

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

Basic Financial Statements

September 30, 2012

(With Independent Auditor's Report Thereon)

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

September 30, 2012

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Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
City of Miami Southeast Overtown
Park West Community 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 Community Redevelopment Agency (the Agency), a component unit of the City of Miami, Florida (the City), as of and for the year ended September 30, 2012, 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, 2012, 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 December 3, 2012 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 21 through 23 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 Tandoc & Gamarra, LLP

December 3, 2012

Management's Discussion and Analysis

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

Management's Discussion and Analysis - Unaudited

September 30, 2012

This section of the City of Miami Southeast Overtown Park West Community Redevelopment Agency (the Agency) financial statements presents management's analysis of the financial performance for the fiscal year ended September 30, 2012. 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 \$32,141,926. Of this amount, \$5,556,125 was invested in capital assets net of related debt and \$1,225,984 was restricted for debt service, resulting in an excess of \$25,359,817 (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 \$26,716,825, an increase of \$1,388,728 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

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

Management's Discussion and Analysis - Unaudited

September 30, 2012

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). 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 three individual governmental funds during fiscal year 2012. 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, and Debt Service Fund.

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

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

Management's Discussion and Analysis - Unaudited

September 30, 2012

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 20 of this report.

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 21 and 22, respectively, of this report.

The following is a brief review of the significant variances between the original budget and final budget for the General Fund (please see budget to actual comparison on page 21):

- The change in the original budget to the final budget for general government expenditures was a result of the anticipated decrease in such expenditures from that amount originally budgeted.

The following is a brief review of the significant variances between the final budget and actual amounts reported for the General fund:

- The change in the final budget to actual amounts for tax increment revenues was a result of the lower than originally anticipated payout from the City and County.
- The change in the final budget to actual amounts for intergovernmental revenues was a result of the lower than originally anticipated contributions from the City of Miami Omni and Midtown Community Redevelopment Agencies.

The following is a brief review of the significant variances between the original budget and the final budget for the Special Revenue Fund (please see budget to actual comparison on page 22):

- The change in the original budget to the final budget for tax increment revenues was a result of the lower than originally anticipated payout from the City and County.
- The change in the original budget to the final budget for community redevelopment expenditures was a result of the anticipated decrease in such expenditures from that amount originally budgeted.

The significant variance between the final budget and actual amounts reported for community redevelopment expenditures in the Special Revenue Fund is a result of redevelopment projects that either did not commence yet or were not yet 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.

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

Management's Discussion and Analysis - Unaudited

September 30, 2012

Table A-1
Summary of Net Assets

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Current assets	\$ 28,028,362	\$ 26,117,908
Capital assets, net	<u>8,434,989</u>	<u>8,370,575</u>
Total assets	<u>34,463,351</u>	<u>34,488,483</u>
Current liabilities	1,566,537	789,811
Non-current liabilities	<u>2,754,888</u>	<u>3,226,232</u>
Total liabilities	<u>4,321,425</u>	<u>4,016,043</u>
Investment in capital assets, net of related debt	5,556,125	5,256,711
Restricted for debt service	1,225,984	782,270
Unrestricted	<u>25,359,817</u>	<u>24,433,459</u>
Total net assets	<u>\$ 32,141,926</u>	<u>\$ 30,472,440</u>

- Current assets increased in the current year mainly as a result of the increase in cash restricted for debt service.
- Current liabilities increased in the current year as a result of the accrual to remit amounts due to The Children's Trust in accordance with the terms of the agreement.
- A portion of the Agency's net assets (\$5,556,125) 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 (\$1,225,984) represents resources that are subject to external restrictions on how they may be used.
- The remaining portion of the Agency's net assets (\$25,359,817) 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>2011</u>	Fiscal Year <u>2011</u>
Revenues:		
Intergovernmental:		
Operating	\$ 1,131,314	\$ 715,183
General revenues:		
Tax increment revenue	8,501,547	12,177,078
Interest revenue	56,868	47,682
Other	<u>14,840</u>	<u>19,639</u>
Total revenues	<u>9,704,569</u>	<u>12,959,582</u>

