

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, 2006

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, 2006, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Agency as of September 30, 2006, 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 15, 2007 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (the "MD&A") and the budgetary comparison information on pages 3 through 16 and 44 through 45 are not a required part of the basic financial statements but are supplementary information required by the 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 15, 2007

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

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, 2006. 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 \$12.02 million.
- The Agency's net assets decreased by \$40.5 million. This decrease is due to the fact that as of September 30, 2005, the South Pointe Redevelopment District (the "South Point") ceased to be a redevelopment area within the Agency's jurisdiction. As of October 1, 2005, the City of Miami Beach (the "City") assumed the responsibilities for the South Pointe area. South Pointe's net assets, totaling \$61.8 million at September 30, 2005, were transferred to the City. Therefore, the decrease in net assets of \$40.5 million was due to the decrease, or transfer, of South Pointe offset by an increase in City Center/Historic Convention Village area's net assets of \$21.3 million.
- At the end of the current fiscal year the unreserved fund balance for the general fund was \$40.29 million.
- The Agency's total long-term liabilities decreased by \$3.7 million (3.8%) 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 capital assets for the City Center/Historic Convention Village area increased by approximately \$10 million. This is due primarily to an increase of \$6.1 million in the current City Center construction projects that are in progress as well as the \$4.5 million purchase of the Miami City Ballet Building.

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.

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

Management's Discussion and Analysis

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, 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.

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.

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

Management's Discussion and Analysis

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 25 – 27 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 28 – 42 of this report.

Government-Wide Financial Analysis

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 \$12.02 million at the close of the most recent fiscal year, a decrease of \$40.53 million from September 30, 2005, due to the transfer of South Pointe Redevelopment District to the City.

The basic financial statements include a reconciliation between the fiscal year 2006 governmental funds statement of revenues, expenditures, and changes in fund balance which reports a decrease of \$29.4 million in fund balances and the reported decrease in the excess of assets over liabilities reported in the government-wide statement of activities of \$41.8 million, a difference of \$12.4 million.

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.

Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

A large portion of Agency's net assets (\$48.9 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.

Summary of Net Assets (in thousands)						
	Governmental Activities 2006	Governmental Activities 2005	Business-Type Activities 2006	Business-Type Activities 2005	Total 2006	Total 2005
Current and other assets	\$ 56,040	\$ 88,438	\$ 8,073	\$ 6,325	\$ 64,113	\$ 94,763
Capital assets	36,161	50,538	12,688	13,123	48,849	63,661
Total assets	92,201	138,976	20,761	19,448	112,962	158,424
Long-term liabilities	93,194	96,943	64	63	93,258	97,006
Other liabilities	7,549	8,775	139	82	7,688	8,857
Total liabilities	100,743	105,718	203	145	100,946	105,863
Net assets:						
Invested in capital assets, net of related debt	36,161	50,538	12,699	13,123	48,860	63,661
Restricted	4,627	2,895	-	-	4,627	2,895
Unrestricted	(49,330)	(20,175)	7,870	6,180	(41,460)	(13,995)
Total net assets	\$ (8,542)	\$ 33,258	\$ 20,569	\$ 19,303	\$ 12,027	\$ 52,561

An additional portion of the Agency's net assets (approximately \$4.6 million) represents resources that are subject to external restrictions on how they may be used.

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

Management's Discussion and Analysis

Governmental Activities

- Governmental activities decreased the Agency's net assets by \$41.8 million. However, this is made up of the decrease, or transfer, of South Pointe's net assets of \$61.8 million offset by an increase in City Center's governmental activities net assets of \$20 million. Additionally, total governmental fund balance decreased by \$29.4 million, however, this is made up of the decrease, or transfer, of South Pointe's prior year governmental fund balance of \$37.2 million offset by an increase in City Center's governmental fund balance of \$7.8 million. Key elements of these changes are as follows:

Summary of Changes in Net Assets (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	\$ -	\$ 275	\$ 2,890	\$ 2,542	\$ 2,890	\$ 2,817
General Revenues:						
Taxes:						
Property taxes	24,935	29,815	-	-	24,935	29,815
Resort taxes	3,007	2,817	-	-	3,007	2,817
Investment earnings	2,452	2,010	306	135	2,758	2,145
Miscellaneous	-	108	-	3	-	111
Total revenues	30,394	35,025	3,196	2,680	33,590	37,705
Expenses:						
General government	2,572	4,187	-	-	2,572	4,187
Public safety	2,217	3,174	-	-	2,217	3,174
Economic environment	1,569	6,753	-	-	1,569	6,753
Culture and recreation	16	-	-	-	16	-
Parking-Anchor Shops	-	-	1,733	1,565	1,733	1,565
Leases-Anchor Shops	-	-	197	119	197	119
Interest on long-term debt	4,033	15,534	-	-	4,033	15,534
Total expenses	10,407	29,648	1,930	1,684	12,337	31,332
Special item	61,787	-	-	-	61,787	-
Loss on sale of capital assets	-	(25,839)	-	-	-	(25,839)
(Decrease) Increase in net assets	(41,800)	(20,462)	1,266	996	(40,534)	(19,466)
Net assets, beginning	33,258	53,720	19,303	18,307	52,561	72,027
Net assets, ending	\$ (8,542)	\$ 33,258	\$ 20,569	\$ 19,303	\$ 12,027	\$ 52,561

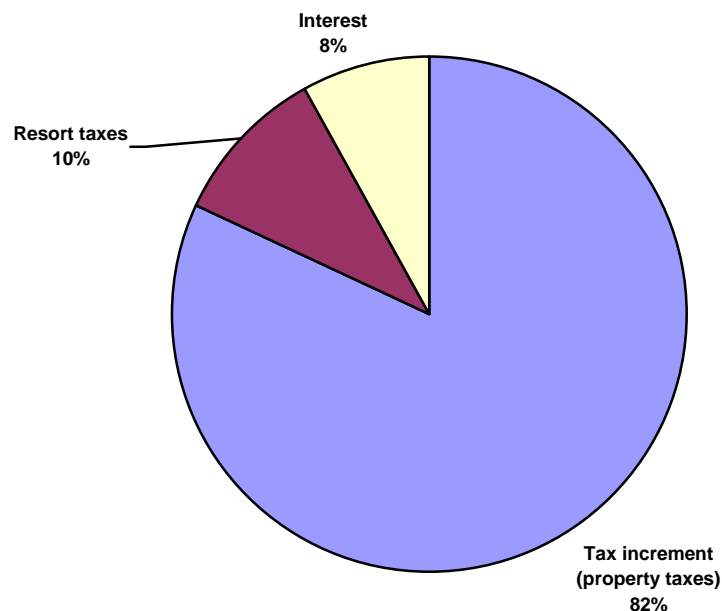
Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

