

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

Basic Financial Statements

September 30, 2008

(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, 2008, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 and each major fund of the Agency as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated November 20, 2008 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 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 on pages 2 through 7 and the budgetary comparison information on pages 20 through 22 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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*

November 20, 2008

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

Management's Discussion and Analysis - Unaudited

September 30, 2008

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, 2008. 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.

On August 6, 2007, the City, County and The Children's Trust (the Trust) entered into an Interlocal Agreement with the Agency, whereby the Agency would receive from the Trust, on an annual basis, tax increment revenues derived from the imposition of a half-mil tax levied by the Trust against real property located within the redevelopment district (referred to as Trust revenues). The agency agreed to use the Trust revenues for debt service on, and other obligations relating to, existing debts of the Agency only after all other available tax increment revenues have been exhausted for such purpose, and to remit to the Trust on the last day of the Agency's fiscal year, all of the Trust revenues that are not needed for debt service on, or other obligations relating to, existing debts of the Agency.

Further, the Agency's policy is set by a board of directors comprised of the five members of the City commission and are separate, distinct and independent from the governing body of the City; and its management plan is executed by a small professional staff led by its executive director.

**Financial Highlights**

The assets of the Agency exceeded its liabilities at the close of its most recent fiscal year by \$22,689,108. Of this amount, \$5,031,874 was invested in capital assets net of related debt, \$2,177,915 was restricted for debt service, \$3,097,925 was restricted for capital projects, and \$11,994,438 was restricted by enabling legislation. This resulted in an excess of \$386,956 (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 \$17,713,479, a decrease of \$749,776 in comparison with the prior 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.

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

Management's Discussion and Analysis - Unaudited

September 30, 2008

**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).

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 basic financial statements can be found on pages 12 to 19 of this report.

**CITY OF MIAMI SOUTHEAST OVERTOWN  
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**Budgetary Highlights**

The Agency adopts an annual budget on an individual fund basis. Budgetary comparison schedules have been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget on pages 20 and 21, respectively, of this report.

The following is a brief review of the variances from the final budget to actual amounts for the General Fund (please see budget to actual comparison on page 20):

- The change in final budget to actual for parking fees was a result of no amounts budgeted for the use of the parking lots owned by the Agency and managed by the Miami Parking Authority.
- The change in final budget to actual for general government expenditures was mainly a result of payroll expenditures budgeted higher than actually expended.

The following is a brief review of the variances from the final budget to actual amounts for the Special Revenue Fund (please see budget to actual comparison on page 21):

- The change in final budget to actual for community redevelopment was a result of redevelopment projects planned that 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>2008</u>	Fiscal Year <u>2007</u>
Current assets	\$ 20,271,270	\$ 18,979,142
Capital assets, net	<u>8,750,738</u>	<u>8,142,881</u>
Total assets	<u>29,022,008</u>	<u>27,122,023</u>
Current liabilities	2,557,813	512,027
Non-current liabilities	<u>3,775,109</u>	<u>4,307,421</u>
Total liabilities	<u>6,332,900</u>	<u>4,819,448</u>
Investment in capital assets, net of related debt	5,031,874	4,254,017
Restricted	17,270,278	17,846,448
Unrestricted	<u>386,956</u>	<u>202,110</u>
Total net assets	<u>\$ 22,689,108</u>	<u>\$ 22,282,575</u>

**CITY OF MIAMI SOUTHEAST OVERTOWN  
PARK WEST REDEVELOPMENT AGENCY**  
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Management's Discussion and Analysis - Unaudited

