

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

Financial Report
Fiscal Year Ended September 30, 2012

PREPARED BY

THE FINANCE DEPARTMENT



Assurance ■ Tax ■ Consulting

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Independent Auditor's Report

To the Board Members
Miami Beach Redevelopment Agency:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Miami Beach Redevelopment Agency (the "Agency"), a component unit of the City of Miami Beach, Florida (the "City"), as of and for the year ended September 30, 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 Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Miami Beach Redevelopment Agency, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2013, 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, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information for the general fund, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison schedule for the debt service fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary comparison schedule for the debt service fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the debt service fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

McGladrey LLP

Miami, Florida
May 22, 2013

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

Management's Discussion and Analysis

The Management's Discussion and Analysis (the "MD&A") of the Miami Beach Redevelopment Agency (the "Agency") is intended to provide an overview of the Agency's position and results of operations for the fiscal year ended September 30, 2012. The MD&A is an element of the reporting model required by the Governmental Accounting Standards Board (the "GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments* issued in 1999. The MD&A should be read in conjunction with the Agency's financial statements, including the accompanying notes, to enhance the understanding of the Agency's financial performance.

Financial Highlights

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$129.3 million (net assets).
- The Agency's net assets increased by \$19.2 million. The governmental net assets increased by \$18.4 million and the business-type net assets increased by \$.8 million.
- Business Type Activity revenue increased \$.2 million and expenses also increased by \$1 million.
- Comparing fiscal year 2012 with 2011, the governmental activities revenue increased by \$3.1 million and expenses decreased by \$8.3 million.
- At September 30, 2012 fund balance in the Agency's governmental funds was \$53.1 million. This includes \$6.8 million restricted in the debt service fund and \$30.2 million committed in the capital projects fund.
- The Agency's total long-term liabilities decreased by \$4.9 million or 6.8% during the current year. This was a result of the normal maturity of the outstanding City Center bonds. No new debt was issued during the current year.
- The Agency's assets increased by approximately \$21.8 million or 11.2%. The increase is attributed to an increase in capital assets, net of accumulated depreciation of \$6.7 million or 5.4% and an increased in current assets of \$15.2 million or 21.3%.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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Management's Discussion and Analysis

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

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

The government-wide financial statements can be found on pages 18 – 20 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 25 – 27 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 28 – 45 of this report.

Government-Wide Financial Analysis

The table below summarizes the statement of net assets:

Summary of Net Assets (in thousands)						
	Governmental Activities 2012	Governmental Activities 2011	Business-Type Activities 2012	Business-Type Activities 2011	Total 2012	Total 2011
Current and other assets	\$ 67,235	\$ 54,216	\$ 19,114	\$ 16,961	\$ 86,349	\$ 71,177
Capital assets	102,843	95,391	26,875	27,662	129,718	123,053
Total assets	170,078	149,607	45,989	44,623	216,067	194,230
Long-term liabilities	66,247	71,284	255	106	66,502	71,390
Other liabilities	19,238	12,080	994	610	20,232	12,690
Total liabilities	85,485	83,364	1,249	716	86,734	84,080
Net assets:						
Invested in capital assets, net of related debt	102,843	95,391	26,875	27,662	129,718	123,053
Restricted	6,772	6,651	-	-	6,772	6,651
Unrestricted	(25,022)	(35,799)	17,865	16,245	(7,157)	(19,554)
Total net assets	\$ 84,593	\$ 66,243	\$ 44,740	\$ 43,907	\$129,333	\$110,150

Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$129.3 million at September 30, 2012, an increase of \$19.2 million or 17.4% from September 30, 2011.

A large portion of the Agency's net assets reflects its investment in capital assets \$129.7 million (e.g., land, building, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Agency's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Agency's net assets (approximately \$6.8 million) represents resources that are subject to external restrictions on how they may be used.

The Agency's net assets increased by \$19.2 million during the current fiscal year. Governmental activities accounted for an increase of \$18.4 million while Business-type accounted for an increase of \$.8 million.

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

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Management's Discussion and Analysis

The table below summarizes the change in net assets:

	Summary of Changes in Net Assets (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 41	\$ 84	\$ 4,428	\$ 4,212	\$ 4,469	\$ 4,296
Operating grants and contributions	-	28	-	-	-	28
Capital grants and contributions	4,890	250	-	-	4,890	250
General Revenues:						
Taxes:						
Property taxes	30,986	33,162	-	-	30,986	33,162
Resort taxes	4,925	4,492	-	-	4,925	4,492
Investment earnings	373	142	14	24	387	166
Total revenues	41,215	38,158	4,442	4,236	45,657	42,394
Expenses:						
General government	7,048	6,392	-	-	7,048	6,392
Public safety	3,391	2,838	-	-	3,391	2,838
Physical environment	41	41	-	-	41	41
Transportation	5,445	555	-	-	5,445	555
Economic environment	1,606	16,414	-	-	1,606	16,414
Culture and recreation	1,028	608	-	-	1,028	608
Parking-Anchor & Penn. Garage	-	-	3,416	2,976	3,416	2,976
Leases-Anchor & Penn. Shops	-	-	806	241	806	241
Interest on long-term debt	3,698	3,718	-	-	3,698	3,718
Total expenses	22,257	30,566	4,222	3,217	26,479	33,783
 Increase in net assets before transfers and gain (loss) on sale of capital assets	 18,958	 7,592	 220	 1,019	 19,178	 8,611
 Gain (Loss) on sale of Capital Assets	 5	 -	 -	 -	 5	 -
Transfers	(613)	(16,810)	613	16,810	-	-
Increase (Decrease) in net assets	18,350	(9,218)	833	17,829	19,183	8,611
Net assets, beginning	66,243	75,461	43,907	26,078	110,150	101,539
Net assets, ending	\$ 84,593	\$ 66,243	\$ 44,740	\$ 43,907	\$ 129,333	\$ 110,150

Governmental activities increased the Agency's net assets by \$18.4 million.

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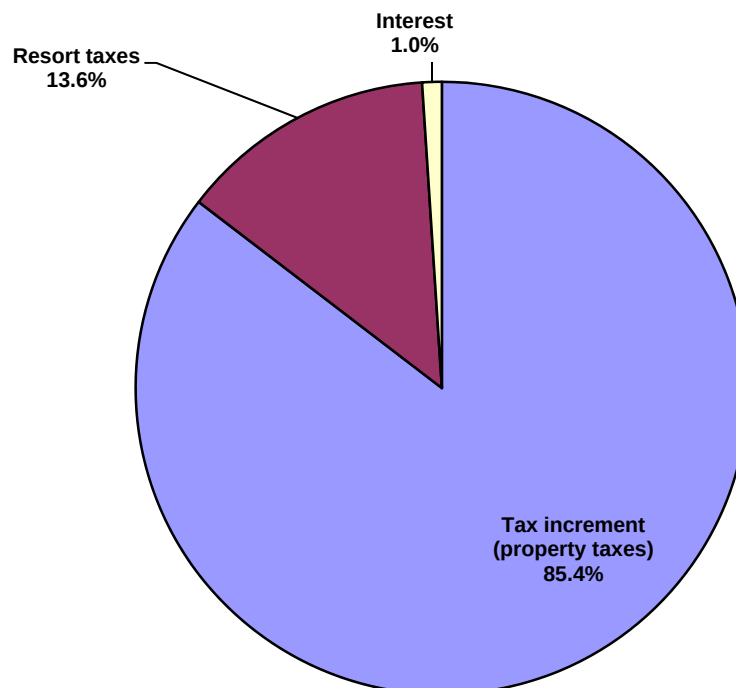
Management's Discussion and Analysis

Key elements of the net decrease are as follows:

- Total expenses decrease for the governmental activities by \$8.3 million or 27.2%. Expenses from governmental activities in fiscal year 2011 totaled \$30.6 million and included a onetime grant-in-aid of \$15 million given to the New World Symphony in accordance with a Grant-in-Aid Agreement dated July 23, 2008.
- Revenues from governmental activities in fiscal year 2012 totaled \$41.2 million, an increase of \$3.1 million from 2011. The increase is primarily due to a capital contribution of \$4.9 million from the primary government parking system fund, \$0.02 million increase in investment earnings offset by an increase of \$.4 million in resort tax revenue, and a decrease in tax increment revenue of \$2.2 million. The increase in tax increment revenue is attributed to an increase in the millage rates of the City and the County.

