

**CITY OF MIAMI SOUTHEAST OVERTOWN
PARK WEST REDEVELOPMENT AGENCY**
(A Component Unit of the City of Miami, Florida)

Basic Financial Statements

September 30, 2003

(With Independent Auditors' Report Thereon)

**CITY OF MIAMI SOUTHEAST OVERTOWN
PARK WEST REDEVELOPMENT AGENCY**
(A Component Unit of the City of Miami, Florida)

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Independent Auditors' Report

The Board of Directors
City of Miami Southeast Overtown
Park West Redevelopment Agency:

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the City of Miami Southeast Overtown Park West Redevelopment Agency (the Agency), a component unit of the City of Miami, Florida (the City), as of and for the year ended September 30, 2003, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of September 30, 2003, and the respective changes in financial position 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 February 6, 2004 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 7 and the budgetary comparison information on pages 19 and 20 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.

Sanson, Kline, Jacomino & Company, LLP

February 6, 2004

**CITY OF MIAMI SOUTHEAST OVERTOWN
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Management's Discussion and Analysis

September 30, 2003

This section of the City of Miami Southeast Overtown Park West Redevelopment Agency ("the Agency") financial statements presents management's analysis of the financial performance for the fiscal year ended September 30, 2003. This discussion addresses whether or not the Agency as a whole is better off or worse off as a result of this year's activities.

Overview

The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency, pursuant to the redevelopment plans of the Agency for new residential and commercial activity in the Southeast Overtown area.

The Agency's primary source of revenue is tax-increment funds. This revenue is computed by applying the operating tax rate for the City and the County, multiplied by the increased value of property located within the boundaries of the redevelopment areas of the Agency, 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. Further, the Agency's policy is set by a board of directors comprised of the five members of the City commission.

Financial Highlights

The assets of the Agency exceeded its liabilities at the close of its most recent fiscal year by \$13,542,956. Of this amount, \$7,032,747 was invested in capital assets net of related debt and \$822,506 was restricted for debt service. This resulted in an excess of \$5,687,703 (unrestricted net assets) available to meet the Agency's obligations to citizens in the Southeast Overtown area.

At the close of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$6,510,209, a decrease of \$160,455 in comparison with the prior year. The total amount is available for spending at the Agency's discretion.

The Agency did not incur any additional debt during the current fiscal year.

Overview to the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

In addition, the Agency reports, as required supplementary information, a budget to actual comparison and notes to the required supplementary information.

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 (i.e. economic resources and measurement focus).

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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 the most recent 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements may be found on pages 8 and 9 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Agency are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the 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 this comparison between governmental funds and governmental activities.

The Agency maintains four 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, Special Revenue Fund, Debt Service Fund and Capital Projects Fund.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 to 18 of this report.

Budgetary Highlights

The Agency does not adopt an annual budget on an individual fund basis. Instead the Agency adopts a

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combined annual appropriated budget for its General Fund, Special Revenue Fund and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget on page 19 of this report.

The following is a brief review of the variances from the final budget to actual amounts (please see budget to actual comparison on page 19):

- The change in final budget to actual for contribution from primary government was a result of budget classification with intergovernmental revenue. Intergovernmental revenue was not budgeted, but instead included as part of contribution from primary government.
- The change in final budget to actual for general government, community redevelopment and capital outlay expenditures was a result of redevelopment projects planned to commence during the fiscal year, but either did not commence or were not completed as planned.

Financial Analysis

Government-wide Analysis

Our analysis of the financial statements of the Agency begins below. The Statement of Net Assets and the Statement of Activities report information about the Agency's activities that will help answer questions about the position of the Agency. A comparative analysis is shown below.

A summary of the Agency's net assets is presented in Table A-1 and a summary of changes in net assets is presented in Table A-2.