September 30, 2008

**Government-wide Analysis (continued)**

- Current assets increased in the current year mainly as a result of an increase in equity in pooled cash from the prior year.
- Capital assets increased in the current year as a result of the purchase of land and infrastructure.
- Current liabilities increased in the current year as a result of construction costs incurred, but not actually paid until after year-end.
- A portion of the Agency's net assets (\$5,031,874) 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.
- Another portion of the Agency's net assets (\$17,270,278) represents resources that are subject to external restrictions on how they may be used.
- The remaining portion of the Agency's net assets (\$386,956) 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>2008</u>	Fiscal Year <u>2007</u>
Revenues:		
Intergovernmental:		
Operating	\$ 727,238	\$ 864,772
Charges for services:		
Parking fees	308,475	99,120
General revenues:		
Tax increment revenue	6,012,257	5,406,376
Sale of property	635,134	404,098
Interest revenue	647,138	718,490
Other	<u>127,429</u>	<u>50,522</u>
Total revenues	<u>8,457,671</u>	<u>7,543,378</u>
Expenses:		
General government	1,176,082	1,170,930
Community redevelopment	6,716,981	2,194,051
Interest on long-term debt	<u>178,075</u>	<u>191,888</u>
Total expenses	<u>8,071,138</u>	<u>3,556,869</u>
Change in net assets	386,533	3,986,509
Net assets, beginning of year	<u>22,302,575</u>	<u>18,316,066</u>
Net assets, end of year	<u>\$ 22,689,108</u>	<u>\$ 22,302,575</u>

- The decrease in intergovernmental revenue is a result of the decrease in the amount contributed by the City of Miami Omni Community Redevelopment Agency and the City of Miami Midtown Community Redevelopment Agency for general operations.

**CITY OF MIAMI SOUTHEAST OVERTOWN  
PARK WEST REDEVELOPMENT AGENCY**  
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Management's Discussion and Analysis - Unaudited

September 30, 2008

**Government-wide Analysis (continued)**

- The increase in parking fees was a result of increased use of the parking lots owned by the Agency and managed by the Miami Parking Authority during the current fiscal year.
- The increase in sale of property was a result of the continued collections during the year on the Agency's percentage of the sales of condominiums by Bayview Towers Associates, LLC.
- The increase in community redevelopment expenses was a result of the on-going projects during the year, mainly the NW 3<sup>rd</sup> Avenue Overtown Business project and Low Income Affordable Housing program.

**Individual Fund Analysis**

Fund balance for the General Fund decreased from \$620,667 at September 30, 2007 to \$443,201 at September 30, 2008. The fund balance for the Special Revenue Fund decreased from \$12,684,847 at September 30, 2007 to \$11,994,438 at September 30, 2008. Fund balance for the Debt Service Fund increased from \$2,172,185 at September 30, 2007 to \$2,177,915 at September 30, 2008. Fund balance for the Capital Projects Fund increased from \$2,989,416 at September 30, 2007 to \$3,097,925 at September 30, 2008. 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 2008:

- The decrease in fund balance in the General Fund was a result of the decrease in the contribution from the City of Miami Omni Community Redevelopment Agency and City of Miami Midtown Community Redevelopment Agency from the prior year.
- The decrease in fund balance in the Special Revenue Fund was mainly due to the significant increase in construction project expenditures that occurred during the year and the accrual of the advance on debt reserve due to the City of Miami.
- The increase in fund balance in the Debt Service Fund was a result of the annual transfer from the Special Revenue Fund to accumulate funding for payment of principal and interest.
- 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, 2008, the Agency's investment in capital assets, net of accumulated depreciation, amounted to \$8,750,738, increasing from \$8,142,881 as of September 30, 2007.

**Summary of Capital Assets**  
(Net of Depreciation)

	Fiscal Year <u>2008</u>	Fiscal Year <u>2007</u>
Land	\$ 3,688,307	\$ 2,725,807
Furniture and equipment	25,762	35,071
Infrastructure	<u>5,036,669</u>	<u>5,382,003</u>
Total capital assets	\$ <u>8,750,738</u>	\$ <u>8,142,881</u>

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



**CITY OF MIAMI SOUTHEAST OVERTOWN  
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**Debt Management**

As of September 30, 2008, the Agency had \$3,718,864 of special obligation bonds and loans outstanding compared to \$3,888,864 as of September 30, 2007. 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 2008.

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. 5<sup>th</sup> Street, Suite 100, Miami, Florida 33128.

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

Statement of Net Assets

September 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in pooled cash	\$ 17,812,889
Restricted cash	2,177,915
Other receivable	221,683
Interest receivable	58,783
Capital assets (net of accumulated depreciation):	
Land	3,688,307
Furniture and equipment	25,762
Infrastructure	<u>5,036,669</u>
Total assets	<u>29,022,008</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,980,739
Advance on debt reserve	361,239
Due to other governments	215,813
Non-current liabilities:	
Due within one year:	
Bonds payable	185,000
Due in more than one year:	
Bonds payable	1,825,000
Notes payable	1,708,864
Compensated absences	<u>56,245</u>
Total liabilities	<u>6,332,900</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,031,874
Restricted	17,270,278
Unrestricted	<u>386,956</u>
Total net assets	<u>\$ 22,689,108</u>

The accompanying notes are an integral part of the basic financial statements.