- During fiscal year 2006, the South Pointe district was no longer in existence as a redevelopment district, and at this point, the City assumed the responsibilities for the South Pointe area. On October 1, 2005, South Pointe's net assets of \$61.8 million were transferred to the City.
- Total prior year revenues for governmental activities in fiscal year 2005 totaled \$35.03 million. This was the total of South Pointe (\$14.13 million) and City Center (\$20.9 million). City Center's revenue for its governmental activities increased in the current fiscal year by \$9.5 million or approximately 45%. This is due primarily to an increase in the tax increment revenue.
- City Center's tax increment revenue increased from \$16.8 million for fiscal year 2005 to \$24.9 million for fiscal year 2006 due to the nearly 40% increase in the assessed valuation of the district.
- Due to the sale of the land in fiscal year 2005 on which one of the Agency's rental tenants was located, the annual percentage rent that normally was collected from this tenant was not collected in fiscal year 2006.

The following chart shows the amounts of program and general revenues for fiscal year 2006:

Revenues by Source – Governmental Activities
Year Ended September 30, 2006



Management's Discussion and Analysis

Business-Type Activities

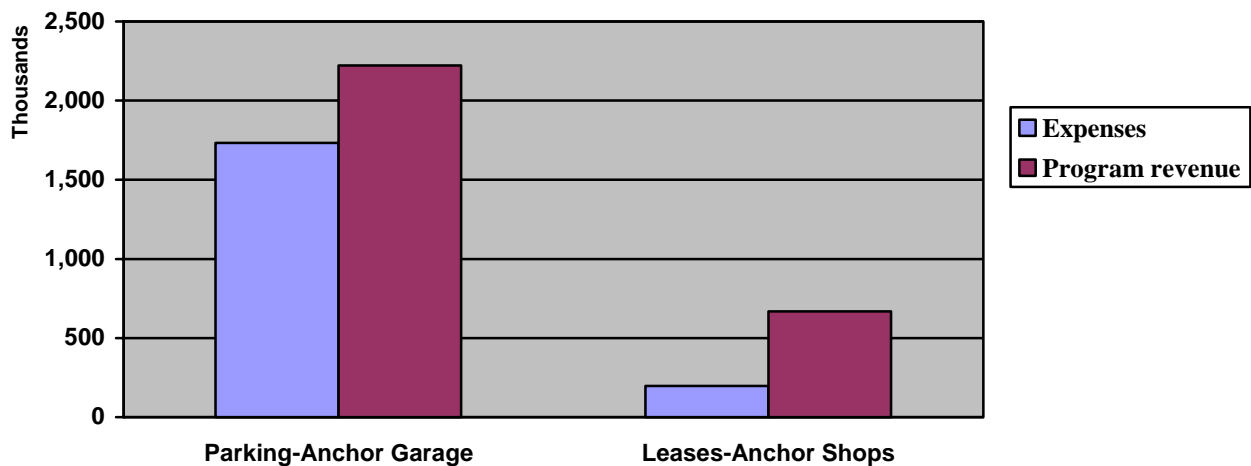
Business-type activities increased the Agency's net assets by approximately \$1.3 million.

Key elements of this increase are as follows:

- The Anchor Garage's net assets increased by approximately \$665,000 as a result of maintaining operating expenses lower in relation to the revenue generated.
- The Anchor Shops' net assets increased by approximately \$601,000, as a result of maintaining operating expenses lower in relation to the revenue generated.

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2006:

Expenses and Program Revenues - Business-type Activities
September 30, 2006



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

Management's Discussion and Analysis

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 South Pointe	Debt Service City Center	Capital Projects South Pointe	Capital Projects City Center	Total Governmental Funds
Fund balance, September 30, 2005	\$ 70,509	\$ 2	\$ 3,713	\$ 2,536	\$ 5,014	\$ 81,774
Revenues	26,766	-	249	-	372	27,387
Expenditures	(9,205)	-	(7,262)	-	(6,137)	(22,604)
Other financing sources (uses)	(12,614)	-	10,424	-	5,197	3,007
Special item	(34,645)	(2)	-	(2,536)	-	(37,183)
Fund balance, September 30, 2006	\$ 40,811	\$ -	\$ 7,124	\$ -	\$ 4,446	\$ 52,381

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.

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 \$40.3 million, while total fund balance was \$40.8 million.

The fund balance of the Agency's general fund decreased by \$29.7 million during the current fiscal year. As noted earlier, this decrease is made up of the transfer, or decrease, of South Pointe to the City of \$34.6 million offset by an increase in the fund balance of City Center's general fund of \$4.9 million. This increase is due primarily to the increase in the 2006 tax increment revenue without a corresponding increase of expenditures in 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.

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

Management's Discussion and Analysis

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 enterprise funds was approximately \$1.3 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.