Table A-1
Summary of Net Assets

	Fiscal Year <u>2003</u>	Fiscal Year <u>2002</u>
Current assets	\$ 7,852,264	\$ 7,503,396
Capital assets, net	<u>11,356,611</u>	<u>11,067,793</u>
Total assets	<u>19,208,875</u>	<u>18,571,189</u>
Current liabilities	1,342,055	832,732
Non-current liabilities	<u>4,323,864</u>	<u>4,448,864</u>
Total liabilities	<u>5,665,919</u>	<u>5,281,596</u>
Investment in capital assets, net of related debt	7,032,747	6,618,929
Restricted for debt service	822,506	822,506
Unrestricted	<u>5,687,703</u>	<u>5,848,158</u>
Total net assets	<u>\$13,542,956</u>	<u>\$13,289,593</u>

- The largest portion of the Agency's net assets (\$7,032,747) reflects its investment in capital assets (e.g. furniture and equipment, infrastructure and land), less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

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- An additional portion of the Agency's net assets (\$822,506) represents resources that are subject to external restrictions on how they may be used.
- The remaining portion of the Agency's net assets (\$5,687,703) represents resources that are unrestricted and available for any lawful use by the Agency.

Table A-2
Summary of Changes in Net Assets

	Fiscal Year <u>2003</u>	Fiscal Year <u>2002</u>
Revenues:		
Intergovernmental:		
Operating	\$ 779,924	\$ 402,847
Capital	-	655,989
Charges for services:		
Rental income	21,333	53,387
Parking fees	35,818	398,356
General revenues:		
Tax increment revenues	2,557,955	1,446,192
Contribution from primary government	659,388	2,572,334
Interest revenue	191,946	302,667
Gain on sale of capital assets	31,997	-
Total revenues	<u>4,278,361</u>	<u>4,321,193</u>
Expenses:		
General government	1,872,939	3,211,368
Community redevelopment	1,919,159	1,537,849
Interest on long-term debt	<u>232,900</u>	<u>242,675</u>
Total expenses	<u>4,024,998</u>	<u>4,991,893</u>
Increase in net assets	253,363	839,879
Net assets, beginning of year	<u>13,289,593</u>	<u>12,449,714</u>
Net assets, end of year	<u>\$13,542,956</u>	<u>\$13,289,593</u>

- Operating intergovernmental revenue increased from the prior year as a result of the increase in funding received with regards to the 20% funding for administrative expenses from the tax increment revenues received during the year.
- Capital intergovernmental revenue decreased from the prior year as a result of community redevelopment expenditures that were incurred toward the end of the fiscal year, but not yet approved for reimbursement by the City. As a result, the capital intergovernmental revenue was not recognized in the current year.
- Parking fees decreased from the prior year as a result of a one-time pay out in the prior year of \$375,000.

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- Tax increment revenues increased from the prior year as a result of an increase in the annual pay out from the City and the County.
- Contribution from primary government decreased from the prior year as a result of the one-time payout in the prior year of \$2.2 million related to the sale of property.
- General government expenses decreased from the prior year as a result of the decrease in professional services related to redevelopment projects.
- Community redevelopment expenses increased from the prior year as a result of the increase in community redevelopment project activity towards the end of the fiscal year.

Individual Fund Analysis

Fund balance for the general fund increased from \$404,096 at September 30, 2002 to \$643,154 at September 30, 2003. The fund balance for the special revenue fund decreased from \$2,851,340 at September 30, 2002 to \$2,392,359 at September 30, 2003. Fund balance for the debt service fund did not change from the prior year. Fund balance for the capital projects fund increased from \$2,592,722 at September 30, 2002 to \$2,652,190 at September 30, 2003. Since the Agency only has governmental funds/activities, the changes in fund balance also explain the increases in net assets. The following are key factors in the changes in fund balances for 2003:

- The increase in fund balance in the general fund was a result of the significant increase in tax increment and intergovernmental revenues received in the current year.
- The decrease in fund balance in the special revenue fund was a result of community redevelopment expenditures that were incurred toward the end of the fiscal year, but not yet approved for reimbursement by the City. As a result, the intergovernmental revenue was not recognized in the current year.
- The increase in fund balance in the capital projects fund was a result of interest income earned during the year.