The following chart shows the amounts of program and general revenues for fiscal year 2012:

Revenues by Source – Governmental Activities
Year Ended September 30, 2012



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Management's Discussion and Analysis

Business-Type Activities

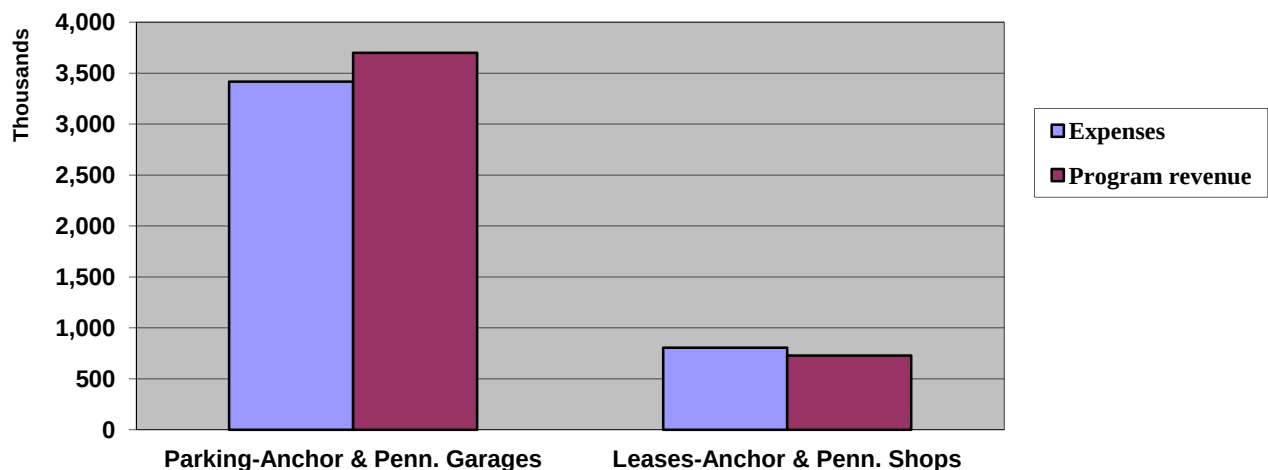
Business-type activities increased the Agency's net assets by approximately \$.8 million.

Key elements of this increase are as follows:

- The Parking Garages' net assets increased by \$.6 million or 1.6%. The garage funds received a transfer from the parking system of \$.3 million and increase charges for services of \$.2 million.
- Operating expenses in the garages increase by \$.4 million, contractual services costs which comprised the largest portion of the increase was \$2 million paid to third party for security services, management services, cleaning services, and ad valorem taxes.
- Capital Contribution decreased by \$16 million or 100% from the prior year. In FY 2011 the RDA received a onetime contribution of \$16 million from a governmental fund for Pennsylvania Ave Parking Garage.
- The Leasing Shops' net assets increased by \$.3 million or 3.4%. The shops received a transfer from the City parking system of .4 million and increase permit, rentals and other of \$.1 million.
- Operating expenses in the shops had a net increase of \$.6 million over the prior year; contractual service which was \$.7 million was paid for management and leasing fees. The shops also paid administration fees of \$.03 million to the general fund to pay for direct and indirect staff support for the RDA.

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2012:

Expenses and Program Revenues - Business-type Activities September 30, 2012



Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

Financial Analysis of the Governmental Funds

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

	Governmental Funds (in thousands)			
	Capital			Total
	General	Debt Service City Center	Projects City Center	Governmental Funds
Fund balance, September 30, 2011	\$ 16,601	\$ 6,651	\$ 23,650	\$ 46,902
Revenues	35,975	-	351	36,326
Expenditures	(10,730)	(9,999)	(8,835)	(29,564)
Other financing sources (uses)	(25,721)	10,120	14,993	(608)
Fund balance, September 30, 2012	\$ 16,125	\$ 6,772	\$ 30,159	\$ 53,056

Governmental Funds

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

Total fund balance for the Governmental Funds totaled \$53.1 million at September 30, 2012. This is a total increase of \$6.2 million or approximately 13.1%.

The general fund is the chief operating fund of the Agency. The fund balance of the Agency's general fund had a net decrease by \$.5 million during the current fiscal year. Net decrease in the general fund tax increment decrease by \$2.2 million or 6.6%, tax increments revenue is computed by applying the operating tax rate for the City and Miami-Dade County, Florida, (the County) multiplied by the increased value of property in the district over the base property value minus 5%. Fluctuations in tax increment revenue is based on real estate property values City wide.

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

Resort tax increase by \$.4 million or 9.6% based on a half of total 1% room tax collected. Fluctuations in resort tax revenues are completed based on the fluctuation in the rent of room or rooms in any hotel, motel, rooming house or apartment house and vary from one year to another based on the economy.

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Management's Discussion and Analysis

The agency debt service fund has an increase in net assets of \$.1 million. Principal and interest payments on the tax increment revenue bonds were \$ \$8.4 million, while \$1.6 million was transferred to the City to pay other agency related debt. Tax increment revenue transferred from the general fund to pay the debt service was \$10.1 million.

The agency capital project fund had a net increased in fund balance of \$6.5 million. In FY 2011 the RDA general transferred \$.1 million to the capital project fund as compared to \$15 million in FY 2012 based on an approved capital budget amount. Capital expenditures decrease by \$8 million or 47.4%. Project cost is based on multiyear budget and is paid when work is completed. In FY 2012 the agency transferred \$4.9 million in exchange for the Sunset Harbor Garage.

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

Proprietary Funds

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

The total growth in net assets for both proprietary funds was approximately \$.8 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the Agency's business-type activities.

Budgetary Highlights

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

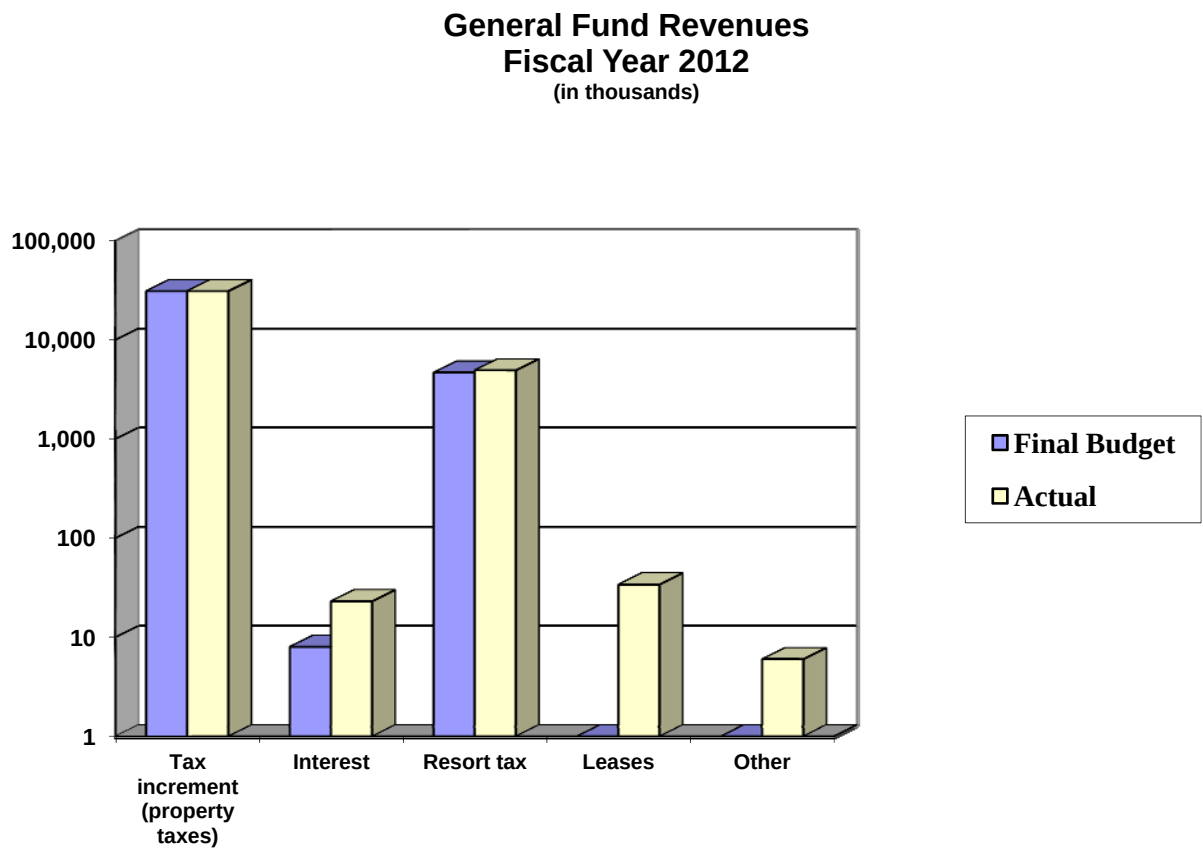
The major variances between the adopted/final budget and actual are the tax increment revenues and the resort tax revenues collected. The variance in resort tax revenue is due to an increase in the collection of resort tax due to an increase in tourism in the City of Miami Beach. The variance in the tax increment collection is due to an increase in the credit taken by both the City of Miami Beach and Miami-Dade County against the tax increment for prior years.