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

Management's Discussion and Analysis - Unaudited

September 30, 2012

Table A-2 (continued)
Summary of Changes in Net Assets

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Expenses:		
General government	1,617,628	1,544,535
Community redevelopment	6,308,017	5,352,772
Interest on long-term debt	<u>109,438</u>	<u>128,775</u>
Total expenses and transfers	<u>8,035,083</u>	<u>7,026,082</u>
Change in net assets	1,669,486	5,933,500
Net assets, beginning of year	<u>30,472,440</u>	<u>24,538,940</u>
Net assets, end of year	<u>\$ 32,141,926</u>	<u>\$ 30,472,440</u>

- Intergovernmental revenue increased in the current year as a result of the increase in the amounts contributed from the City of Miami Omni and Midtown Community Redevelopment Agencies.
- Tax increment revenue decreased in the current year as a result of the decrease in the payout by the City and the County.
- Community redevelopment expenditures increased in the current year as a result of the increase in project activity from the prior year.

Individual Fund Analysis

Fund balance for the General Fund decreased from \$64,837 at September 30, 2011 to \$0 at September 30, 2012. The fund balance for the Special Revenue Fund increased from \$24,480,990 at September 30, 2011 to \$25,490,841 at September 30, 2012. Fund balance for the Debt Service Fund increase from \$782,270 at September 30, 2011 to \$1,225,984 at September 30, 2012.

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 2012:

- The increase in fund balance in the Special Revenue Fund was mainly due to the positive change in activity of \$1,009,851 during the year.
- The increase in fund balance in the Debt Service Fund was mainly due to the increase in amounts transferred from the Special Revenue Fund in anticipation of paying of the Series 1990 Bonds in the next fiscal year.

Capital Assets

As of September 30, 2012, the Agency's investment in capital assets, net of accumulated depreciation, amounted to \$8,434,989, increasing from \$8,370,575 as of September 30, 2011.

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

Management's Discussion and Analysis - Unaudited

September 30, 2012

Summary of Capital Assets
(Net of Accumulated Depreciation)

	Fiscal Year <u>2012</u>	Fiscal Year <u>2011</u>
Land	\$ 4,267,007	\$ 4,019,507
Furniture and equipment	39,746	51,176
Infrastructure	<u>4,128,236</u>	<u>4,299,892</u>
Total capital assets	\$ <u>8,434,989</u>	\$ <u>8,370,575</u>

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

Debt Management

As of September 30, 2012, the Agency had \$2,878,864 of special obligation bonds and loans outstanding compared to \$3,133,864 as of September 30, 2011. 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 2012.

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, 1490 NW 3rd Avenue, Suite 105, Miami, Florida 33136.

Basic Financial Statements

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

Statement of Net Assets

September 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash	\$ 26,768,068
Restricted cash	1,229,975
Interest receivable	14,317
Due from other government	16,002
Capital assets (net of accumulated depreciation):	
Land	4,267,007
Furniture and equipment	39,746
Infrastructure	<u>4,128,236</u>
Total assets	<u>36,463,351</u>
Liabilities	
Accounts payable and accrued liabilities	1,311,537
Non-current liabilities:	
Due within one year:	
Bonds payable	255,000
Due in more than one year:	
Bonds payable	915,000
Notes payable	1,708,864
Compensated absences	<u>131,024</u>
Total liabilities	<u>4,321,425</u>
Net Assets	
Invested in capital assets, net of related debt	5,556,125
Restricted for debt service	1,225,984
Unrestricted	<u>25,359,817</u>
Total net assets	<u>\$ 32,141,926</u>