Capital Assets

As of September 30, 2003, the Agency's investment in capital assets, net of accumulated depreciation, amounted to \$11,350,175, increasing from \$11,067,793 as of September 30, 2002.

Summary of Capital Assets
(Net of Depreciation)

	Fiscal Year <u>2003</u>	Fiscal Year <u>2002</u>
Land	\$ 4,550,759	\$ 4,550,759
Furniture and equipment	42,512	30,126
Infrastructure	<u>6,763,340</u>	<u>6,486,908</u>
Total capital assets	\$ <u>11,356,611</u>	\$ <u>11,067,793</u>

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Additional capital asset information can be found on page 15 of this report.

Debt Management

As of September 30, 2003, the Agency had \$4,323,864 of special obligation bonds and loans outstanding compared to \$4,448,864 as of September 30, 2002. The bonds and loans are secured by a pledge of guaranteed entitlement revenue received from the State of Florida and the tax increment revenue amounts received from the City and County. No additional debt was issued during fiscal year 2003.

Additional long-term debt information can be found on pages 16 and 17 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, 49 N.W. 5th Street, Suite 100, Miami, Florida 33128.

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Statement of Net Assets

September 30, 2003

Assets

Equity in pooled cash	\$ 6,779,400
Restricted cash	965,002
Due from primary government	22,615
Interest receivable	43,647
Mortgage receivable	41,600
Capital assets (net of accumulated depreciation):	
Land	4,550,759
Furniture and equipment	42,512
Infrastructure	<u>6,763,340</u>
Total assets	<u>19,208,875</u>

Liabilities

Accounts payable and accrued liabilities	1,149,559
Due from other government	50,000
Interest payable	142,496
Non-current liabilities:	
Due within one year:	
Bonds payable	135,000
Due in more than one year:	
Bonds payable	2,480,000
Notes payable	<u>1,708,864</u>
Total liabilities	<u>5,665,919</u>

Net Assets

Invested in capital assets, net of related debt	7,032,747
Restricted for debt service	822,506
Unrestricted	<u>5,687,703</u>
Total net assets	<u>\$ 13,542,956</u>

The notes to the financial statements are an integral part of this statement.

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Statement of Activities

Year ended September 30, 2003

Expenses:	
General government	\$ 1,872,939
Community redevelopment	1,919,159
Interest on long-term debt	<u>232,900</u>
Total program expenses	<u>4,024,998</u>
Program revenues:	
Intergovernmental revenue	
Operating	779,924
Charges for services:	
Rental income	21,333
Parking fees	<u>35,818</u>
Net program expense	<u>(3,187,923)</u>
General revenues:	
Tax increment revenue	2,557,955
Contribution from primary government	659,388
Interest revenue	191,946
Gain on sale of capital assets	<u>31,997</u>
Total general revenues	<u>3,441,286</u>
Increase in net assets	253,363
Net assets - beginning of the year	<u>13,289,593</u>
Net assets - end of the year	<u>\$ 13,542,956</u>

The notes to the financial statements are an integral part of this statement.

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Balance Sheet

Governmental Funds

September 30, 2003

	General	Special revenue	Debt service	Capital projects	Total governmental funds
Assets					
Equity in pooled cash	\$ 672,923	3,475,546	-	2,630,931	6,779,400
Restricted cash	-	-	965,002	-	965,002
Due from primary government	-	-	-	22,615	22,615
Interest receivable	-	43,647	-	-	43,647
Mortgage receivable	-	41,600	-	-	41,600
Total assets	<u>\$ 672,923</u>	<u>3,560,793</u>	<u>965,002</u>	<u>2,653,546</u>	<u>7,852,264</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 29,769	1,118,434	-	1,356	1,149,559
Due to other government	-	50,000	-	-	50,000
Interest payable	-	-	142,496	-	142,496
Total liabilities	<u>29,769</u>	<u>1,168,434</u>	<u>142,496</u>	<u>1,356</u>	<u>1,342,055</u>
Fund Balances:					
Reserved for encumbrances	-	1,747,050	-	-	1,747,050
Reserved for debt service	-	-	822,506	-	822,506
Unreserved	643,154	645,309	-	2,652,190	3,940,653
Total fund balances	<u>643,154</u>	<u>2,392,359</u>	<u>822,506</u>	<u>2,652,190</u>	<u>6,510,209</u>
Total liabilities and fund balances	<u>\$ 672,923</u>	<u>3,560,793</u>	<u>965,002</u>	<u>2,653,546</u>	