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Management's Discussion and Analysis

General Fund Revenues

The following charts and tables summarize actual revenues by category for fiscal year 2012 and compares actual revenues with the Adopted/Final Budget:



Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

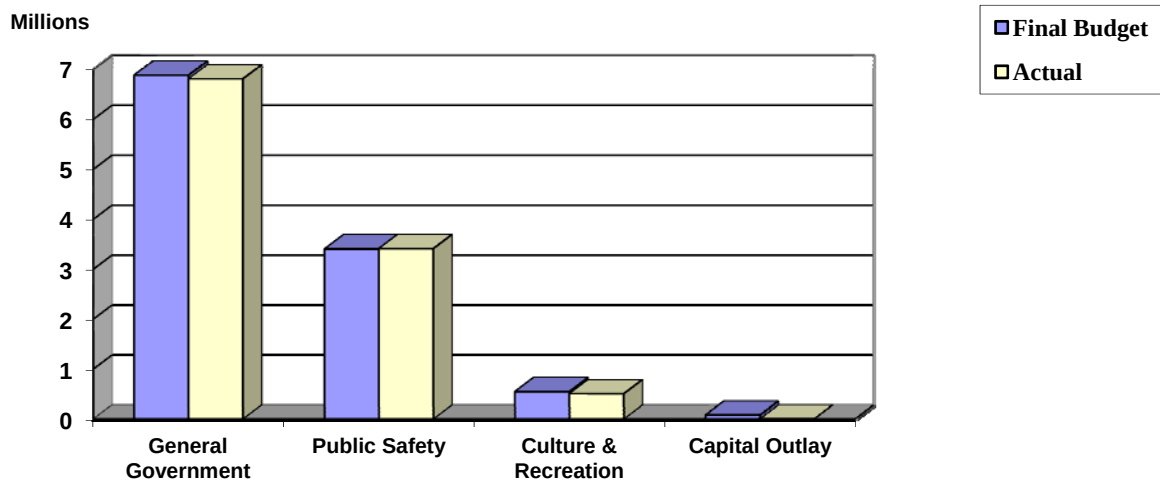
General Fund Revenues
Fiscal Year 2012
(in thousands)

	Final Adopted Budget	Actual Amounts
Revenues:		
Tax increment (property taxes)	\$ 30,986	\$ 30,986
Resort tax	4,670	4,925
Rents and Leases	-	34
Interest income	8	23
Other	-	7
Total revenues	<u>\$ 35,664</u>	<u>\$ 35,975</u>

General Fund Expenditures

The following chart and table summarize actual expenditures by function/program for fiscal year 2012 and compare the actual expenditures with the Final Budget:

General Fund Expenditures
Fiscal Year 2012



Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

General Fund Expenditures
Fiscal Year 2012
(in thousands)

	Final Adopted Budget	Actual Amounts
Expenditures:		
General government	\$ 6,885	\$ 6,812
Public safety	3,403	3,412
Culture and Recreation	548	506
Capital outlay	78	-
Total expenditures	\$ 10,914	\$ 10,730

Capital Assets and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$129.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, vehicles, machinery and equipment, streetscape improvements, restorations and renovations and construction work-in-progress, which are detailed as follows (net of accumulated depreciation):

Capital Assets

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and land improvements	\$ 10,818	\$ 5,928	\$ 3,003	\$ 3,003	\$ 13,821	\$ 8,931
Buildings and structures	21,311	21,797	23,695	24,440	45,006	46,237
Vehicles	-	10	-	-	-	10
Machinery and equipment	-	7	65	106	65	113
Furniture and fixtures	4	6	-	-	4	6
Streetscape improvements	15,009	15,564	-	-	15,009	15,564
Restorations and renovations	8,132	8,447	-	-	8,132	8,447
Construction in progress	47,569	43,632	112	113	47,681	43,745
Totals	\$ 102,843	\$ 95,391	\$ 26,875	\$ 27,662	\$ 129,718	\$ 123,053

Miami Beach Redevelopment Agency
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Management's Discussion and Analysis

The Agency has developed various capital improvement programs to improve the quality of life for the residents of the City of Miami Beach. Recent major projects included the restoration of the City Center Historic District, Miami City Ballet and Collins Park Parking Garage. Major on-going projects include streetscape improvements, the Collins Canal enhancement and the Lincoln Road project between Collins and Washington among a few. Additional information on the Agency's capital assets can be found in the notes to the financial statements. Major capital asset events in progress or completed during the current fiscal year include the following:

- Collins Park/Streetscape/Rotunda –This project is for the renovation and re-design of Collins Park on the west side of Collins Avenue (approx. 4.5 acres) per Cultural Campus Master Plan after the demolition of the existing library. This project does not include Collins Park improvements on the east side of Collins Avenue (approx. 3.3 acres), for which design and construction are to be coordinated with the streetscape improvements and beach walk improvements.
- Botanical Garden (Garden Center) – Phase II of renovations to the Garden Center includes renovations to the building, entry, patio roof, pergola, maintenance area, site improvements, lighting, signage, planting, irrigation, interior renovations and interior acoustic improvements.
- City Center Right-of-Way Improvement /Convention Center Storm Water Improvement-restoration and enhancement of right-of ways/streetscapes throughout the City Center, including roadway, sidewalks, curb and gutter, landscape, streetscape, irrigation, lighting, potable water, and storm drainage infrastructure as needed. The project limits include Drexel Avenue from Lincoln Lane to Lincoln Lane North, Pennsylvania Avenue from 16th to 17th Street, Euclid Avenue from Lincoln Lane to Lincoln Road Mall, Meridian Avenue from 16th to 17th, Jefferson Avenue from Lincoln Lane to 17th St., Michigan Avenue from 16th to 17th, Lenox Avenue from 16th to 17th, Lenox Court, Lincoln Lane to 16th, Lincoln Lane from Drexel to Alton Rd., Lincoln Lane North from Washington to Alton, Washington to Dade Blvd, Convention Center Drive and 19th Street.
- New World Symphony Park Project - The partnership between the City and the New World Symphony (the "Symphony") have resulted in the New World Center; a new, state of the art performance and recording facility which opened in February 2011 on City-owned land, with the adjacent City owned 2.85 acre park, SoundScape, which features a 7,000 square foot projection wall on the eastern front of the New World building. Complete with a world-class audio system, ExoStage after dark provides a canvas for video art, music, film and simulcasts of concerts playing inside the New World Center. This facility is a technological wonder designed by celebrity architect Frank Gehry and the first of its kind in the world.
- Miami City Ballet HVAC Replacement – Replacement of 3 rooftop package A/C units.
- Citywide Wayfinding Signage System – Includes citywide wayfinding signage and identification system.
- Multi-Purpose Municipal Parking Facility – A seven level parking facility having 651 parking spaces, approximately 32,000 sq. ft. of commercial office space facing Meridian Avenue and associated site improvements. The project is located on the East side of Meridian Avenue at 17th Street in the City of Miami Beach Florida behind City Hall. The project is to be constructed in five separate construction phases: Demolition, Piling, Underground Utilities, Garage & Office Complex and Tenant Build-Out.
- Bass Museum Hydraulic Elevator Replacement- Hydraulic Elevator Replacement- to Replace Hydraulic Elevator due to age.
- Lincoln Road between Collins & Washington – Is designed to address the needs of the commercial and retail area as well as the pedestrian, private and public vehicular access. The project includes roadway reconfiguration to accommodate uniform traffic lanes throughout, installation of a landscaped center median with up lighting, sidewalk replacement, installation of a brick paver crosswalk with ADA curb ramps, installation of a bump out to formalize the parking area and reduce the crosswalk distance, installation of street furniture and resurfacing of the asphalt pavement.