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

Statement of Activities

Year ended September 30, 2008

	Governmental Activities
Expenses:	
General government	\$ 1,176,082
Community redevelopment	6,716,981
Interest on long-term debt	178,075
Total program expenses	8,071,138
Program revenues:	
Intergovernmental revenue:	
Operating	727,238
Charges for services:	
Parking fees	308,475
Net program expense	(7,035,425)
General revenues:	
Tax increment revenue	6,012,257
Sale of property	635,134
Other	127,429
Interest revenue	647,138
Total general revenues	7,421,958
Increase in net assets	386,533
Net assets - beginning of the year	22,302,575
Net assets - end of the year	\$ 22,689,108

The accompanying notes are an integral part of the basic financial statements.

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

Balance Sheet

Governmental Funds

September 30, 2008

		<u>General</u>	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
<b>Assets</b>						
Equity in pooled cash	\$	252,051	14,473,175	-	3,087,663	17,812,889
Restricted cash		-	-	2,177,915	-	2,177,915
Other receivable		221,683	-	-	-	221,683
Interest receivable		-	48,521	-	10,262	58,783
Total assets		<u>473,734</u>	<u>14,521,696</u>	<u>2,177,915</u>	<u>3,097,925</u>	<u>20,271,270</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$	30,533	1,950,206	-	-	1,980,739
Advance on debt reserve		-	361,239	-	-	361,239
Due to other governments		-	215,813	-	-	215,813
Total liabilities		<u>30,533</u>	<u>2,527,258</u>	<u>-</u>	<u>-</u>	<u>2,557,791</u>
Fund Balances:						
Reserved for encumbrances		-	9,664,154	-	-	9,664,154
Reserved for debt service		-	-	2,177,915	-	2,177,915
Reserved for capital projects		-	-	-	3,097,925	3,097,925
Unreserved:						
Designated for redevelopment projects		-	2,330,284	-	-	2,330,284
Undesignated		443,201	-	-	-	443,201
Total fund balances		<u>443,201</u>	<u>11,994,438</u>	<u>2,177,915</u>	<u>3,097,925</u>	<u>17,713,479</u>
Total liabilities and fund balances	\$	<u>473,734</u>	<u>14,521,696</u>	<u>2,177,915</u>	<u>3,097,925</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.	8,750,738
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(3,718,864)
Compensated absences	(56,245)
Net assets of governmental activities	<u>\$ 22,689,108</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF MIAMI SOUTHEAST OVERTOWN  
PARK WEST REDEVELOPMENT AGENCY**  
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Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended September 30, 2008

	<b>General</b>	<b>Special revenue</b>	<b>Debt service</b>	<b>Capital projects</b>	<b>Total governmental funds</b>
Revenues:					
Tax increment revenues	\$ 330,000	5,682,257	-	-	6,012,257
Intergovernmental	357,354	69,884	300,000	-	727,238
Parking fees	308,475	-	-	-	308,475
Other	-	127,429	-	-	127,429
Interest	-	529,039	9,590	108,509	647,138
Total revenues	995,829	6,408,609	309,590	108,509	7,822,537
Expenditures:					
Current:					
General government	1,173,295	-	3,860	-	1,177,155
Community redevelopment	-	7,686,077	-	-	7,686,077
Debt service:					
Principal	-	-	170,000	-	170,000
Interest	-	-	178,075	-	178,075
Total expenditures	1,173,295	7,686,077	351,935	-	9,211,307
Excess (deficiency) of revenues over (under) expenditures	(177,466)	(1,277,468)	(42,345)	108,509	(1,388,770)
Other financing sources (uses):					
Transfers in	-	-	48,075	-	48,075
Transfers out	-	(48,075)	-	-	(48,075)
Sale of property	-	635,134	-	-	635,134
Total other financing sources (uses)	-	587,059	48,075	-	635,134
Net change in fund balances	(177,466)	(690,409)	5,730	108,509	(753,636)
Fund balances - beginning	620,667	12,684,847	2,172,185	2,989,416	18,467,115
Fund balances - ending	\$ 443,201	11,994,438	2,177,915	3,097,925	17,713,479

Net change in fund balances - total governmental funds (753,636)

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

The issuance of long-term debt provides current financial resources to governmental funds, while repayments on long-term debt consumes the current financial resources of governmental funds:

Payment of principal on long-term debt	170,000
Advance on debt reserve	361,239

Items reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:

Decrease in compensated absences	1,073
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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	964,443	
Less: depreciation expense	(356,586)	607,857
Change in net assets of governmental activities		\$ 386,533

The accompanying notes are an integral part of the basic financial statements.