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

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

Statement of Activities

Year ended September 30, 2012

	<u>Governmental Activities</u>
Expenses:	
General government	\$ 1,617,628
Community redevelopment	6,308,017
Interest on long-term debt	<u>109,438</u>
Total expenses and transfers	<u>8,035,083</u>
Program revenues:	
Intergovernmental revenue:	
Operating	<u>1,131,314</u>
Net expense	<u>(6,903,769)</u>
General revenues:	
Tax increment revenue	8,501,547
Other	14,840
Interest revenue	<u>56,868</u>
Total general revenues	<u>8,573,255</u>
Change in net assets	1,669,486
Net assets - beginning of the year	<u>30,472,440</u>
Net assets - end of the year	<u>\$ 32,141,926</u>

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

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

Balance Sheet

Governmental Funds

September 30, 2012

	General	Special revenue	Debt service	Total governmental funds
Assets				
Equity in pooled cash	\$ 78,722	26,689,346	-	26,768,068
Restricted cash	-	-	1,229,975	1,229,975
Due from other government	16,002	-	-	16,002
Interest receivable	-	14,317	-	14,317
Total assets	\$ 94,724	26,703,663	1,229,975	28,028,362
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 94,724	1,212,822	3,991	1,311,537
Total liabilities	94,724	1,212,822	3,991	1,311,537
Fund balances:				
Restricted	-	-	1,225,984	1,225,984
Committed	-	20,503,096	-	20,503,096
Assigned	-	4,987,745	-	4,987,745
Unassigned	-	-	-	-
Total fund balances	-	25,490,841	1,225,984	26,716,825
Total liabilities and fund balances	\$ 94,724	26,703,663	1,229,975	

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.

8,434,989

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable (1,170,000)

Notes payable (1,708,864)

Compensated absences (131,024) (3,009,888)

Net assets of governmental activities \$ 32,141,926

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended September 30, 2012

	General	Special revenue	Debt service	Total governmental funds
Revenues:				
Tax increment revenues	\$ 885,222	7,616,325	-	8,501,547
Intergovernmental	665,623	165,691	300,000	1,131,314
Other	-	14,840	-	14,840
Interest	-	56,868	-	56,868
Total revenues	<u>1,550,845</u>	<u>7,853,724</u>	<u>300,000</u>	<u>9,704,569</u>
Expenditures:				
Current:				
General government	1,594,981	-	3,991	1,598,972
Community redevelopment	-	6,372,431	-	6,372,431
Debt service:				
Principal	-	-	235,000	235,000
Interest	-	-	109,438	109,438
Total expenditures	<u>1,594,981</u>	<u>6,372,431</u>	<u>348,429</u>	<u>8,315,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,136)</u>	<u>1,481,293</u>	<u>(48,429)</u>	<u>1,388,728</u>
Other financing sources (uses):				
Transfers in	-	20,701	492,143	512,844
Transfers out	(20,701)	(492,143)	-	(512,844)
Transfer to primary government	-	-	-	-
Total other financing sources (uses)	<u>(20,701)</u>	<u>(471,442)</u>	<u>492,143</u>	<u>-</u>
Net change in fund balances	(64,837)	1,009,851	443,714	1,388,728
Fund balances - beginning	64,837	24,480,990	782,270	25,328,097
Fund balances - ending	<u>\$ -</u>	<u>25,490,841</u>	<u>1,225,984</u>	<u>26,716,825</u>
Net change in fund balances - total governmental funds				1,388,728

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 235,000

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:

Increase in compensated absences (18,656)

The governmental fund 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 247,500
Less: depreciation expense (183,086) 64,414

Change in net assets of governmental activities \$ 1,669,486

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

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

Notes to Basic Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies

This summary of the City of Miami Southeast Overtown Park West Community 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, 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 PARK
WEST COMMUNITY REDEVELOPMENT AGENCY**
(A Component Unit of the City of Miami, Florida)

Notes to Basic Financial Statements

September 30, 2012

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. Specifically, this fund reports tax increment revenue collected from the City, County and The Children's Trust;
- The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, bond principal and interest; and

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. 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.

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

Notes to Basic Financial Statements

September 30, 2012

E. Capital Assets (continued)

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

F. Fund Equity / Net Assets

Fund equity

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent, as follows:

- Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance - amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.
- Assigned fund balance - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purpose within the general fund.