General Fund Revenues

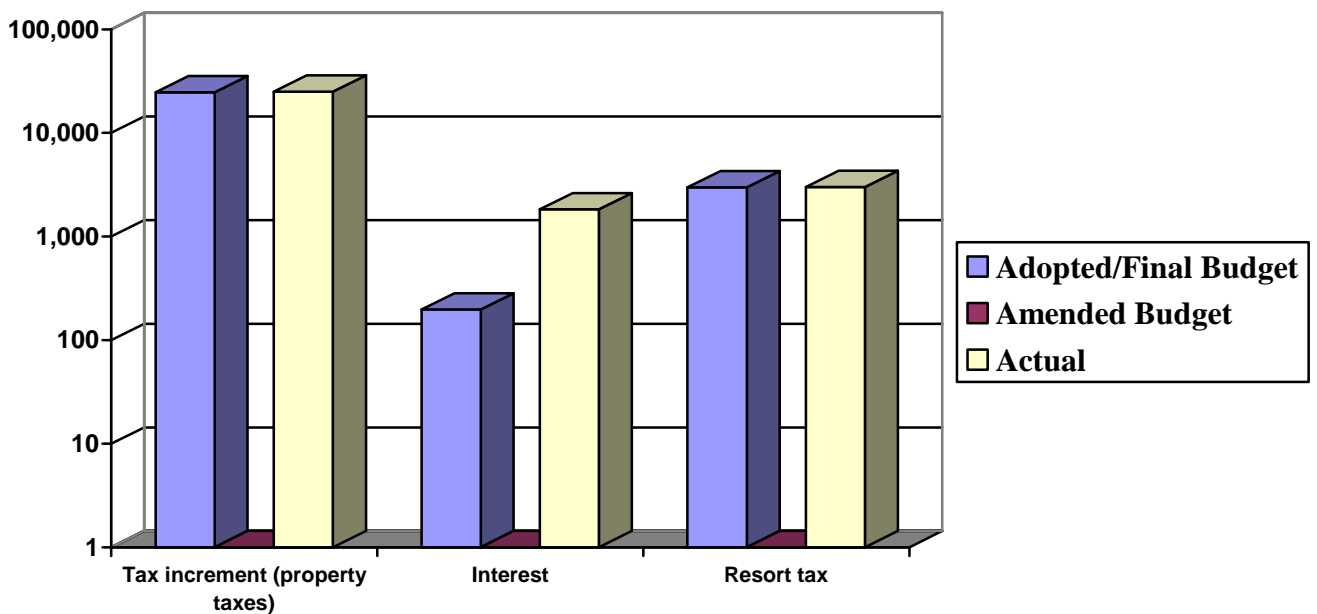
The major variance between the adopted/final budget and actual is the interest income. The variance of approximately \$1.6 million in interest income is due to an increase in interest rates and a conservative approach in budgeting interest income based on prior years' history, prior to the sale of the land in fiscal year 2005 of approximately \$40 million, which was immediately invested and increased interest earnings in both fiscal year 2005 and 2006.

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

Management's Discussion and Analysis

The following charts and tables summarize actual revenues by category for fiscal year 2006 and compares actual revenues with the Adopted/Final Budget:

General Fund Revenues
Fiscal Year 2006
(in thousands)



General Fund Revenues
Fiscal Year 2006
(in thousands)

	Adopted/ Final Budget	Actual Amounts
Revenues:		
Tax increment (property taxes)	\$ 24,680	\$ 24,935
Resort tax	2,973	3,007
Interest income	197	1,831
Total revenues	\$ 27,850	\$ 29,773

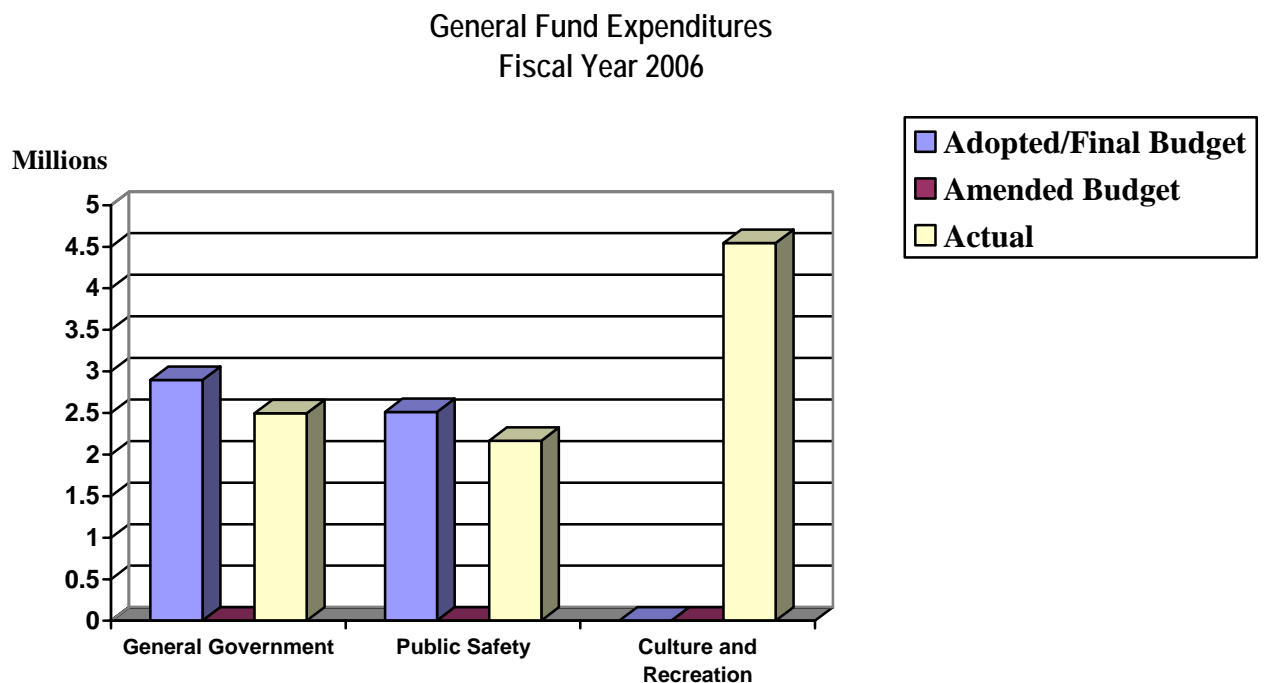
Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

General Fund Expenditures

The major variance between the adopted/final budget and actual expenditures is in culture and recreation which can be attributed to the purchase of the Miami City Ballet building and improvements made on the building totaling \$4.5 million.