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

Notes to Basic Financial Statements

September 30, 2008

**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.

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

Notes to Basic Financial Statements

September 30, 2008

**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**

The government-wide statement of net assets reports \$17,270,278 of restricted net assets, of which \$2,177,915 is restricted for debt service payments because their use is limited by applicable bond covenants and restrictions, \$3,097,925 is restricted for capital projects, and \$11,994,438 is restricted by enabling legislation (i.e. the use of tax increment funding for specific activities).

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

Notes to Basic Financial Statements

September 30, 2008

**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.

**I. 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 Deposits**

At September 30, 2008, the Agency's cash consisted of equity in pooled cash of \$17,812,889 and restricted cash of \$2,177,915. The Agency's funds participate in the City's pool on a dollar equivalent and daily transaction basis. Interest income (which includes unrealized gains and losses) is distributed monthly based on a monthly average balance.

Custodial Credit Risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. In addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC), deposits are held in banking institutions approved by the State of Florida, State Treasurer to hold public funds.



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Notes to Basic Financial Statements

September 30, 2008

**2. Cash Deposits (continued)**

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. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

**3. Sale of Property**

On April 13, 2005, the Agency sold certain property to Bayview Towers Associates, LLC (Bayview) for a total purchase price of \$2,600,000, of which \$500,000 was paid upon closing. The remaining amount of \$2,100,000 was due within two years from the date of closing, and was paid by Bayview upon the closing of each condominium unit sold by Bayview, whereby 7% of the gross purchase price of each condominium unit sold was paid to the Agency, up to the \$2,100,000. Bayview is required to continue to pay the Agency 7% of the gross purchase price of each condominium unit sold thereafter. The total amount paid by Bayview during the fiscal year ended September 30, 2008 is \$635,134.

**4. Capital Assets**

Capital asset activity for the fiscal year ended September 30, 2008 was as follows:

	Balance September <u>30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance September <u>30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ <u>2,725,807</u>	<u>962,500</u>	-	<u>3,688,307</u>
Total capital assets, not being depreciated	<u>2,725,807</u>	<u>962,500</u>	-	<u>3,688,307</u>
Capital assets, being depreciated:				
Furniture and equipment	102,575	1,943	(16,861)	87,657
Infrastructure	<u>8,758,800</u>	-	-	<u>8,758,800</u>
Total capital assets, being depreciated	<u>8,861,375</u>	<u>1,943</u>	<u>(16,861)</u>	<u>8,846,457</u>
Less accumulated depreciation for:				
Furniture and equipment	67,504	11,252	(16,861)	61,895
Infrastructure	<u>3,376,797</u>	<u>345,334</u>	-	<u>3,722,131</u>
Total accumulated depreciation	<u>3,444,301</u>	<u>356,586</u>	<u>(16,861)</u>	<u>3,784,026</u>
Total capital assets, being depreciated, net	<u>5,417,074</u>	<u>(354,643)</u>	-	<u>5,062,431</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 8,142,881</u>	<u>607,857</u>	-	<u>8,750,738</u>

During fiscal year 2008, depreciation expense in the amount of \$356,587 was charged to Community Development.

