beach, Florida, (the "City") 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 March 30, 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 opinion 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.

McGladrey & Pullen

Certified Public Accountants

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 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 board members, the City Commission and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Miami-Dade County, Florida
March 30, 2009