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

Management's Discussion and Analysis

- Lincoln Road Mall Fountain, Landscape – Installation of 500 Block Fountain Pump, Landscape & Lighting Replacement – Retrofit /upgrade pumping, landscape Lighting on the 500 Block Fountain.
- Collins Canal Enhancement Project – Includes the development of the Dade Blvd. Bike path, which is a recreational greenway that will connect to the Venetian Causeway Bike Path and the Beachwalk, as well as seawall restoration for the north bank of the canal. The major bikeway artery will tie into a regional network of planned recreational trails/alternative transportation routes, called the Atlantic Greenway Network, connecting five public parks, eight beach access areas, and seven regional parking facilities in Miami Beach.
- Collins Park Parking Garage – For a new parking facility including commercial space and a parking garage holding aprox. 360 spaces. Current request only includes fees for the A/E services and testing. Potential land acquisition costs related to the purchase of the lot from Amriv. Project is actively being negotiated.
- CCHC Neighborhood Improvements – Historic District – improvements to the stormwater collection and disposal system upgrades, water distribution center upgrades, roadway resurfacing and streetscape enhancements, landscaping, traffic calming installations, additional pedestrian lighting, and enhanced pedestrian linkages. The project limits are bounded by Washington Avenue to the west, Collins Avenue to the east, Lincoln Road to the South, and Dade Blvd to the north, and includes James, Park and Liberty Avenue, 17th, 18th, 19th and 20th Streets, and 21st Street west of Park Avenue.
- Directory Signs in the City Center – Installation of Monument Directory signs within the City Center neighborhood rights of way, in vicinity of City Hall, and on City Hall Campus Buildings to direct residents and visitors to City offices and services.

Outstanding Debt

At the end of the current fiscal year, the Agency had a total debt outstanding in the governmental activities of \$71.1 million. This debt was decreased by \$4.8 million during the year. This decrease was due to the current year principal payment of \$4.7 million.

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

	Governmental Activities	
	2012	2011
Tax increment revenue bonds	\$ 71,050	\$ 75,825

Economic Factors and Future Developments

Based on the 2012 Certificate of Taxable Value from the Property Appraiser's Office, the value of property in City Center is projected to increase by 5.4% over 2011, making the second year in a row; values seem to be back on the rise, following two years of decline. However, as in previous years, the City has received correspondence from the County, advising of the finalization of the tax roll of the prior year, which in the case of FY 2010/11, reflects a sizeable decrease from the preliminary valuation for the same year and will result in a corresponding adjustment/reduction in TIF revenue totaling \$3.5 Million. Further the revised valuation for the January 1, 2012 values increased from the Miami-Dade County Property Appraiser July 1, 2012 reflects a decrease of 9% from the valuation received July 1, 2011. Thus a significant adjustment/reduction can also be expected for FY2012/13.

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

Management's Discussion and Analysis

Project-related expenses account for approximately \$23.6 Million, which includes \$3.7 Million to be allocated for community policing initiatives in City Center to continue to provide enhanced levels of staffing and services throughout the area, and \$4.5 Million for maintenance of RDA capital projects. On-going and planned capital projects in City Center are projected to account for \$14.2 Million in the FY 2012/13 Budget, and generally include allocations for construction of the Collins Park Garage; additional funding for the Collins Canal enhancement project to move the curb line of Dade Boulevard further North to provide room for increased landscaping; Lincoln Road landscaping; Collins Canal seawall repair by the Botanical Garden; a reserve for improvements to Euclid Avenue (pending additional review and outreach); and aluminum streetlight pole replacement. An additional \$705,000 is being allocated for capital renewal and replacement projects; including the Carl Fisher Club House, the Bass Museum, the Miami City Ballet, the Anchor Garage and lighting replacement along Lincoln Road. Additionally, \$405,000 in transfers to the Pennsylvania Avenue Shops and Garage are budgeted to offset the City's costs associated with the retail and parking operations.

Requests for Information

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

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

Statement of Net Assets
September 30, 2012

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 20,947,551	\$ 18,337,513	\$ 39,285,064
Receivables (net):			
Rent	-	286,006	286,006
Accounts receivables	20,612	17,665	38,277
Interest	96,810	-	96,810
Due from primary government	625,145	179,388	804,533
Prepaid expenses	4,490	33,141	37,631
Total current assets	21,694,608	18,853,713	40,548,321
Noncurrent Assets:			
Restricted cash and investments	44,413,040	259,661	44,672,701
Deferred charges, net	1,127,405	-	1,127,405
Capital assets not being depreciated:			
Land	10,817,763	3,003,281	13,821,044
Construction in progress	47,569,068	112,701	47,681,769
Capital assets net of accumulated depreciation:			
Buildings and structures	21,311,262	23,694,611	45,005,873
Streetscape improvements	15,008,719	-	15,008,719
Restorations and renovations	8,131,524	-	8,131,524
Vehicles	495	-	495
Machinery and equipment	-	64,774	64,774
Furniture and fixtures	3,967	-	3,967
Total noncurrent assets	148,383,243	27,135,028	175,518,271
Total assets	170,077,851	45,988,741	216,066,592

(Continued)

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

Statement of Net Assets (Continued)
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,401,543	\$ 297,783	\$ 2,699,326
Retainage payable	1,066,497	-	1,066,497
Accrued expenses	1,432,084	-	1,432,084
Due to other governments	-	641,232	641,232
Due to primary government	9,360,757	14,337	9,375,094
Unearned revenue	-	40,710	40,710
Portion due or payable within one year:			
Accrued compensated absences	92,301	-	92,301
Bonds payable	4,885,000	-	4,885,000
Total current liabilities	19,238,182	994,062	20,232,244
Long-term liabilities:			
Deposits	-	254,533	254,533
Portion due or payable after one year:			
Accrued compensated absences	81,364	-	81,364
Bonds payable	66,165,264	-	66,165,264
Total long-term liabilities	66,246,628	254,533	66,501,161
Total liabilities	85,484,810	1,248,595	86,733,405
Net assets:			
Invested in capital assets, net of related debt	102,842,798	26,875,367	129,718,165
Restricted for debt service	6,771,793	-	6,771,793
Unrestricted	(25,021,550)	17,864,779	(7,156,771)
Total net assets	\$ 84,593,041	\$ 44,740,146	\$ 129,333,187

See Notes to Financial Statements.

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

Statement of Activities
Fiscal Year Ended September 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Activities:							
Governmental:							
General government	\$ 7,047,890	\$ -	\$ -	\$ -	\$ (7,047,890)	\$ -	\$ (7,047,890)
Public safety	3,391,149	-	-	-	(3,391,149)	-	(3,391,149)
Physical environment	40,951	6,453	-	-	(34,498)	-	(34,498)
Transportation	5,445,154	-	-	4,889,763	(555,391)	-	(555,391)
Economic environment	1,606,112	-	-	-	(1,606,112)	-	(1,606,112)
Culture and recreation	1,027,697	34,375	-	-	(993,322)	-	(993,322)
Interest on long-term debt	3,697,976	-	-	-	(3,697,976)	-	(3,697,976)
Total governmental activities	22,256,929	40,828	-	4,889,763	(17,326,338)	-	(17,326,338)
Business-type:							
Parking – Anchor & Penn. Garages	3,416,195	3,698,898	-	-	-	282,703	282,703
Leasing – Anchor & Penn. Shops	806,416	729,196	-	-	-	(77,220)	(77,220)
Total business-type activities	4,222,611	4,428,094	-	-	-	205,483	205,483
Total primary government	\$ 26,479,540	\$ 4,468,922	\$ -	\$ 4,889,763	(17,326,338)	205,483	(17,120,855)
General revenues:							
Taxes:							
Tax increments for redevelopment districts					30,986,319	-	30,986,319
Resort tax					4,925,168	-	4,925,168
Investment income					373,285	14,274	387,559
Gain on sale of capital assets					5,195	-	5,195
Transfers					(613,102)	613,102	-
Total general revenues					35,676,865	627,376	36,304,241
Changes in net assets					18,350,527	832,859	19,183,386
Net assets, beginning					66,242,514	43,907,287	110,149,801
Net assets, ending					\$ 84,593,041	\$ 44,740,146	\$ 129,333,187

See Notes to Financial Statements.