Amounts reported for governmental activities in the statement of net assets consist of:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,356,611
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	<u>(4,323,864)</u>
Net assets of governmental activities	<u>\$ 13,542,956</u>

The notes to the financial statements are an integral part of this statement.

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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended September 30, 2003

	General	Special revenue	Debt service	Capital projects	Total governmental funds
Revenues:					
Tax increment revenues	\$ 543,172	2,014,783	-	-	2,557,955
Contribution from primary government	659,388	-	-	-	659,388
Intergovernmental	479,924	-	300,000	-	779,924
Rental income	-	21,333	-	-	21,333
Parking fees	35,818	-	-	-	35,818
Interest	-	129,868	2,610	59,468	191,946
Total revenues	<u>1,718,302</u>	<u>2,165,984</u>	<u>302,610</u>	<u>59,468</u>	<u>4,246,364</u>
Expenditures:					
Current:					
General government	1,479,244	699,807	-	-	2,179,051
Community redevelopment	-	1,894,387	-	-	1,894,387
Capital outlay	-	24,772	-	-	24,772
Debt service:					
Principal	-	-	125,000	-	125,000
Interest	-	-	232,900	-	232,900
Total expenditures	<u>1,479,244</u>	<u>2,618,966</u>	<u>357,900</u>	<u>-</u>	<u>4,456,110</u>
Excess (deficiency) of revenues over (under) expenditures	239,058	(452,982)	(55,290)	59,468	(209,746)
Other financing sources (uses):					
Transfers in	-	-	55,290	-	55,290
Transfers out	-	(55,290)	-	-	(55,290)
Sale of capital assets	-	49,291	-	-	49,291
Total other financing sources (uses)	<u>-</u>	<u>(5,999)</u>	<u>55,290</u>	<u>-</u>	<u>49,291</u>
Net change in fund balances	239,058	(458,981)	-	59,468	(160,455)
Fund balances - beginning	404,096	2,851,340	822,506	2,592,722	6,670,664
Fund balances - ending	<u>\$ 643,154</u>	<u>2,392,359</u>	<u>822,506</u>	<u>2,652,190</u>	<u>6,510,209</u>

Net change in fund balances - total governmental funds (160,455)

Amounts reported for governmental activities in the statement of activities are different because:

While the repayment of principal of long-term debt consumes the current financial resources of governmental funds, it has no effect on net assets. 125,000

The proceeds from the sale of capital assets are reported as a revenue in the governmental funds. However, the costs of the capital assets sold is removed from the capital assets account in the statement of net assets. (17,294)

The governmental funds reported capital outlays 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:

Expenditures for capital assets	\$ 647,783	
Less depreciation expense	(341,671)	306,112

Change in net assets of governmental activities \$ 253,363

The notes to the financial statements are an integral part of this statement.

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Notes to Basic Financial Statements

September 30, 2003

1. Summary of Significant Accounting Policies

This summary of the City of Miami Southeast Overtown Park West Redevelopment Agency (the Agency) significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

The Agency was established in 1983, by the City of Miami, Florida (the City) under the provisions of Section 163.330, Florida Statutes. The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency pursuant to the redevelopment plans of the Agency for new residential and commercial activity in the Southeast Overtown area. The board of directors of the Agency is comprised of the five members of the City commission and are separate, distinct and independent from the governing body of the City.