When both restricted and unrestricted amounts are available for use, it is the Agency's practice to use restricted resources first. Additionally, the Agency would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

Net assets

The government-wide financial statements utilize a net asset presentation. Net assets can be categorized as invested in capital assets net of any related debt, restricted, or unrestricted. The first category represents capital assets, less accumulated depreciation and net of any outstanding debt associated with the acquisition of capital assets. Restricted net assets represent amounts that are restricted by requirement of debt indenture or enabling legislation. Unrestricted net assets represents the net assets of the Agency which are not restricted for any project or purpose.

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

Notes to Basic Financial Statements

September 30, 2012

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.

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, 2012, the Agency's cash consisted of equity in pooled cash of \$26,768,068 and restricted cash of \$1,229,975. 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. 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.

4. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Transfers/ Additions	Transfers/ Deletions	Balance September 30, 2012
Capital assets, not being depreciated:				
Land	\$ 4,019,507	247,500	-	4,267,007
Total capital assets, not being depreciated	<u>4,019,507</u>	<u>247,500</u>	<u>-</u>	<u>4,267,007</u>
Capital assets, being depreciated:				
Furniture and equipment	153,407	-	-	153,407
Infrastructure	9,421,369	-	-	9,421,369
Total capital assets, being depreciated	<u>9,574,776</u>	<u>-</u>	<u>-</u>	<u>9,574,776</u>
Less accumulated depreciation for:				
Furniture and equipment	102,231	11,430	-	113,661
Infrastructure	5,121,477	171,656	-	5,293,133
Total accumulated depreciation	<u>5,223,708</u>	<u>183,086</u>	<u>-</u>	<u>5,406,794</u>
Total capital assets, being depreciated, net	<u>4,351,068</u>	<u>183,086</u>	<u>-</u>	<u>4,167,982</u>
Total capital assets (net of accumulated depreciation)	<u>\$ 8,370,575</u>	<u>64,414</u>	<u>-</u>	<u>8,434,989</u>

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

Notes to Basic Financial Statements

September 30, 2012

4. Capital Assets (continued)

During fiscal year 2012, depreciation expense in the amount of \$183,086 was charged to Community Redevelopment.

5. Long-Term Obligations

The changes in the long-term obligations for the year ended September 30, 2012 are summarized as follows:

	Balance September <u>30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance September <u>30, 2012</u>	Amount due within one <u>year</u>
Community Redevelopment					
Revenue Bonds, Series 1990	\$ 1,405,000	-	(235,000)	1,170,000	255,000
Gran Central Loan	1,708,864	-	-	1,708,864	-
Compensated absences	<u>112,368</u>	<u>18,656</u>	<u>-</u>	<u>131,024</u>	<u>-</u>
Total long-term obligations	<u>\$ 3,226,232</u>	<u>18,656</u>	<u>(235,000)</u>	<u>3,009,888</u>	<u>255,000</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 Community 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 Community 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 bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 255,000	88,613	343,613
2014	280,000	65,875	345,875
2015	305,000	41,012	346,012
2016	<u>330,000</u>	<u>14,025</u>	<u>344,025</u>
Total	<u>\$ 1,170,000</u>	<u>209,525</u>	<u>1,379,525</u>

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

Notes to Basic Financial Statements

September 30, 2012

5. Long-Term Obligations (continued)

However, subsequent to year-end, the Agency made payment on the remaining outstanding principal balance and accrued interest.

- (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, and will only become due when any such tax increment funds have been generated within the designated area.

Debt authorized, but unissued

As of September 30, 2012, the Agency has authorized but has not issued an amount not to exceed \$50,000,000 of tax increment revenue bonds to finance or refinance the acquisition and construction of community redevelopment projects in the redevelopment area of the Agency.

6. Fund Balances

At September 30, 2012, the Agency reported the following governmental fund balances:

- Restricted fund balance - these amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by the Board of the Agency. The items cannot be removed unless the Board removes it in the same manner it was implemented.
- Assigned fund balance - these amounts are approved and constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance - These amounts have not been assigned to other funds and have not been restricted, committed, or assigned for a specific purpose.