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

Balance Sheet
Governmental Funds
September 30, 2012

Assets	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Cash and investments	\$ 20,947,551	\$ 6,771,793	\$ 37,641,247	\$ 65,360,591
Receivables:				
Accounts receivable	20,612	-	-	20,612
Interest	-	-	96,811	96,811
Due from primary government	625,145	-	-	625,145
Prepaid expenses	4,490	-	-	4,490
Total assets	\$ 21,597,798	\$ 6,771,793	\$ 37,738,058	\$ 66,107,649
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,037,755	\$ -	\$ 363,788	\$ 2,401,543
Retainage payable	-	-	1,066,497	1,066,497
Accrued expenses	22,147	-	201,172	223,319
Due to primary government	3,412,517	-	5,948,240	9,360,757
Total liabilities	5,472,419	-	7,579,697	13,052,116
Fund balances:				
Nonspendable	4,490	-	-	4,490
Restricted	-	6,771,793	-	6,771,793
Committed	972,478	-	30,158,361	31,130,839
Assigned	2,390,128	-	-	2,390,128
Unassigned	12,758,283	-	-	12,758,283
Total fund balances	16,125,379	6,771,793	30,158,361	53,055,533
Total liabilities and fund balances	\$ 21,597,798	\$ 6,771,793	\$ 37,738,058	\$ 66,107,649

See Notes to Financial Statements.

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

Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2012

Total fund balance – governmental funds	\$ 53,055,533
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Those assets consist of:

Land	\$ 10,817,763	
Construction in progress	47,569,068	
Buildings and structures, net of \$2,037,277 accumulated depreciation	21,311,262	
Street improvements, net of \$1,196,954 accumulated depreciation	15,008,719	
Restoration and renovations, net of \$1,337,728 accumulated depreciation	8,131,524	
Vehicles, net of \$227,775 accumulated depreciation	495	
Machinery and equipment, net of \$356,914 accumulated depreciation	-	
Furniture and fixtures, net of \$10,107 accumulated depreciation	3,967	
Total capital assets		102,842,798

Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at September 30, 2012 are:

Accrued interest on bonds	(1,208,765)	
Bonds payable	(70,375,000)	
Premium on bonds payable	(675,264)	
Accrued compensated absences	(173,665)	
Total long-term liabilities		(72,432,694)

Bond issuance costs are treated as expenditures in the governmental funds, but are deferred to future periods in the Statement of Net Assets and amortized over the life of the bonds.

1,127,404

Total net assets of governmental activities	\$ 84,593,041
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See Notes to Financial Statements.

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended September 30, 2012

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Tax increment	\$ 30,986,319	\$ -	\$ -	\$ 30,986,319
Resort tax	4,925,168	-	-	4,925,168
Rents and leases	34,375	-	-	34,375
Interest	22,819	153	350,313	373,285
Other	6,453	-	-	6,453
Total revenues	35,975,134	153	350,313	36,325,600
Expenditures:				
Current				
General government	6,812,145	-	-	6,812,145
Public safety	3,411,726	-	-	3,411,726
Economic environment	-	1,606,112	-	1,606,112
Transportation	-	-	4,889,763	4,889,763
Culture and recreation	506,242	-	-	506,242
Capital outlay	-	-	3,945,331	3,945,331
Debt service:				
Principal	-	4,660,000	-	4,660,000
Interest and fiscal charges	-	3,733,816	-	3,733,816
Total expenditures	10,730,113	9,999,928	8,835,094	29,565,135
Excess of revenues over (under) expenditures	25,245,021	(9,999,775)	(8,484,781)	6,760,465
Other financing sources (uses):				
Sale of capital assets	5,195	-	-	5,195
Transfers in	-	10,120,349	14,993,124	25,113,473
Transfers out	(25,726,575)	-	-	(25,726,575)
Total other financing sources (uses)	(25,721,380)	10,120,349	14,993,124	(607,907)
Net change in fund balances	(476,359)	120,574	6,508,343	6,152,558
Fund balances, beginning	16,601,738	6,651,219	23,650,018	46,902,975
Fund balances, ending	\$ 16,125,379	\$ 6,771,793	\$ 30,158,361	\$ 53,055,533

See Notes to Financial Statements.

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

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Fiscal Year Ended September 30, 2012

Net change in fund balances – governmental funds	\$ 6,152,558
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	3,945,331	
Capital contribution	4,889,763	
Depreciation expense	(1,383,058)	
Excess of deletions and depreciation over capital outlay		7,452,036

In addition, the net effect of various transactions involving capital assets (i.e., sales) is to decrease net assets - transfer to primary government.

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The statement of net assets has been adjusted for transactions as follows:

Repayments:		
Principal – debt service	4,660,000	
Premium on bonds	114,699	
Cost of issuance	(102,492)	
Total long term-debt retirement and related transactions		4,672,207

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental activities section of the statement of net assets:

Accrued compensated absences	37,886
Accrued interests on bonds	35,840
Change in net assets of governmental activities	
	\$ 18,350,527

See Notes to Financial Statements.

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

Statement of Net Assets
Enterprise Funds
September 30, 2012

Assets	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Current Assets:			
Cash and investments	\$ 11,640,140	\$ 6,697,373	\$ 18,337,513
Receivables:			
Rent, net of allowance	-	286,006	286,006
Accounts receivable	17,665	-	17,665
Due from primary government	172,672	6,716	179,388
Prepaid expenses	7,000	26,141	33,141
Total current assets	11,837,477	7,016,236	18,853,713
Noncurrent Assets:			
Restricted cash and investments	12,935	246,726	259,661
Capital assets:			
Land	2,793,051	210,230	3,003,281
Buildings and structures	28,054,693	2,052,691	30,107,384
Machinery and equipment	216,372	9,403	225,775
Construction in progress	112,701	-	112,701
Less accumulated depreciation	(6,085,351)	(488,423)	(6,573,774)
Total capital assets (net of accumulated depreciation)	25,091,466	1,783,901	26,875,367
Total noncurrent assets	25,104,401	2,030,627	27,135,028
Total assets	36,941,878	9,046,863	45,988,741
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	290,920	6,863	297,783
Due to other governments	330,885	310,347	641,232
Due to primary government	6,298	8,039	14,337
Unearned revenue	40,710	-	40,710
Total current liabilities	668,813	325,249	994,062
Noncurrent Liabilities:			
Deposits	12,935	241,597	254,532
Total noncurrent liabilities	12,935	241,597	254,532
Total liabilities	681,748	566,846	1,248,594
Net Assets			
Invested in capital assets	25,091,466	1,783,901	26,875,367
Unrestricted	11,168,663	6,696,116	17,864,779
Total net assets	\$ 36,260,129	\$ 8,480,017	\$ 44,740,146

See Notes to Financial Statements.

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

Statement of Revenues, Expenses and Changes in Fund Net Assets –
Enterprise Funds
Fiscal Year Ended September 30, 2012

	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Operating revenues:			
Charges for services	\$ 3,147,448	\$ -	\$ 3,147,448
Permits, rentals and other	551,450	729,196	1,280,646
Total operating revenues	3,698,898	729,196	4,428,094
Operating expenses:			
Operating supplies	100,255	-	100,255
Contractual services	1,953,456	661,830	2,615,286
Utilities	103,192	-	103,192
Administrative fees	313,264	36,210	349,474
Depreciation	719,137	67,247	786,384
Other	226,891	41,129	268,020
Total operating expenses	3,416,195	806,416	4,222,611
Operating income	282,703	(77,220)	205,483
Transfers In	265,990	347,112	613,102
Interest income	8,868	5,406	14,274
Total nonoperating revenues	274,858	352,518	627,376
Changes in net assets	557,561	275,298	832,859
Total net assets, beginning	35,702,568	8,204,719	43,907,287
Total net assets, ending	\$ 36,260,129	\$ 8,480,017	\$ 44,740,146

See Notes to Financial Statements.