**CITY OF MIAMI SOUTHEAST OVERTOWN  
PARK WEST REDEVELOPMENT AGENCY**  
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Notes to Basic Financial Statements

September 30, 2008

**5. Long-Term Obligations**

The changes in the long-term obligations for the year ended September 30, 2008 are summarized as follows:

	Balance September 30, 2007	Additions	Deletions	Balance September 30, 2008	Amount due within one year
Community Redevelopment Revenue					
Bonds, Series 1990	\$ 2,180,000	-	(170,000)	2,010,000	185,000
Gran Central Loan	1,708,864	-	-	1,708,864	-
Advance on debt reserve	361,239	-	(361,239)	-	-
Compensated absences	57,318	-	(1,073)	56,245	-
Total long-term obligations	<u>\$ 4,307,421</u>	<u>-</u>	<u>(532,312)</u>	<u>3,775,109</u>	<u>185,000</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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 185,000	162,988	347,988
2010	200,000	146,625	346,625
2011	220,000	128,775	348,775
2012	235,000	109,438	344,438
2013	255,000	88,613	343,613
2014-2016	915,000	120,912	1,035,912
Total	<u>\$ 2,010,000</u>	<u>757,351</u>	<u>2,767,351</u>

**CITY OF MIAMI SOUTHEAST OVERTOWN  
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Notes to Basic Financial Statements

September 30, 2008

**5. Long-Term Obligations (continued)**

- (b) On January 20, 1988, 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 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. GCC has subsequently been acquired by another company (referred to as the "predecessor company"), which has taken over the loan.

The loan became due during fiscal year 2008. However, management believes that since no tax increment funds have been generated within the designated area, as defined in the loan documents, no payment on the loan is required. Management of the Agency is currently in discussions with the predecessor company to clarify these terms.

- (c) Related to the issuance of the Community Redevelopment Revenue Bonds, Series 1990 above, a reserve amount was required for the maximum debt service payment in the amount of \$554,148. However, as the debt was being paid by the City through to maturity, the Agency believed that the reserve amount of \$554,148 should be released from restriction and to fund the amounts to the Agency, as approved by Resolution No. 01-586, dated June 14, 2001. The advance of the debt reserve was recorded as a liability of the Agency at the government-wide level. During fiscal year 2004, the liability to the City was reduced by \$192,909, to \$361,239. The remaining advance of \$361,239 has been recorded as a current liability at September 30, 2008.

**6. 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.

On August 6, 2007, the City, County and The Children's Trust (the Trust) entered into an Interlocal Agreement with the Agency, whereby the Agency would receive from the Trust, on an annual basis, tax increment revenues derived from the imposition of a half-mil tax levied by the Trust against real property located within the redevelopment district (referred to as Trust revenues). The Agency agreed to use the Trust revenues for debt service on, and other obligations relating to, existing debts of the Agency only after all other available tax increment revenues have been exhausted for such purpose, and to remit to the Trust on the last day of the Agency's fiscal year, all of the Trust revenues that are not needed for debt service on, or other obligations relating to, existing debts of the Agency. As of September 30, 2008, the Agency recorded an amount due to the Trust totaling \$215,813.

**CITY OF MIAMI SOUTHEAST OVERTOWN  
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September 30, 2008

**7. 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.

**8. Interfund Transfers**

During 2008, there was a transfer of \$48,075 from the special revenue fund to the debt service fund to cover debt service expenditures.

**9. Special Benefit Plans**

**(a) 401(a) Deferred Compensation Plan**

All employees, including executives and general employees, of the Agency are eligible, after one year of service, to join the ICMA Retirement Trust 401(a) Deferred Compensation Plan (the Plan). The Plan agreement requires the Agency to contribute 8% of each executive employee's earnable compensation, and 5% of each general employee's earnable compensation. Contributions by executive and general employees are not required. Participants may withdraw funds at retirement or upon separation based on a variety of payout options. The following information relates to the Agency's participation in the 401(a) Deferred Compensation Plan:

Current year's payroll for executive employees	\$ 90,083
Current year's payroll for general employees	226,382
Current year's employer contributions for:	
Executive employees (8% rate)	7,472
General employees (5% rate)	9,923

**(b) 457(b) Deferred Compensation Plan**

All employees, including executives and general employees, of the Agency are eligible to join the United States Conference of Mayors 457(b) Deferred Compensation Plan (the Plan). The Plan agreement requires the Agency to contribute 5% of each executive employee's earnable compensation, and is not required to contribute to general employee participants. Contributions by executive and general employees are not required. Participants may withdraw funds at retirement or upon separation based on a variety of payout options. The following information relates to the Agency's participation in the 457(b) Deferred Compensation Plan:

Current year's payroll for executive employees	\$ 90,083
Current year's employer contributions for:	
Executive employees (5% rate)	4,670

**CITY OF MIAMI SOUTHEAST OVERTOWN  
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Notes to Basic Financial Statements

September 30, 2008

**10. Commitment and Contingencies**

The Agency is contractually obligated for approximately \$10 million at September 30, 2008, for construction projects.