The following chart and table summarize actual expenditures by function/program for fiscal year 2006 and compare the actual expenditures with the Adopted/Final Budget:



**General Fund Expenditures
Fiscal Year 2006
(in thousands)**

	Adopted/ Final Budget	Actual Amounts
Expenditures:		
General government	\$ 2,897	\$ 2,495
Public safety	2,512	2,166
Culture and recreation	-	4,544
Total expenditures	\$ 5,409	\$ 9,205

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

Management's Discussion and Analysis

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, 2006 amounts to \$48.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, vehicles, machinery and equipment, 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	
	2006	2005	2006	2005	2006	2005
Land and land improvements	\$ 5,928	\$ 17,900	3,003	\$ 3,003	\$ 8,931	\$ 20,903
Buildings and structures	4,468	-	9,685	10,113	14,153	10,113
Vehicles	166	371	-	4	166	375
Machinery and equipment	162	249	11	3	173	252
Furniture and fixtures	4	10	-	-	4	10
Streetscape improvements	-	451	-	-	-	451
Restorations and renovations	464	765	-	-	464	765
Construction in progress	24,969	30,792	-	-	24,969	30,792
Total	\$ 36,161	\$ 50,538	\$ 12,699	\$ 13,123	\$ 48,860	\$ 63,661

The Agency has developed various capital improvement programs to improve the quality of life for the residents of the City of Miami Beach. Major projects include streetscape improvements, restoration of the Colony Theater, Collins Park Cultural Center including the purchase of the Miami City Ballet building and the completion of the Beachwalk. Additional information on the Agency's capital assets can be found in the notes to the financial statements. Major capital asset events in progress during the current fiscal year include the following:

- Colony Theater Project – The City engaged the State of Florida's Department of Management Services to manage the restoration and renovation of the Colony Theater. The Colony Theater is now completed. Restoration and renovation included the removal of the rear 45 feet of existing building, construction of a new stage house, small second and third floor service areas behind the stage, a fourth floor "Backstage" area, elevator, stairs and the addition of a new vestibule and exterior access ramp to provide ADA access to the stage. The historic preservation scope of the project involved removing the existing marquee and storefront on Lincoln Road and restoring it to its original historic appearance and modifying the interior lobby, office and concession area to be more consistent with the building's original design. Final Certificate of Completion is pending. The theater is currently in use under the Temporary Certificate of Completion granted by the building department in January 2006. The renovation of the existing first floor restrooms, to meet ADA requirements, will commence in the second quarter of 2007, after the design work for the relocation of the new trash dumpster is completed.

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Management's Discussion and Analysis

- Collins Park Cultural Center – Implementation of a Master Plan calling for the development of a new regional library, streetscape and park improvements to link cultural activities in the area, including the Bass Museum and the Miami City Ballet.
- 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.

Outstanding Debt

At the end of the current fiscal year, the Agency had a total debt outstanding in the governmental activities of \$96.8 million. This debt was decreased by \$2 million during the year. This decrease was due to the current year principal payment of \$2 million.

**Miami Beach Redevelopment Agency's
Outstanding Debt Tax Increment Revenue Bonds and Due to Developer**
(in thousands)

	Governmental Activities	
	2006	2005
Tax increment revenue bonds	\$ 96,778	\$ 98,865
Due to developer	-	312
Total revenues	\$ 96,778	\$ 99,177

Economic Factors and Future Developments

The Agency has an original adopted budget of approximately \$46.3 million for fiscal year 2007 for the City Center district. The Agency's budget increased as a result of an increase in the budgeted Tax Increment Funds received from Miami-Dade County and the City of Miami Beach. The original budgeted tax increment funds were approximately \$24.9 million in fiscal year 2006 for the City Center district, and approximately \$34 million for fiscal year 2007.

On-going and planned capital projects in City Center are projected to account for approximately \$17.6 million in the fiscal year 2007 Budget and generally includes implementation and construction of the multi-purpose municipal parking facility, design and construction of streetscapes throughout City Center; Collins Park area improvements, including the re-design of the Collins Park and restoration of the Rotunda; and, implementation of the Development and Ground Lease Agreements with the New World Symphony in connection with development of its Sound Space Project on the 17th Street surface lots. Additionally, the Agency continues to coordinate with CIP on planning, budgeting for and implementing infrastructure improvements throughout City Center.

Also, the City and the Agency have been working with the Miami Beach Development Corporation, to explore the acquisition of the Riviera Apartments in the City Center Redevelopment Area, which would allow the 56-unit apartment building to maintain its affordability status. A total of \$4.5 million is being budgeted in fiscal year 2007 to acquire the property, which in turn would be managed by the Miami Beach Development Corporation.

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

Management's Discussion and Analysis

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, 2006

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 54,058,603	\$ 7,501,072	\$ 61,559,675
Receivables (net):			
Rent	-	399,682	399,682
Accounts receivables	-	12,268	12,268
Interest	223,201	-	223,201
Due from primary government	388,191	-	388,191
Prepaid expenses	4,490	95,545	100,035
Total current assets	54,674,485	8,008,567	62,683,052
Noncurrent Assets:			
Restricted cash and cash equivalents	-	64,316	64,316
Deferred charges, net	1,366,120	-	1,366,120
Capital assets not being depreciated:			
Land	5,928,000	3,003,281	8,931,281
Construction in progress	24,969,380	-	24,969,380
Capital assets net of accumulated depreciation:			
Buildings and structures	4,468,297	9,684,653	14,152,950
Restorations and renovations	463,767	-	463,767
Vehicles	166,061	-	166,061
Machinery and equipment	161,709	11,015	172,724
Furniture and fixtures	3,537	-	3,537
Total noncurrent assets	37,526,871	12,763,265	50,290,136
Total assets	92,201,356	20,771,832	112,973,188

(Continued)

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

Statement of Net Assets (Continued)

September 30, 2006

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 341,468	\$ 122,341	\$ 463,809
Accrued expenses	1,623,150	30	1,623,180
Due to other governments	-	16,275	16,275
Due to primary government	1,909,641	178	1,909,819
Portion due or payable within one year:			
Accrued compensated absences	19,527	-	19,527
Bonds payable	3,655,000	-	3,655,000
Total current liabilities	7,548,786	138,824	7,687,610
Long-term liabilities:			
Liabilities payable from restricted assets:			
Deposits	-	64,316	64,316
Portion due or payable after one year:			
Accrued compensated absences	71,177	-	71,177
Bonds payable	93,123,180	-	93,123,180
Total long-term liabilities	93,194,357	64,316	93,258,673
Total liabilities	100,743,143	203,140	100,946,283
Net assets:			
Invested in capital assets, net of related debt	36,160,751	12,698,949	48,859,700
Restricted for debt service	4,626,902	-	4,626,902
Unrestricted	(49,329,440)	7,869,743	(41,459,697)
Total net assets	\$ (8,541,787)	\$ 20,568,692	\$ 12,026,905