Below is a table of fund balance categories and classifications, by fund, at September 30, 2012:

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

Notes to Basic Financial Statements

September 30, 2012

6. Fund Balances (continued)

	General	Special Revenue	Debt Service
Restricted for debt service	\$ -	-	1,225,984
Committed to community development	-	20,503,096	-
Assigned to community development	-	4,987,745	-
Total	\$ -	25,490,841	1,225,984

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.

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, 2012, the Agency recorded an amount due to the Trust totaling \$403,250.

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, and therefore, the City allocates all moneys received from DOSP to the Southeast Overtown district. During 2012, the Agency did not have parking lease revenue.

9. Interfund Transfers

During 2012, there was a transfer of \$492,143 from the special revenue fund to the debt service fund to cover debt service expenditures, and a transfer of \$20,701 from the general fund to the special revenue fund to adjust fund balance.

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

Notes to Basic Financial Statements

September 30, 2012

10. 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:

10. Special Benefit Plans (continued)

(b) 401(a) Deferred Compensation Plan (continued)

Current year's payroll for executive employees	\$ 200,062
Current year's payroll for general employees	611,648
Current year's employer contributions for:	
Executive employees (8% rate)	21,039
General employees (5% rate)	37,481

(c) 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	\$ 91,821
Current year's employer contributions for:	
Executive employees (5% rate)	4,550

11. Commitment and Contingencies

- (a) The Agency is contractually obligated for approximately \$12.5 million at September 30, 2012, for construction projects.
- (b) During 2010, the Agency committed to provide a grant to Camillus House for the construction of a new facility at an amount not to exceed \$10,000,000. The grant, which is being funded by tax increment revenues, is payable at \$2,000,000 per year over a five year period from fiscal year 2011 through fiscal year 2016.
- (c) 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 COMMUNITY REDEVELOPMENT AGENCY**
(A Component Unit of the City of Miami, Florida)

Notes to Basic Financial Statements

September 30, 2012

12. Subsequent events

The Agency evaluated subsequent events through December 3, 2012, the date the financial statements were available to be issued.

Required Supplementary Information

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

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

Budgetary Comparison Schedule - General Fund

(Required Supplementary Information - Unaudited)

Year ended September 30, 2012

	<u>Budgeted amounts</u>			Variance with final budget - positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Tax increment revenues	\$ 1,000,958	913,886	885,222	(28,664)
Intergovernmental	932,655	1,038,174	665,623	(372,551)
Total revenues	<u>1,933,613</u>	<u>1,952,060</u>	<u>1,550,845</u>	<u>(401,215)</u>
Expenditures:				
Current:				
General government	1,870,711	1,710,059	1,594,981	115,078
Total expenditures	<u>1,870,711</u>	<u>1,710,059</u>	<u>1,594,981</u>	<u>115,078</u>
Excess (deficiency) of revenues over (under) expenditures	62,902	242,001	(44,136)	(286,137)
Other financing sources (uses):				
Transfers out	-	-	(20,701)	(20,701)
Net budget reserve	<u>(62,902)</u>	<u>(242,001)</u>	-	242,001
Total other financing sources (uses)	<u>(62,902)</u>	<u>(242,001)</u>	<u>(20,701)</u>	<u>221,300</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	(64,837)	<u>(64,837)</u>
Fund balances - beginning			<u>64,837</u>	
Fund balances - ending			<u>\$ -</u>	

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

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

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

Budgetary Comparison Schedule - Special Revenue Fund

(Required Supplementary Information - Unaudited)