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.

**CITY OF MIAMI SOUTHEAST OVERTOWN  
PARK WEST REDEVELOPMENT AGENCY**

(A Component Unit of the City of Miami, Florida)

Budgetary Comparison Schedule - General Fund

(Required Supplementary Information - Unaudited)

Year ended September 30, 2008

	<u>Budgeted amounts</u>			<b>Variance with final budget - positive (negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Tax increment revenues	\$ 700,000	700,000	330,000	(370,000)
Intergovernmental	727,354	727,354	357,354	(370,000)
Parking fees	-	-	308,475	308,475
Total revenues	<u>1,427,354</u>	<u>1,427,354</u>	<u>995,829</u>	<u>(431,525)</u>
Expenditures:				
Current:				
General government	<u>1,500,989</u>	<u>1,500,989</u>	<u>1,173,295</u>	<u>327,694</u>
Total expenditures	<u>1,500,989</u>	<u>1,500,989</u>	<u>1,173,295</u>	<u>327,694</u>
Excess (deficiency) of revenues over (under) expenditures	(73,635)	(73,635)	(177,466)	(103,831)
Other financing sources (uses):				
Net carryover fund balance	<u>73,635</u>	<u>73,635</u>	-	<u>(73,635)</u>
Total other financing sources (uses)	<u>73,635</u>	<u>73,635</u>	-	<u>(73,635)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	(177,466)	<u>(177,466)</u>
Fund balances - beginning			<u>620,667</u>	
Fund balances - ending			<u>\$ 443,201</u>	

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

**CITY OF MIAMI SOUTHEAST OVERTOWN  
PARK WEST REDEVELOPMENT AGENCY**  
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Budgetary Comparison Schedule - Special Revenue Fund

(Required Supplementary Information - Unaudited)

Year ended September 30, 2008

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with final budget - positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Tax increment revenues	\$ 5,635,880	5,796,444	5,682,257	(114,187)
Intergovernmental	-	-	69,884	69,884
Other	-	-	127,429	127,429
Interest	<u>11,500</u>	<u>11,500</u>	<u>529,039</u>	<u>517,539</u>
Total revenues	<u>5,647,380</u>	<u>5,807,944</u>	<u>6,408,609</u>	<u>600,665</u>
Expenditures:				
Current:				
Community redevelopment	<u>15,313,927</u>	<u>17,402,856</u>	<u>7,686,077</u>	<u>9,716,779</u>
Total expenditures	<u>15,313,927</u>	<u>17,402,856</u>	<u>7,686,077</u>	<u>9,716,779</u>
Excess (deficiency) of revenues over (under) expenditures	(9,666,547)	(11,594,912)	(1,277,468)	10,317,444
Other financing sources (uses):				
Transfers out	(760,000)	(410,000)	(48,075)	361,925
Proceeds from sale of land	-	511,473	635,134	123,661
Net carryover fund balance	<u>10,426,547</u>	<u>11,493,439</u>	<u>-</u>	<u>(11,493,439)</u>
Total other financing sources (uses)	<u>9,666,547</u>	<u>11,594,912</u>	<u>587,059</u>	<u>(11,007,853)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>(690,409)</u>	<u>(690,409)</u>
Fund balances - beginning			<u>12,684,847</u>	
Fund balances - ending			<u>\$ 11,994,438</u>	

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

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

Note to Required Supplementary Information

September 30, 2008

**1. Budgetary Policy**

The Agency adopts an annual budget for the operations of the General Fund, Special Revenue Fund and Debt Service Fund. Capital Project funds are budgeted on a total project basis for which annual budgets are not available. In accordance with generally accepted accounting principles, budgetary comparison information is disclosed only for the General Fund and the Special Revenue Fund.

The budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgetary control is maintained at the fund level.





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**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 of Directors  
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, 2008, and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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



In addition, we issued a management letter to management of the Agency dated November 20, 2008, as required by the *Rules of the Auditor General* of the State of Florida.

This report 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, Kleni, Tacomeni & Company LLP*

November 20, 2008