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, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Activities:							
Governmental:							
General government	\$ 2,571,696	\$ -	\$ -	\$ -	\$ (2,571,696)	\$ -	\$ (2,571,696)
Public safety	2,216,998	-	-	-	(2,216,998)	-	(2,216,998)
Economic environment	1,568,753	-	-	-	(1,568,753)	-	(1,568,753)
Culture and recreation	16,273	-	-	-	(16,273)	-	(16,273)
Interest on long-term debt	4,032,714	-	-	-	(4,032,714)	-	(4,032,714)
Total governmental activities	10,406,434	-	-	-	(10,406,434)	-	(10,406,434)
Business-type:							
Parking – Anchor Garage	1,733,354	2,224,215	-	-	-	490,861	490,861
Leasing – Anchor Shops	196,637	666,285	-	-	-	469,648	469,648
Total business-type activities	1,929,991	2,890,500	-	-	-	960,509	960,509
Total primary government	\$ 12,336,425	\$ 2,890,500	\$ -	\$ -	(10,406,434)	960,509	(9,445,925)
General revenues:							
Taxes:							
Tax increments for redevelopment districts					24,934,704	-	24,934,704
Resort tax					3,006,891		3,006,891
Interest					2,451,661	305,512	2,757,173
Special item					(61,786,466)	-	(61,786,466)
Total general revenues and special items					(31,393,210)	305,512	(31,087,698)
Changes in net assets					(41,799,644)	1,266,021	(40,533,623)
Net assets, beginning					33,257,857	19,302,671	52,560,528
Net assets, ending					\$ (8,541,787)	\$ 20,568,692	\$ 12,026,905

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, 2006

Assets	General Fund	Debt Service City Center	Capital Projects City Center	Total Governmental Funds
Cash and investments	\$ 41,783,933	\$ 7,094,938	\$ 5,179,732	\$ 54,058,603
Receivables:				
Interest	191,749	29,146	2,306	223,201
Due from primary government	388,191	-	-	388,191
Prepaid expenses	4,490	-	-	4,490
Total assets	\$ 42,368,363	\$ 7,124,084	\$ 5,182,038	\$ 54,674,485
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 98,719	\$ -	\$ 242,749	\$ 341,468
Accrued expenses	42,081	-	-	42,081
Due to primary government	1,416,318	-	493,323	1,909,641
Total liabilities	1,557,118	-	736,072	2,293,190
Fund balances:				
Reserved for:				
Prepaid expenses	4,490	-	-	4,490
Debt service	-	7,124,084	-	7,124,084
Encumbrances	515,849	-	2,794,438	3,310,287
Unreserved	40,290,906	-	1,651,528	41,942,434
Total fund balances	40,811,245	7,124,084	4,445,966	52,381,295
Total liabilities and fund balances	\$ 42,368,363	\$ 7,124,084	\$ 5,182,038	\$ 54,674,485

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, 2006

Total fund balance – governmental funds	\$ 52,381,295
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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	24,969,380	
Buildings and structures, net of \$75,734 accumulated depreciation	4,468,297	
Restoration and renovations, net of \$24,409 accumulated depreciation	463,767	
Vehicles, net of \$138,932 accumulated depreciation	166,061	
Machinery and equipment, net of \$156,167 accumulated depreciation	161,709	
Furniture and fixtures, net of \$3,537 accumulated depreciation	3,537	
Total capital assets		36,160,751

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, 2006 are:

Accrued interest on bonds	(1,581,069)	
Bonds payable	(95,300,000)	
Premium on bonds payable	(1,478,180)	
Accrued compensated absences	(90,704)	
Deferred charges for bond issuance costs	1,366,120	
Total long-term liabilities		(97,083,833)
Total net assets of governmental activities		\$ (8,541,787)

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, 2006

	General Fund	Debt Service South Pointe	Debt Service City Center
Revenues:			
Tax increment	\$ 24,934,704	\$ -	\$ -
Resort tax	3,006,891	-	-
Interest	1,831,006	-	248,866
Total revenues	29,772,601	-	248,866
Expenditures:			
Current:			
General government	2,494,678	-	-
Public safety	2,166,135	-	-
Economic environment	-	-	1,569,496
Physical environment	-	-	-
Transportation	-	-	-
Culture and recreation	4,544,031	-	-
Debt service:			
Principal	-	-	2,000,000
Interest and fiscal charges	-	-	3,691,962
Total expenditures	9,204,844	-	7,261,458
Excess of revenues over (under) expenditures	20,567,757	-	(7,012,592)
Other financing sources (uses):			
Transfers in	-	-	10,423,616
Transfers out	(15,620,515)	-	-
Total other financing sources (uses)	(15,620,515)	-	10,423,616
Special item	(34,645,373)	(1,690)	-
Net change in fund balances	(29,698,131)	(1,690)	3,411,024
Fund balances, beginning	70,509,376	1,690	3,713,060
Fund balances, ending	\$ 40,811,245	\$ -	\$ 7,124,084

See Notes to Financial Statements.