The City entered into Interlocal Cooperation Agreements, dated March 31, 1982, with Miami-Dade County, Florida (the County) and related ordinances of the City and County whereby tax increment revenue collected by the parties would be paid to the Agency and used in accordance with the approved budgets of the redevelopment plans and terms and conditions of the Interlocal Agreements for the benefit of the Agency.

For financial reporting purposes, the Agency is a component unit of the City and is thus included in the City's comprehensive annual financial report as a blended component unit.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all 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. The Agency does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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Notes to Basic Financial Statements

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C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *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 60 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 expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Agency reports the following major governmental funds:

The **General Fund** is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund;

The **Special Revenue Fund** accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes;

The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, bond principal and interest; and

The **Capital Projects Fund** accounts for the acquisition and/or construction of major capital facilities.

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

D. Equity in Pooled Cash

The Agency's cash, other than described below, is pooled together with the City's cash. All such cash is reflected as equity in pooled cash on the Agency's statement of net assets and governmental funds balance sheet.

E. Restricted Net Assets

Resources for debt service payments are classified as restricted net assets reported on the government-wide Statement of Net Assets because their use is limited by applicable bond covenants and restrictions.

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PARK WEST REDEVELOPMENT AGENCY**
(A Component Unit of the City of Miami, Florida)

Notes to Basic Financial Statements

September 30, 2003

F. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental type activities column in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5
Infrastructure	5-35

G. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

H. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicates the purpose for which each was intended. Unreserved fund balance is the portion of fund equity available for any lawful use.

J. Use of 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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

2. Cash and Cash Equivalents

At September 30, 2003, the Agency's cash consisted of equity in pooled cash of \$6,779,400 and restricted cash of \$965,002. In addition to insurance provided by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer 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 a determined percentage of the average daily balance for each month of all

**CITY OF MIAMI SOUTHEAST OVERTOWN
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public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all cash held by banks can be classified as category one credit risk as defined by GASB Statement No. 3, which means they are fully collateralized or insured.

3. Mortgage Receivable

On June 16, 2003, the Agency entered into a Promissory Note and Mortgage agreement with J.E.J. Properties, Inc. and Shirlene Ingraham, payable in the principal sum of \$41,600, together with interest thereon at the rate of 4.35% per annum.

Principal and interest is due and payable as follows: Interest only in the amount of \$150.80 is due on the first day of each calendar month from the date of the agreement through and including June 1, 2005; commencing on July 1, 2005, and on the first day of each calendar month thereafter until maturity, principal and interest, based on a thirty year amortization schedule, is due in the amount of \$214.35; and on June 9, 2018, the entire outstanding principal balance in the amount of \$28,302, together with all accrued but unpaid interest and any other amounts due under the agreement, is due and payable in full.

4. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2003 was as follows:

	Balance September 30, 2002	Additions	Deletions	Balance September 30, 2003
Capital assets, not being depreciated:				
Land	\$ 4,550,759	-	-	4,550,759
Total capital assets, not being depreciated	4,550,759	-	-	4,550,759
Capital assets, being depreciated:				
Furniture and equipment	31,634	24,772	-	56,406
Infrastructure	8,163,789	623,011	(28,000)	8,758,800
Total capital assets, being depreciated	8,195,423	647,783	(28,000)	8,815,206
Less accumulated depreciation for:				
Furniture and equipment	1,508	12,386	-	13,894
Infrastructure	1,676,881	329,285	(10,706)	1,995,460
Total accumulated depreciation	1,678,389	341,671	(10,706)	2,009,354
Total capital assets, being depreciated, net	6,517,034	306,112	(17,294)	6,805,852
Total capital assets (net of accumulated depreciation)	\$ 11,067,793	306,112	(17,294)	11,356,611

Depreciation expense was charged to function/program as follows:

Community Development \$ 341,671

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5. Long-Term Obligations

The changes in the long-term obligations for the year ended September 30, 2003 are summarized as follows:

	Balance September 30, 2002	Additions	Deletions	Balance September 30, 2003	Amount due within one year
Community Redevelopment Revenue Bonds, Series 1990	\$2,740,000	-	(125,000)	2,615,000	135,000
Gran Central Loan	<u>1,708,864</u>	-	-	<u>1,708,864</u>	-
Total long-term obligations	<u>\$4,448,864</u>	-	<u>(125,000)</u>	<u>4,323,864</u>	<u>135,000</u>

A description of each obligation is as follows:

- (a) On November 8, 1990, the City issued \$11,500,000 aggregate principal amount of Community Redevelopment Revenue Bonds, Series 1990, maturing through 2015, with interest rates ranging from 7.15% to 8.5%. These bonds are secured by a pledge of guaranteed entitlement revenue received from the State of Florida and the tax increment revenue amounts received from the City and County on the Southeast Overtown/Park West Redevelopment area. The proceeds of the bonds were used mainly to refinance a \$5,958,000 Section 108 HUD promissory note, to reimburse the City for moneys advanced to the Agency by the City in an amount not to exceed \$750,000, and to finance the acquisition and clearing of certain real property and the construction of certain infrastructure improvements within the Southeast Overtown/Park West Redevelopment Area defined in the Phase I Development Programs of the Agency's Interlocal Agreement and related resolutions of the City and County.

The bonds are secured by a pledge of \$300,000 per year by the City from the proceeds of its Guaranteed Entitlement Revenue, in addition to the tax increment revenue received by the City and County. As a result, the City deposits \$300,000 per year with the trustees of the bond indenture, which represents its portion of the state of Florida's shared revenue for the payment of principal and interest on the bonds.

The principal and interest requirements on the special obligation bonds and loans are as follows:

	Principal	Interest	Total
2004	\$ 135,000	222,275	357,275
2005	145,000	210,800	355,800
2006	155,000	198,475	353,475
2007	170,000	185,300	355,300
2008	185,000	170,850	355,850
2009-2013	1,190,000	589,900	1,779,900
2014-2015	<u>635,000</u>	<u>82,025</u>	<u>717,025</u>
Total	<u>\$ 2,615,000</u>	<u>1,659,625</u>	<u>4,274,625</u>

- (b) On January 9, 1992, the City entered into a loan agreement with the Gran Central Corporation (GCC) to finance 50% of the cost to acquire a parcel of property within the SEOPW CRA Area and relocate and widen Northwest First Avenue between Northwest First Street and Northwest Eighth Street. The loan, in the amount of \$1,708,864, does not bear interest and is payable from tax

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increment funds received from the City and County within a designated Area defined in the loan documents on a junior and subordinate basis to the lien granted to holders of the \$11,500,000 Community Redevelopment Revenue Bonds, Series 1990. GCC is to be fully repaid by the year 2008 with annual payments to be made to the extent funds are generated by tax increment revenue within the designated Area, as defined in the loan document, is available after required payments for the Series 1990 Bonds debt service and any requirement of the reserve fund or reserve product, as defined in the Series 1990 Bond indenture. As of September 30, 2003, no payments have been made by the City.

6. Related Party Transaction

Pursuant to the revised Interlocal Cooperation Agreement, dated March 13, 2000, amongst the City, the Southeast Overtown Park/West Redevelopment Agency and the Omni Community Redevelopment Agency, the City agreed to provide annual funding to the Agency for general and administrative operations. During the fiscal year 2003, the Agency received \$659,388 from the City for this purpose.

7. Tax Increment Revenue

The Agency's primary source of revenue is tax-increment funds. This revenue is computed by applying the operating tax rate for the City and the County, multiplied by the increased value of property located within the boundaries of the redevelopment areas of the Agency, 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.

8. Parking Lease Revenue

On February 23, 1988, the City and the Department of Off-Street Parking (DOSP), a discretely presented component unit of the City, entered into an agreement whereby DOSP leased certain lots surrounding the Miami Arena.