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

Statement of Cash Flows
Enterprise Funds
Fiscal Year Ended September 30, 2012

	Business-Type Activities Enterprise Funds		
	Parking Fund	Leasing Fund	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 3,135,437	\$ 273,450	\$ 3,408,887
Cash paid to suppliers	(2,215,883)	(669,732)	(2,885,615)
Payments made to primary government	(499,437)	210,361	(289,076)
Other operating	551,450	729,196	1,280,646
Net cash provided by operating activities	971,567	543,275	1,514,842
Cash Flows From NonCapital Financing Activities:			
Transfers In	265,990	347,112	613,102
Net cash provided by financing activities	265,990	347,112	613,102
Cash Flows From Investing Activities:			
Interest on investments	8,868	5,406	14,274
Net cash provided by investing activities	8,868	5,406	14,274
Net increase in cash and investments	1,246,425	895,793	2,142,218
Cash and investments – beginning of year	10,406,650	6,048,306	16,454,956
Cash and investments – end of year	\$ 11,653,075	\$ 6,944,099	\$ 18,597,174
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
Operating income (loss)	\$ 282,703	\$ (77,220)	\$ 205,483
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	719,139	67,247	786,386
Provisions for uncollectible accounts	-	(516)	(516)
Changes in assets and liabilities:			
(Increase)/Decrease in receivables	(13,314)	122,456	109,142
Increase in due from primary government	(123,518)	(6,716)	(130,234)
Decrease in prepaid expenses	-	11,739	11,739
Increase in accounts payable	(48,881)	(22,551)	(71,432)
Increase in accrued expenses	(755)	-	(755)
Increase (Decrease) in due to other governments	(6,417)	2,910	(3,507)
Increase in due to primary government	161,307	294,416	455,723
Decrease in unearned revenue	(500)	-	(500)
Increase in deposits	1,803	151,510	153,313
Total adjustments	688,864	620,495	1,309,359
Net cash provided by operating activities	\$ 971,567	\$ 543,275	\$ 1,514,842

See Notes to Financial Statements.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

The City provides the Agency facilities for its operations.

The Board of Directors of the Agency (the "Board") is comprised of the six members of the City Commission and the Mayor. The Agency meets the criteria for inclusion in the City's reporting entity as a blended component unit, and therefore, has been reported in the basic financial statements of the City.

For financial reporting purposes, in accordance with Governmental Accounting Standards Board ("GASB") Codification Section 2100, the Agency includes those organizations and activities that are generally controlled by or dependent on the Agency. Control by or dependence on the Agency is determined on the basis of such factors as budget adoption, outstanding debt secured by revenue of the Agency and obligation of the Agency to finance any deficit that may occur.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The Agency reports the following major governmental funds:

- The general fund is the general operating fund of the Agency. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund.
- The City Center debt service fund is used to account for the accumulation of resources for the payment of general long-term debt, principal, interest and related costs associated with the City Center District.
- The City Center capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities within the City Center District.

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

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

The Agency reports the following major proprietary funds:

- The Parking Fund accounts for the parking operations of the Anchor Garage and the Pennsylvania Avenue Garage, which are located within the City Center District.
- The Leasing Fund accounts for the leasing operations of the Anchor Shops and the Pennsylvania Avenue Shops. The Anchor Shops and Pennsylvania Avenue Shops are both located within the City Center District.

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

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Capital Assets

Capital assets, which include property, vehicles, machinery, furniture and fixtures, are reported in the applicable governmental or business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost as described below, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or at valuations, which approximate cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets, interest expense of business-type activities is included as part of the capitalized cost of the assets constructed.

Property, furniture and fixtures of the Agency are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives and the capitalization threshold effective October 1, 2010, are as follows:

Assets	Threshold	Years
Land & other nondepreciable assets	Capitalize All	N/A
Construction work in progress	\$ 100,000	N/A
Building and building improvements	100,000	35-50
Roads, Sidewalks, Foot Bridges, and Curbs & Streets	100,000	10-30
Causeways, Bridges, Canals, and Drainage Systems	100,000	50
Guard rails, Noise abatement, Alley and Seawalls, boardwalk, walkways	100,000	30
Furniture and Equipment	5,000	7
Maintenance and Heavy Moving Equip.	5,000	15
Motor Vehicles	5,000	5
Motor Vehicles (Greater than \$50,000)	50,000	10

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

2. Cash and Investments

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

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

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

3. Prepaid Items

Expenditures made for services that will benefit periods beyond September 30, 2012 are recorded as prepaid expenses in the government-wide statements. Accordingly, a portion of fund balance has been reserved to indicate that these funds are not available for appropriation.

4. 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 classification 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.

- a. 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.
- b. 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.
- c. 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. The commission adopts a City resolution, which includes the amount to be committed and the reason for the commitment. Only an adopted resolution by the Commission can establish, modify or rescind the commitment.
- d. Assigned Fund Balance – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. These amounts are approved and committed by the City commission subsequent to September 30, 2012. The balance also includes encumbrances assigned for goods and services.
- e. Unassigned Fund Balance – Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Net Assets:

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

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

5. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

6. Risk Management

The City, which includes coverage for the Agency, is self-insured for health insurance, automobile liability, general liability, police professional liability, workers' compensation, theft and property damage. The Agency is charged a premium by the City's self-insurance fund. The Agency does not retain any risk beyond premiums paid to the City. For fiscal year ended September 30, 2012, the City charged the Agency \$324,741 for health insurance, automobile liability, general liability, police professional liability and workers' compensation coverage.

7. Employee Benefit Plan

The following is a brief description of the Agency employees' participation in the Miami Beach Employees' Retirement Plan and the City's Pension Fund for Firefighter's and Police (the "Plans"). Readers should refer to Note I parts 3 (a) and (b) of the City's 2012 Comprehensive Annual Financial Report and Plan documents for detailed and comprehensive information on the Plans.

All full-time employees of the City who work more than 30 hours per week and hold classified or unclassified positions, except for Policemen and Firemen, are covered by the Miami Beach Employees' Retirement Plan (the "Plan"). The Plan provides retirement benefits as well as death and disability benefits at two different tiers depending on when the employees entered the plan. All First Tier employees who participate are required to contribute 12% of their salary to the Plan. All Second Tier employees are required to contribute 10% of their salary. The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

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

Based on a percentage of budgeted salary by position per department, the Agency is allocated a proportionate share of contributions by the City and hence contributes annually to the Plans. Contributions for 2012 were \$765,253. At September 30, 2012 the Agency did not have a net pension obligation or a net pension asset.

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

8. Post Employment Benefits Other Than Pensions (OPEB)

Government Accounting Standards Board (GASB Statement No. 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB), was effective for the Agency beginning with its year ending September 30, 2008. This Statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan.

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

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

The Agency's Annual Required Contribution (ARC) to the OPEB Trust for the fiscal year ended September 30, 2012 was based on an actuarially determined amount for the City. The Agency was allocated its equitable share of the ARC based on its covered payroll. The Agency contributed \$210,790 to the OPEB Trust. At September 30, 2012, the Agency did not have a net OPEB obligation or a net OPEB asset. Readers should refer to Note 1 part 3 (e) of the City's 2012 Comprehensive Annual Financial Report for detailed and comprehensive information on OPEB.

9. Long-term obligations

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

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

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 2. Deposits and Investments

Deposits

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida, to hold public funds. Under the Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. governmental and agency securities, state or municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Investments

The Agency adopted the City's ordinance designating the investments which are allowable for its cash management activities. The policy specifies the types and limits by instrument and establishes a diversified investment objective that takes into consideration the safety, return and liquidity of capital. The authorized investments include direct U.S. treasury obligations, U.S. government agencies, corporate bonds, commercial paper, state or municipal obligations and repurchase agreements. These investments are insured, or registered, or the securities are held by its agent in the Agency's name.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates.