Capital Projects South Pointe	Capital Projects City Center	Total Governmental Funds
\$ -	\$ -	\$ 24,934,704
-	-	3,006,891
-	371,789	2,451,661
-	371,789	30,393,256
-	35,849	2,530,527
-	1,517	2,167,652
-	-	1,569,496
-	998,291	998,291
-	1,401,578	1,401,578
-	3,700,040	8,244,071
-	-	2,000,000
-	-	3,691,962
-	6,137,275	22,603,577
-	(5,765,486)	7,789,679
-	5,196,899	15,620,515
-	-	(15,620,515)
-	5,196,899	-
(2,535,659)	-	(37,182,722)
(2,535,659)	(568,587)	(29,393,043)
2,535,659	5,014,553	81,774,338
\$ -	\$ 4,445,966	\$ 52,381,295

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, 2006**

Net change in fund balances – governmental funds	\$ (29,393,043)
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 \$(10,781,312) exceeds depreciation \$(242,610) in the current period.	
	10,538,702
In addition, the net effect of various transactions involving capital assets (i.e., sales) is to decrease net assets - transfer to primary government.	(24,915,558)
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	2,000,000
Decrease in due to developer liability - transfer to primary government	311,814
Premium on bonds	87,065
Accrued compensated absences	(1,550)
Cost of issuance	(74,747)
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:	
Reduction in accrued interests on bonds	(352,327)
Change in net assets of governmental activities	<u><u>\$ (41,799,644)</u></u>

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, 2006

Assets	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Current Assets:			
Cash and investments	\$ 4,417,086	\$ 3,083,986	\$ 7,501,072
Receivables:			
Rent, net of allowance	-	399,682	399,682
Accounts receivable	12,268	-	12,268
Prepaid expenses	7,000	88,545	95,545
Total current assets	4,436,354	3,572,213	8,008,567
Noncurrent Assets:			
Restricted cash and investments	4,130	60,186	64,316
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
Less accumulated depreciation	(2,957,672)	(223,537)	(3,181,209)
Total capital assets (net of accumulated depreciation)	11,802,956	895,993	12,698,949
Total noncurrent assets	11,807,086	956,179	12,763,265
Total assets	16,243,440	4,528,392	20,771,832
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	117,926	4,415	122,341
Accrued expenses	30	-	30
Due to other governments	10,176	6,099	16,275
Due to primary government	178	-	178
Total current liabilities	128,310	10,514	138,824
Noncurrent Liabilities:			
Liabilities payable from restricted assets:			
Deposits	4,130	60,186	64,316
Total noncurrent liabilities	4,130	60,186	64,316
Total liabilities	132,440	70,700	203,140
Net Assets			
Invested in capital assets, net of related debt	11,802,956	895,993	12,698,949
Unrestricted	4,308,044	3,561,699	7,869,743
Total net assets	\$ 16,111,000	\$ 4,457,692	\$ 20,568,692

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, 2006

	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Operating revenues:			
Charges for services	\$ 1,774,090	\$ -	\$ 1,774,090
Permits, rentals and other	450,125	666,285	1,116,410
Total operating revenues	2,224,215	666,285	2,890,500
Operating expenses:			
Operating supplies	22,490	-	22,490
Contractual services	1,181,713	121,002	1,302,715
Utilities	76,449	-	76,449
Depreciation	401,983	31,564	433,547
Other	50,719	44,071	94,790
Total operating expenses	1,733,354	196,637	1,929,991
Operating income	490,861	469,648	960,509
Nonoperating revenues:			
Interest income	174,253	131,259	305,512
Total nonoperating revenues	174,253	131,259	305,512
Changes in net assets	665,114	600,907	1,266,021
Total net assets, beginning	15,445,886	3,856,785	19,302,671
Total net assets, ending	\$ 16,111,000	\$ 4,457,692	\$ 20,568,692

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, 2006

	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 2,229,789	\$ 626,803	\$ 2,856,592
Cash paid to suppliers	(1,223,611)	(120,735)	(1,344,346)
Payments made to primary government	(51,485)	-	(51,485)
Net cash provided by operating activities	954,693	506,068	1,460,761
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	-	(9,404)	(9,404)
Net cash used in capital and related financing activities	-	(9,404)	(9,404)
Cash Flows From Investing Activities:			
Interest on investments	174,253	131,259	305,512
Net cash provided by investing activities	174,253	131,259	305,512
Net increase in cash and investments	1,128,946	627,923	1,756,869
Cash and investments – beginning of year	3,292,270	2,516,249	5,808,519
Cash and investments – end of year	<u>\$ 4,421,216</u>	<u>\$ 3,144,172</u>	<u>\$ 7,565,388</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 490,861	\$ 469,648	\$ 960,509
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	401,983	31,564	433,547
Provisions for uncollectible accounts	-	(15,984)	(15,984)
Changes in assets and liabilities:			
(Increase) decrease in receivables	5,164	(24,150)	(18,986)
Decrease in prepaid expenses	-	43,947	43,947
Increase (decrease) in accounts payable	67,767	(1,636)	66,131
Decrease in accrued expenses	(12,340)	-	(12,340)
Increase in due to other governments	1,614	2,027	3,641
Decrease in due to primary government	(766)	-	(766)
Increase in deposits	410	652	1,062
Total adjustments	463,832	36,420	500,252
Net cash provided by operating activities	\$ 954,693	\$ 506,068	\$ 1,460,761

See Notes to Financial Statements.

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

Notes to Financial Statements

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 is to spur development and redevelopment in the South Shore 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. 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 Shore 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 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 Shore 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 Board of Directors of the Agency (the "Board") is comprised of the five members of the City Commissioner 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 City provides the Agency facilities for its operations.

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. 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. In the government-wide statement of net assets, both the governmental and business-type activities columns reflect a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. 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.

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 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. 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 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.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

The Agency applies all applicable Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989 in accounting and reporting its proprietary operations. In accordance with the Governmental Accounting Standards Board ("GASB"), the Agency has elected not to apply FASB pronouncements issued after that date to its proprietary operations.

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.

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.

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.

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

Notes to Financial Statements

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 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, 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 and Deferred Items

Expenditures made for services that will benefit periods beyond September 30, 2006 are recorded as prepaid items and deferred items in both the government-wide and fund financial statements. Accordingly, a portion of fund balance has been reserved to indicate that these funds are not available for appropriation. In governmental funds, debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures during the year of issuance. Bond discounts and premiums are reported as other financing sources or uses. In the government-wide and the proprietary funds financial statements, bond premiums, discounts and issuance costs are amortized over the life of the bonds using the interest method.

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

Notes to Financial Statements

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. While management may have categorized and segmented portions for various purposes, the Agency commission has the unrestricted authority to revisit or alter these managerial decisions.

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.

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.

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

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

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 the Agency or 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, 2006, all of the Agency's investments had a maturity of less than one year.