Year ended September 30, 2012

	<u>Budgeted amounts</u>			Variance with final budget - positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Tax increment revenues	\$ 8,459,452	8,098,297	7,616,325	(481,972)
Intergovernmental	-	-	165,691	165,691
Other	-	-	14,840	14,840
Interest	-	-	56,868	56,868
Total revenues	<u>8,459,452</u>	<u>8,098,297</u>	<u>7,853,724</u>	<u>(244,573)</u>
Expenditures:				
Current:				
Community redevelopment	<u>32,228,745</u>	<u>31,282,592</u>	<u>6,372,431</u>	<u>24,910,161</u>
Total expenditures	<u>32,228,745</u>	<u>31,282,592</u>	<u>6,372,431</u>	<u>24,910,161</u>
Excess (deficiency) of revenues over (under) expenditures	(23,769,293)	(23,184,295)	1,481,293	24,665,588
Other financing sources (uses):				
Transfers in	-	-	20,701	20,701
Transfers out	(1,398,471)	(1,196,695)	(492,143)	704,552
Net carryover fund balance	<u>25,167,764</u>	<u>24,380,990</u>	-	<u>(24,380,990)</u>
Total other financing sources (uses)	<u>23,769,293</u>	<u>23,184,295</u>	<u>(471,442)</u>	<u>(23,655,737)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	1,009,851	<u>1,009,851</u>
Fund balances - beginning			<u>24,480,990</u>	
Fund balances - ending			<u>\$ 25,490,841</u>	

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

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

Note to Required Supplementary Information

September 30, 2012

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.

Other Reports



**SANSON KLINE
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**Independent Auditor's 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 Community Redevelopment Agency:

We have audited the basic financial statements of the City of Miami Southeast Overtown Park West Community Redevelopment Agency (the Agency) as of and for the year ended September 30, 2012, and have issued our report thereon dated December 3, 2012. 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

Management of the Agency is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, 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 December 3, 2012, 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, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Sanson Kline Jacomine Landec & Hamarra, LLP

December 3, 2012



**SANSON KLINE
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**Management Letter in Accordance with the
*Rules of the Auditor General of the State of Florida***

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

We have audited the financial statements of the City of Miami Southeast Overtown Park West Community Redevelopment Agency (the Agency), a Component Unit of the City of Miami, Florida, as of and for the fiscal year ended September 30, 2012 and have issued our report thereon dated December 3, 2012.

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. We have issued our Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports, which are dated December 3, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report not otherwise addressed in the auditor's report pursuant to Section 10.557(3)(b)2., Rules of the Auditor General. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our current year audit, we determined that the Agency complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Current year recommendations are included at Appendix A to this letter.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our current year audit, we noted no such violations.



- Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that have an inconsequential to the determination effect on the financial statement, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (b) deficiencies in internal control that are not significant deficiencies. In connection with our current year audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosures are made in note 1 to the Agency's financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our current year audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial reports for the Agency for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. The Agency does not file a separate report with the State of Florida Department of Financial Services. The financial operations of the Agency are included in the basic financial statements of the City of Miami, Florida for the year ended September 30, 2012.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our current year audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Sanson Kline Jacqueline Landos S Hamarra, LLP

December 3, 2012

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

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2012

Current Year's Recommendations

2012-1 – New GASB Pronouncements

Criteria – The Government Accounting Standards Board (GASB) recently issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 63 is effective for the Agency's financial statement period ending September 30, 2013. GASB Statement No. 65 is effective for the Agency's financial statement period ending September 30, 2014, with earlier implementation encouraged. However, as the Agency is a component unit of the City of Miami, Florida, if the City makes the decision to early implement GASB Statement No. 65, the Agency will be required to early implement as well.

Condition – Not applicable

Questioned Costs – Not applicable

Context – Not applicable

Cause – Not applicable

Effect – Not applicable

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

Management Letter in Accordance With the
Rules of the Auditor General of the State of Florida

Year ended September 30, 2012

Current Year's Recommendations

Recommendation – We recommend that management become familiar with GASB Statements No. 63 and 65, and be prepared to implement these pronouncements for the fiscal year ending September 30, 2013 and September 30, 2014, respectively. However, if the City decides to implement GASB Statement No. 65 earlier than fiscal year ending September 30, 2014, the Agency will be required to early implement as well.

View of Responsible Officials and Planned Corrective Actions – Management acknowledges the recommendation made. We will become familiar with both GASB Statements and implement each when required.