Investments are made based on prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved by the sale of an investment, prior to maturity, with the reinvestment of the proceeds, then this provision is allowed. As a means of limiting its exposure to fair value losses, the Agency's investment policy limits maturity of its investments to seven years or less. At September 30, 2012, all of the Agency's investments had a maturity of less than one year.

As of September 30, 2012, the Agency had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1-5
U.S. Treasury Securities	\$ 35,188,280	\$ 10,146,146	25,042,134
Money Market Funds	6,698,293	6,698,293	
Repurchase Agreements - U.S. Treasuries	2,467,208	2,467,208	
	<u>\$ 44,353,781</u>	<u>\$ 19,311,647</u>	<u>\$ 25,042,134</u>

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 2. Deposits and Investments (Continued)

Credit risk: This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. State law limits investments in commercial paper and corporate bonds rated in one of the top two ratings issued by the Nationally Recognized Statistical Rating Organization ("NRSRO"). It is the Agency's policy to limit its investments in these investment types to the top rating issued by the NRSRO. As of September 30, 2012, the Agency had no investments in commercial paper or corporate bonds.

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

As of September 30, 2012 the Agency's investments were rated by Moody's Investors Service and Standard & Poor's as follow:

Investment Type	Issuer	Standard & Poor's	Moody's	Fair Value
Money Market Fund	U.S. Government	AA+	Aaa	6,698,293
				<u>\$ 6,698,293</u>

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

The Agency's cash and investments at September 30, 2012 are shown below:

	Carrying Amount	% of Portfolio
Demand Deposits - interest bearing	\$ 39,604,455	47.17%
Money market fund	6,698,293	7.98
Repurchase agreements	2,467,208	2.94
Treasury securities	35,184,856	41.91
	<u>\$ 83,954,812</u>	<u>100.00%</u>

Custodial credit risk: The Agency's investment policy requires that securities be registered in the name of the Agency. All safekeeping receipts for investment instruments are held in accounts in the Agency's name and all securities are registered in the Agency's name. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Agency's investments in Treasury securities and repurchase agreements are held by a counterparty in the Agency's name.

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 3. Capital Assets

Capital asset activities for the year ended September 30, 2012 were as follows:

A. Governmental activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,928,000	\$ 4,889,763	\$ -	\$ 10,817,763
Construction in progress	43,632,154	3,945,331	8,417	47,569,068
Total capital assets not being depreciated	49,560,154	8,835,094	8,417	58,386,831
Capital assets, being depreciated:				
Buildings and structures	23,340,122	8,417	-	23,348,539
Streetscape improvements	16,205,673	-	-	16,205,673
Restorations/renovations	9,469,252	-	-	9,469,252
Vehicles	290,580	-	62,310	228,270
Machinery and equipment	356,914	-	-	356,914
Furniture and fixtures	14,074	-	-	14,074
Total capital assets being depreciated	49,676,615	8,417	62,310	49,622,722
Less accumulated depreciation for:				
Buildings and structures	1,543,321	493,956	-	2,037,277
Streetscape improvements	641,563	555,391	-	1,196,954
Restorations/renovations	1,021,907	315,821	-	1,337,728
Vehicles	280,387	9,698	62,310	227,775
Machinery and equipment	350,122	6,792	-	356,914
Furniture and fixtures	8,707	1,400	-	10,107
Total accumulated depreciation	3,846,007	1,383,058	62,310	5,166,755
Total capital assets, being depreciated, net	45,830,608	(1,374,641)	-	44,455,967
Governmental activities capital assets, net	\$ 95,390,762	\$ 7,460,453	\$ 8,417	\$ 102,842,798

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 3. Capital Assets (Continued)

B. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,003,281	\$ -	\$ -	\$ 3,003,281
Construction in progress	112,701	-	-	112,701
Total capital assets, not being depreciated	3,115,982	-	-	3,115,982
Capital assets, being depreciated:				
Buildings and structures	30,107,384	-	-	30,107,384
Machinery and equipment	225,775	-	-	225,775
Total capital assets being depreciated	30,333,159	-	-	30,333,159
Less accumulated depreciation for:				
Buildings and structures	5,667,298	745,477	-	6,412,775
Machinery and equipment	120,092	40,907	-	160,999
Total accumulated depreciation	5,787,390	786,384	-	6,573,774
Total capital assets, being depreciated, net	24,545,769	(786,384)	-	23,759,385
Business-type activities capital assets, net	\$ 27,661,751	\$ (786,384)	\$ -	\$ 26,875,367

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 3. Capital Assets (Continued)

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

Governmental activities:

General government	\$ 247,952
Public safety	17,309
Physical environment	40,951
Transportation	555,391
Culture and recreation	521,455
Total depreciation expense - governmental activities	<u>\$ 1,383,058</u>

Business-type activities:

Parking	\$ 719,137
Leasing	67,247
Total depreciation expense - business-type activities	<u>\$ 786,384</u>

Note 4. Construction Commitments

The Agency had the following construction commitments as of September 30, 2012:

City Center Capital Projects	\$ 7,834,935
Anchor Garage	51,100
	<u>\$ 7,886,035</u>

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 5. Tenant Leases

The Agency serves as the lessor for the tenants leasing various retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2021. For leases that contain predetermined fixed escalations of the minimum rentals, the Agency recognizes the related rental revenue on the straight-line basis over the initial lease term. Future minimum lease payments to be received under the operating leases at September 30, 2012 are as follows:

Year Ending September 30,	
2013	\$ 561,259
2014	449,683
2015	286,709
2016	177,263
2017	110,520
2018 and thereafter	359,190
	<u>\$ 1,944,624</u>

The following schedule provides an analysis of the Agency's investment in property under operating leases and property held for lease by major classes as of September 30, 2012:

Parking Facilities	\$ 4,889,763
Retail Space	2,052,692
Recreational Facilities	5,059,879
Less: Accumulated Depreciation	(1,493,722)
	<u>\$ 10,508,612</u>

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 6. Tax Increment Revenue Bonds

On July 1, 1998, the Agency issued \$29,105,000 (Series 1998A) and \$9,135,000 (Series 1998B) in tax-increment bonds. These bonds are secured by a lien upon and pledge of the funds, which include: (a) the net trust fund revenue received by the Agency from the City Center/Historic Convention Village Redevelopment and Revitalization Area, (b) the portion of the proceeds for the City's municipal resort tax levied and collected by the City and received by the trustee, and (c) moneys and investments in the funds and accounts created under the resolution. The Series 1998A bonds were issued with interest rates of 6.70% to 7.00% payable semiannually on each June 1 and December 1, and will mature serially through December 1, 2020. The Series 1998B bonds were issued with interest rates of 3.60% and 5.20% payable semiannually on each June 1 and December 1, and matured serially through December 1, 2008 at which time they were paid off in full. The bonds are subject to a trust indenture, which requires that annual debt service requirements be fully funded upon receipt of trust fund revenue and supplemental revenue, and that any shortage shall be funded based on the supplemental revenue resolution. The bonds were issued for the development and construction of certain areas within the Redevelopment Area. Specifically, these projects include certain public areas of the Loews Miami Beach Hotel, development of the Anchor Garage, acquisition of property for the development and construction of the Royal Palm Crowne Plaza Resort Hotel, acquisition of property for development and construction of a portion of the cultural center facilities and additional public improvements within the Redevelopment Area. The Series 1998A and 1998B tax-increment bonds were partially refunded/defeased by the issuance of the Series 2005A and 2005B tax-increment revenue refunding bonds on September 22, 2005. The Series 1998A bonds had a remaining outstanding principal balance, after the refunding, of \$10,000,000 at September 30, 2012.

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

The Agency has pledged net revenues received from the City Center/ Historic Convention Village Redevelopment and Revitalization Area and the Agency's portion of the proceeds from the municipal resort tax levied and collected by the City for the 1998 Series Tax Increment Revenue Bonds and 2005 Series Tax Increment Revenue Refunding Bonds. For the fiscal year ended September 30, 2012, debt service on the tax increment bonds was \$8,393,816 and tax increment revenues totaled \$30,986,319 and net customer revenues were \$6,714,905. Remaining outstanding principal and interest is \$92,618,525.