As of September 30, 2006, the Agency had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)
		Less Than 1
U.S. Treasury Securities	\$ 41,962,134	\$ 41,962,134
Money Market Funds	7,078,420	7,078,420
Repurchase Agreements	284,047	284,047
	<u>\$ 49,324,601</u>	<u>\$ 49,324,601</u>

Credit risk: This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. 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, 2006, the Agency had no investments in commercial paper or corporate bonds. U.S. Treasury Securities are not subject to credit risk. The money market funds and repurchase agreements were both invested in U.S. Treasury Securities and are, therefore, not subject to credit risk.

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

Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

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%.

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, 2006 are shown below:

	Carrying Amount	% of Portfolio
Demand deposits – interest bearing	\$ 12,467,299	20.23%
Money market funds	7,078,420	11.49%
Repurchase agreements	284,047	0.46%
Treasury securities	41,794,225	67.82%
	<u>\$ 61,623,991</u>	<u>100.00%</u>

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

Notes to Financial Statements

Note 3. Capital Assets

Capital asset activities for the year ended September 30, 2006 were as follows:

A. Governmental activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,900,482	\$ -	\$ 11,972,482	\$ 5,928,000
Construction in progress	30,791,522	6,137,275	11,959,417	24,969,380
Total capital assets, not being depreciated	48,692,004	6,137,275	23,931,899	30,897,380
Capital assets, being depreciated:				
Buildings and structures	-	4,544,031	-	4,544,031
Streetscape improvements	458,627	-	458,627	-
Restorations/renovations	776,690	-	288,514	488,176
Vehicles	499,146	4,604	198,757	304,993
Machinery and equipment	372,498	95,402	150,024	317,876
Furniture and fixtures	14,148	-	7,074	7,074
Total capital assets being depreciated	2,121,109	4,644,037	1,102,996	5,662,150
Less accumulated depreciation for:				
Buildings and structures	-	75,734	-	75,734
Streetscape improvements	7,644	-	7,644	-
Restorations/renovations	11,788	16,273	3,652	24,409
Vehicles	128,459	64,256	53,783	138,932
Machinery and equipment	123,371	84,932	52,136	156,167
Furniture and fixtures	4,244	1,415	2,122	3,537
Total accumulated depreciation	275,506	242,610	119,337	398,779
Total capital assets, being depreciated, net	1,845,603	4,401,427	983,659	5,263,371
Governmental activities capital assets, net	\$ 50,537,607	\$ 10,538,702	\$ 24,915,558	\$ 36,160,751

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

Notes to Financial Statements

Note 3. Capital Assets (Continued)

As of September 30, 2005, the South Pointe Redevelopment District ceased to be a redevelopment area within the Agency's jurisdiction. At that point, the City assumed the governmental responsibilities for the South Pointe area. Accordingly, the South Pointe assets have been assumed by the City. The net book value of the South Pointe capital assets transferred to the City was a total of \$24,243,076.

On March 8, 2006, a quit-claim deed was executed between the Agency and the City to transfer title to the City for a surface lot in the Collins Park Cultural Campus. The net book value of the asset transferred from the City Center/Historic Convention Village area was a total of \$672,482.

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
Total capital assets, not being depreciated	3,003,281	-	-	3,003,281
Capital assets, being depreciated:				
Buildings and structures	12,855,648	-	-	12,855,648
Machinery and equipment	11,825	9,404	-	21,229
Total capital assets being depreciated	12,867,473	9,404	-	12,876,877
Less accumulated depreciation for:				
Buildings and structures	2,742,473	428,522	-	3,170,995
Machinery and equipment	5,189	5,025	-	10,214
Total accumulated depreciation	2,747,662	433,547	-	3,181,209
Total capital assets, being depreciated, net	10,119,811	(424,143)	-	9,695,668
Business-type activities capital assets, net	\$ 13,123,092	\$ (424,143)	\$ -	\$ 12,698,949

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

Notes to Financial Statements

Note 4. Construction Commitments

The Agency had the following construction commitments in the Capital Projects Funds as of September 30, 2006:

City Center Capital Projects	\$ 2,794,438
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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 2015. 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, 2006 are as follows:

Year Ending September 30,	
2007	\$ 654,530
2008	592,969
2009	577,360
2010	505,173
2011	490,735
2012 - 2015	1,713,020
	<u>\$ 4,533,787</u>

Note 6. Tax Increment Revenue Bonds

On August 1, 1996, the Agency issued \$37,500,000 (Series 1996A) and \$7,705,000 (Series 1996B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the pledged 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 of 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 1996A bonds were issued with interest rates of 7.86% to 8.95% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2006. The Series 1996B bonds were issued with interest rates of 4% to 6.35% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2006. The bonds are subject to a trust indenture, which requires that annual debt service requirements be fully funded upon receipt of trust funds revenue and supplemental revenue, and that any shortage shall be funded based on the supplemental revenue resolution. The Series 1996A and 1996B 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 1996A and Series 1996B bonds had a remaining outstanding principal balance, after the refunding, of \$1,055,000 at September 30, 2006.

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

Notes to Financial Statements

Note 6. Tax Increment Revenue Bonds (Continued)

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 pledged 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 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 \$13,475,000 at September 30, 2006.

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 pledged 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.

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

Notes to Financial Statements

Note 6. Tax Increment Revenue Bonds (Continued)

The combined annual debt service costs are presented below:

Year Ending September 30,	Principal	Interest	Total
2007	\$ 3,655,000	\$ 4,704,013	\$ 8,359,013
2008	3,860,000	4,515,554	8,375,554
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 – 2016	25,680,000	16,337,480	42,017,480
2017 – 2021	33,275,000	8,800,234	42,075,234
2022 – 2023	16,080,000	839,627	16,919,627
	95,300,000	47,608,126	142,908,126
Add unamortized bond premium	1,478,180	-	1,478,180
	<u>\$ 96,778,180</u>	<u>\$ 47,608,126</u>	<u>\$ 144,386,306</u>