The term of the lease agreement was for a period of five years, which commenced on June 1, 1988 and expired on June 1, 1993. DOSP paid the City \$500,000 upon signing the lease agreement and agreed to pay annually as rent eighty-five percent (85%) of gross revenue earned net of operating expenses incurred on the operations of the leased lots for each respective lease year. On October 20, 1993, the City and DOSP entered into an agreement to extend the lease term of the original agreement, which expired on June 1, 2000. Currently, the City and DOSP have extended the lease agreement to an undetermined amount of time. All of the lots leased to DOSP are within the limits of the Southeast Overtown district, therefore, the City allocates all moneys received from DOSP to the Southeast Overtown district.

9. Interfund Transfers

During 2003, there was a transfer of \$55,290 from the special revenue fund to the debt service fund to cover debt service expenditures.

10. Commitment and Contingencies

The Agency is contractually obligated for approximately \$1,113,637 at September 30, 2003, for construction projects.

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The Agency is a defendant in several legal actions. The outcome of these actions cannot be determined at this time. Management believes that any liability from these actions will not have a material effect on the Agency's financial condition.

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Budgetary Comparison Schedule
(Required Supplementary Information)
Year ended September 30, 2003

	Budgeted amounts		Actual	Variance with final budget - positive (negative)
	Original	Final		
Revenues:				
Tax increment revenues	\$ 2,602,413	\$ 2,602,413	2,557,955	(44,458)
Contribution from primary government	1,689,784	1,689,784	659,388	(1,030,396)
Intergovernmental	-	-	779,924	779,924
Rental income	-	-	21,333	21,333
Parking fees	-	-	35,818	35,818
Interest	60,000	60,000	191,946	131,946
Total revenues	<u>4,352,197</u>	<u>4,352,197</u>	<u>4,246,364</u>	<u>(105,833)</u>
Expenditures:				
Current:				
General government	2,623,318	2,948,318	2,179,051	769,267
Community redevelopment	1,355,000	4,027,313	1,894,387	2,132,926
Capital outlay	306,879	306,879	24,772	282,107
Debt service:				
Principal	-	-	125,000	(125,000)
Interest	-	-	232,900	(232,900)
Total expenditures	<u>4,285,197</u>	<u>7,282,510</u>	<u>4,456,110</u>	<u>2,826,400</u>
Excess (deficiency) of revenues over (under) expenditures	67,000	(2,930,313)	(209,746)	2,720,567
Other financing sources (uses):				
Transfers in	-	-	55,290	55,290
Transfers out	(67,000)	(67,000)	(55,290)	11,710
Sale of capital assets	-	-	49,291	49,291
Total other financing sources (uses)	<u>(67,000)</u>	<u>(67,000)</u>	<u>49,291</u>	<u>116,291</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,997,313)</u>	<u>(160,455)</u>	<u>2,836,858</u>
Fund balances - beginning			6,670,664	
Fund balances - ending			<u>\$ 6,510,209</u>	

The note to the required supplementary information is an integral part of this statement.

**CITY OF MIAMI SOUTHEAST OVERTOWN
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Note to Required Supplementary Information

September 30, 2003

1. Budgetary Policy

As set forth in the Interlocal Cooperation Agreements between the Agency and the City, the Agency adopts an annual budget for the combined governmental operations of the General Fund, Special Revenue Fund and Debt Service Fund, and not on an individual fund level. Capital Project funds are budgeted on a total project basis for which annual budgets are not available.

The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is maintained at the combined fund level.

Sanson, Kline, Jacomino & Company, LLP

Certified Public Accountants

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

To the Board of Directors of the
City of Miami Southeast Overtown Park West
Redevelopment Agency:

We have audited the basic financial statements of the City of Miami Southeast Overtown Park West Redevelopment Agency (the Agency) as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Agency, in a separate letter dated February 6, 2004.

This letter is intended solely for the information and use of the board of directors, management of the Agency, the State of Florida Office of the Auditor General, and federal and state awarding Agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sanson, Kline, Jacomino & Company, LLP

February 6, 2004