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 6. Tax Increment Revenue Bonds (Continued)

The aggregate maturities of tax increment revenue bonds at September 30, 2012 are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 4,885,000	\$ 3,512,766	\$ 8,397,766
2014	5,125,000	3,278,739	8,403,739
2015	5,375,000	3,039,103	8,414,103
2016	5,635,000	2,773,056	8,408,056
2017	5,935,000	2,465,324	8,400,324
2018-2022	35,165,000	6,961,859	42,126,859
2023-2024	8,255,000	212,678	8,467,678
	70,375,000	22,243,525	92,618,525
Add unamortized bond premium	675,264	-	675,264
	<u>\$ 71,050,264</u>	<u>\$ 22,243,525</u>	<u>\$ 93,293,789</u>

Note 7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Bonds payable:					
Tax increment revenue bonds	\$ 75,824,963	\$ -	\$ 4,774,699	\$ 71,050,264	\$ 4,885,000
Total bonds payable	75,824,963	-	4,774,699	71,050,264	4,885,000
Compensated absences	211,551	54,415	92,301	173,665	92,301
Governmental activity long-term liabilities	<u>\$ 76,036,514</u>	<u>\$ 54,415</u>	<u>\$ 4,867,000</u>	<u>\$ 71,223,929</u>	<u>\$ 4,977,301</u>
Business-type activities:					
Tenant deposits	\$ 106,348	\$ 154,106	\$ 793	\$ 259,661	\$ -
Business-type activity long-term liabilities	<u>\$ 106,348</u>	<u>\$ 154,106</u>	<u>\$ 793</u>	<u>\$ 259,661</u>	<u>\$ -</u>

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

Notes to Financial Statements

Note 8. Tax Increment Revenue

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

Note 9. Related-Party Transactions

The Agency obtains certain managerial and administrative services from the Primary Government in accordance with a management agreement. The Agency incurred \$1,551,082 of management-fee expense under this agreement for the year ended September 30, 2012. Presented below are the Agency's balances outstanding at September 30, 2012, resulting from other transactions with the Primary Government. The majority of the balance due to the primary government represents sanitation and property management expenses incurred by the City on behalf of the Agency as well as community policing overtime due to the City. The majority of the balance due from the primary government represents the remaining resort tax proceeds due to the Agency for fiscal year 2012.

Governmental funds:	
Due from the primary government to:	
General fund	\$ 625,145
Due to the primary government from:	
General fund	\$ 3,412,517
Capital projects fund	5,948,240
	\$ 9,360,757
Business-type activities:	
Due from the primary government from:	
Enterprise funds – parking fund	\$ 172,672
Enterprise funds – leasing fund	6,716
	\$ 179,388
Due to the primary government from:	
Enterprise funds – parking fund	\$ 330,885
Enterprise funds – leasing fund	310,347
	\$ 641,232

Miami Beach Redevelopment Agency
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Notes to Financial Statements

Note 10. Interfund Transfers

Interfund transfers for the year ended September 30, 2012 consisted of the following:

Government funds:	
Transfers from the general fund to:	
Debt service	\$ 10,120,348
Capital projects	14,993,124
Total transfers from the general fund	<u>\$ 25,113,472</u>
Enterprise funds:	
Transfers from the general fund to:	
Parking Fund	\$ 265,990
Leasing Fund	347,112
Total transfers from the general fund	<u>\$ 613,102</u>

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

Note 11. Receivables

Receivable at September 30, 2012 for the Agency's governmental and enterprise funds are as follows:

	Governmental Activities		
	General	Debt Service	Total
Receivables:			
Accounts	20,612	-	20,612
Gross receivable	20,612	-	20,612
Less allowance for uncollectible	-	-	-
Net receivables	<u>\$ 20,612</u>	<u>\$ -</u>	<u>\$ 20,612</u>
	Business-Type Activities		
	Parking Funds	Leasing Funds	Total
Receivables:			
Rent	\$ -	\$ 439,025	\$ 439,025
Accounts	17,665	-	17,665
Gross receivable	17,665	439,025	456,690
Less allowance for uncollectible	-	153,019	153,019
Net receivables	<u>\$ 17,665</u>	<u>\$ 286,006</u>	<u>\$ 303,671</u>

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

Notes to Financial Statements

Note 12. Governmental Fund – Fund Balance

Below is a table of fund balance categories and classifications at September 30, 2012 for the Agency's governmental funds:

	General Fund	Debt Service	Capital Projects
Non-spendable:			
Prepays	\$ 4,490	\$ -	\$ -
Restricted:			
Debt Service	-	6,771,793	-
Committed:			
Capital Renew & Replacement	972,478	-	-
Environmental	-	-	618,248
General Public Facility	-	-	1,934,062
Parking Garage/Lot	-	-	3,105,132
Parks	-	-	748,336
Streets/Sidewalks	-	-	22,386,299
Transit	-	-	1,066,486
Utilities	-	-	299,798
Assigned:			
Streets/Sidewalks	2,390,128	-	-
Unassigned:	12,758,283	-	-
Total Fund Balance	<u>\$ 16,125,379</u>	<u>\$ 6,771,793</u>	<u>\$ 30,158,361</u>

Note 13. Contingencies

The Agency, in the normal course of operations, is a party to various other actions in which plaintiffs have alleged certain damages. In all cases, management does not believe the disposition of these matters will materially affect the financial position of the Agency.

Requests for Information

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

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

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

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2012
(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Tax increment	\$ 31,526,783	\$ 30,986,319	\$ 30,986,319	\$ -
Resort tax	4,298,477	4,669,831	4,925,168	255,337
Rents and leases	-	-	34,375	34,375
Interest	179,000	8,278	22,819	14,541
Other	-	-	6,453	6,453
Total revenues	36,004,260	35,664,428	35,975,134	310,706
Expenditures:				
General government	9,299,151	6,884,804	6,812,145	72,659
Public safety	3,368,695	3,403,236	3,411,726	(8,490)
Culture and recreation	622,896	548,479	506,242	42,237
Capital outlay	147,357	78,189	-	78,189
Total expenditures	13,438,099	10,914,708	10,730,113	184,595
Excess of revenues over expenditures	22,566,161	24,749,720	25,245,021	495,301
Other financing sources (uses):				
Sale of capital assets	-	5,195	5,195	-
Operating transfers out	(23,937,142)	(25,726,575)	(25,726,575)	-
Total other financing sources (uses)	(23,937,142)	(25,721,380)	(25,721,380)	-
Net change in fund balance	(1,370,981)	(971,660)	(476,359)	495,301
Fund balance, beginning	16,601,738	16,601,738	16,601,738	-
Fund balance, ending	\$ 15,230,757	\$ 15,630,078	\$ 16,125,379	\$ 495,301

See Accompanying Notes to Required Supplementary Information.

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

Notes to Budgetary Comparison Schedule
September 30, 2012 (Unaudited)

Note 1. Budgetary Policy

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

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

There was one (1) supplemental budgetary appropriations during fiscal year ended September 30, 2012.

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

SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedule
Debt Service Fund
Year Ended September 30, 2012

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget – Positive (Negative)
Revenues:				
Interest	\$ -		\$ 153	\$ 153
Total revenues	-		153	153
Expenditures:				
Economic environment	1,606,112	1,606,112	1,606,112	-
Debt Service:				
Principal	4,660,000	4,660,000	4,660,000	-
Interest	3,733,816	3,733,816	3,733,816	-
Total expenditures	9,999,928	9,999,928	9,999,928	-
Excess of revenues over expenditures	(9,999,928)	(9,999,928)	(9,999,775)	153
Other financing sources (uses):				
Operating transfers in	9,999,928	10,120,349	10,120,349	-
Total other financing sources (uses)	9,999,928	10,120,349	10,120,349	-
Net change in fund balance	-	120,421	120,574	153
Fund balance, beginning	6,651,219	6,651,219	6,651,219	-
Fund balance, ending	\$ 6,651,219	\$ 6,771,640	\$ 6,771,793	\$ 153

OTHER REPORT



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

The Board Members
Miami Beach Redevelopment Agency
Miami Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Miami Beach Redevelopment Agency (the "Agency"), a component unit of the City of Miami Beach, Florida, (the "City") as of and for the year ended September 30, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated May 22, 2013. 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency'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 first 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 material weaknesses, as defined previously.

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Miami, Florida
May 22, 2013