Note 7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Tax increment revenue bonds	\$ 98,865,245	\$ -	\$ 2,087,065	\$ 96,778,180	\$ 3,655,000
Total bonds payable	<u>98,865,245</u>	<u>-</u>	<u>2,087,065</u>	<u>96,778,180</u>	<u>3,655,000</u>
Compensated absences	89,154	13,246	11,696	90,704	19,527
Due to developer - transferred to primary government	311,814	-	311,814	-	-
Governmental activity long-term liabilities	<u>\$ 99,266,213</u>	<u>\$ 13,246</u>	<u>\$ 2,410,575</u>	<u>\$ 96,868,884</u>	<u>\$ 3,674,527</u>
Business-type activities:					
Tenant deposits	\$ 63,254	\$ 11,610	\$ 10,548	\$ 64,316	\$ -
Business-type activity long-term liabilities	<u>\$ 63,254</u>	<u>\$ 11,610</u>	<u>\$ 10,548</u>	<u>\$ 64,316</u>	<u>\$ -</u>

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

Notes to Financial Statements

Note 7. Changes in Long-Term Liabilities (Continued)

As of September 30, 2005, the South Pointe Redevelopment District ceased to be a redevelopment area within the Agency's jurisdiction and the City assumed the responsibilities for the South Pointe area, along with accounts recorded as due to the developer, a South Pointe liability.

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 \$617,493 of management-fee expense under this agreement for the year ended September 30, 2006. Presented below are the Agency's balances outstanding at September 30, 2006 with the Primary government:

Governmental funds:

Due from the primary government to:

General fund	\$ 388,191
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Due to the primary government from:

General fund	\$ 1,416,318
Capital projects City Center	493,323
Total due to the primary government	<u>\$ 1,909,641</u>

Business-type activities:

Due to the primary government from:

Enterprise funds – parking fund	<u>\$ 178</u>
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Miami Beach Redevelopment Agency
(A Component Unit of the City of Miami Beach, Florida)

Notes to Financial Statements

Note 10. Interfund Balances and Transfers

Interfund transfers for the year ended September 30, 2006 consisted of the following:

Governmental funds:

Transfers from the general fund to:

Debt service City Center	\$ 10,423,616
Capital projects City Center	5,196,899
Total transfers from the general fund	\$ 15,620,515

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. In addition, the Agency receives transfers from the primary government, as stipulated in the Agency's bond covenants, for a portion of the resort tax collected by the primary government.

Note 11. Receivables

Receivables at September 30, 2006 for the Agency's governmental and enterprise funds are as follows:

	Governmental Activities			Total
	General	Debt Service City Center	Capital Projects City Center	
Receivables:				
Interest	\$ 191,749	\$ 29,146	\$ 2,306	\$ 223,201

	Business-Type Activities		
	Parking Fund	Leasing Fund	Total
Receivables:			
Rent	\$ -	\$ 504,646	\$ 504,646
Accounts	12,268	-	12,268
Gross receivables	12,268	504,646	516,914
Less allowance for uncollectible	-	104,964	104,964
Net receivables	\$ 12,268	\$ 399,682	\$ 411,950

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

Notes to Financial Statements

Note 12. Excess of Expenditures over Appropriations

For the year ended September 30, 2006, expenditures exceeded appropriations in the culture and recreation category by \$4,141,330. This amount is mostly attributed to the purchase of the Miami City Ballet building and improvements on the building totaling \$4,544,031, charged to the culture and recreation category of the general fund.

Note 13. Restricted Net Assets

On October 1, 2005, the Agency adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. These assets are restricted to comply with debt covenants, loan agreements, grant contracts and other externally imposed constraints or legislation that are legally enforceable. At September 30, 2006, the government-wide statement of net assets reported \$4,626,902 of restricted net assets.

Note 14. Special Item

Fiscal year 2005 was the final year that the Agency's South Pointe district was in existence as a redevelopment district. At September 30, 2005, the South Pointe district under the Agency's jurisdiction expired and the City assumed the full rights and responsibilities for such. As a result, on October 1, 2005, the residual equity, including the assets and liabilities of the Agency's South Pointe general fund was transferred into the City's Other Special Revenue fund.

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, 2006
(Unaudited)

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:			
Tax increment	\$ 24,679,920	\$ 24,934,704	\$ 254,784
Resort tax	2,972,500	3,006,891	34,391
Interest	197,000	1,831,006	1,634,006
Total revenues	27,849,420	29,772,601	1,923,181
Expenditures:			
General government	2,897,379	2,494,678	402,701
Public safety	2,512,197	2,166,135	346,062
Culture and recreation	-	4,544,031	(4,544,031)
Total expenditures	5,409,576	9,204,844	(3,795,268)
Excess of revenues over expenditures	22,439,844	20,567,757	(1,872,087)
Other financing sources (uses):			
Operating transfers out	(22,439,844)	(15,620,515)	6,819,329
Total other financing sources (uses)	(22,439,844)	(15,620,515)	6,819,329
Special item	-	(34,645,373)	(34,645,373)
Net change in fund balance	-	(29,698,131)	(29,698,131)
Fund balance, beginning	70,509,376	70,509,376	-
Fund balance, ending	\$ 70,509,376	\$ 40,811,245	\$ (29,698,131)

See Accompanying Notes to Required Supplementary Information.

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

Notes to Budgetary Comparison Schedule
September 30, 2006 (Unaudited)

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. Appropriations not encumbered 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, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:			
Interest	\$ -	\$ 248,866	\$ 248,866
Total revenues	-	248,866	248,866
Expenditures:			
Economic Environment	1,569,496	1,569,496	-
Debt Service:			
Principal	2,000,000	2,000,000	-
Interest	7,911,663	3,691,962	4,219,701
Total expenditures	11,481,159	7,261,458	4,219,701
Excess of revenues over expenditures	(11,481,159)	(7,012,592)	4,468,567
Other financing sources (uses):			
Operating transfers in	11,481,159	10,423,616	(1,057,543)
Total other financing sources (uses)	11,481,159	10,423,616	(1,057,543)
Net change in fund balance	-	3,411,024	3,411,024
Fund balance, beginning	3,713,060	3,713,060	-
Fund balance, ending	<u>\$ 3,713,060</u>	<u>\$ 7,124,084</u>	<u>\$ 3,411,024</u>

OTHER REPORTS

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, 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 15, 2007. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

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 of 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 15, 2007