

**MARGATE COMMUNITY
REDEVELOPMENT AGENCY
(a component unit of the City
of Margate, Florida)
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**



GLSC & COMPANY, PLLC
certified public accountants

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(a component unit of City of Margate, Florida)
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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GLSC & COMPANY, PLLC

certified public accountants

6303 Blue Lagoon Drive, Suite 200
Miami, Florida 33126-6025
Ph: (305) 373-0123 • (800) 330-4728
Fax: (305) 374-4415
www.glscpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Margate Community Redevelopment Agency
(a component unit of the City of Margate, Florida)
Margate, Florida

We have audited the accompanying financial statements of the governmental activities and major fund of Margate Community Redevelopment Agency (a component unit of City of Margate, Florida) (the "Agency"), as of and for the year ended September 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the Margate Community Redevelopment Agency, as of September 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

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To the Board of Commissioners
Margate Community Redevelopment Agency
(a component unit of the City of Margate, Florida)
Margate, Florida
Page 2

The Management's Discussion and Analysis on pages 3 through 8 and the Required Supplementary Information on pages 23 and 24, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

GLSC & Company, PLLC

March 16, 2009



**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Our discussion and analysis of Margate Community Redevelopment Agency's (the "Agency") financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2008. Please read it in conjunction with the Agency's financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended September 30, 2008:

- The Agency's total net assets exceeded its liabilities at September 30, 2008 by \$21,275,059 (net assets).
- The Agency's total net assets increased by \$4,459,488 due to an increase in collection of tax increment revenues during the year and an increase in rental income.
- As of the close of the current fiscal year, the Agency's governmental fund reported a unreserved fund balance of \$513,217, an increase of \$1,729,966 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements: The government-wide financial statements, which consist of the following two 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 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 a governmental entity's financial position; however, because of the nature of statutory requirements, this may not always be the case. The Agency's mission is not to collect assets, but to eliminate blighting conditions and increase the tax base thus, while assets can provide an indicator of stability, the Agency's intent is not to hold assets over a significant time period.

**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The largest portion of the Agency's net assets reflects funds held for the acquisition of real estate. As previously mentioned, the Agency has accumulated these funds in an effort to avoid debt while still providing for the major activity of land acquisition.

The statement of activities presents information showing how the Agency's net assets changed during the 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 this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 and 10 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 has only one fund type of governmental fund.

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

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

The governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 15 through 22 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency's adopted budget to actual result. Required supplementary information can be found on page 23 and 24 of this report.

**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time to be a useful indicator of a governmental entity's financial position; however, because of the nature of statutory requirements, this may not always be the case. In the case of the Agency, assets exceeded liabilities by \$21,725,059 at the close of the year.

The table below summarizes the Agency's net assets as of September 30, 2008 and 2007:

Margate Community Redevelopment Agency

Statements of Net Assets

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,278,064	\$ 888,779
Capital assets	<u>33,989,612</u>	<u>31,685,147</u>
Total assets	<u>35,267,676</u>	<u>32,573,926</u>
Long-term liabilities outstanding	12,406,336	12,669,079
Other liabilities	<u>1,136,281</u>	<u>2,639,276</u>
Total liabilities	<u>13,542,617</u>	<u>15,308,355</u>
NET ASSETS		
Invested for capital assets, net of related debt	21,320,524	18,764,087
Unrestricted	<u>404,535</u>	<u>(1,498,516)</u>
Total net assets	<u>\$ 21,725,059</u>	<u>\$ 17,265,571</u>

All assets of the Agency are designated to use only for redevelopment activities and administration as generally prescribed by the adopted Margate Community Redevelopment Plan.

The Agency's net assets increased by \$4,459,488 during the current fiscal year due to an increase of tax increment revenues collected during the year and an increase in rental income.

**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Governmental activities

Governmental activities for the year ended September 30, 2008 increased the Agency's net assets by \$ 4,459,488 as reflected in the table below:

Margate Community Redevelopment Agency

Statements of Activities

REVENUES	<u>2008</u>	<u>2007</u>
Tax increment revenues:	\$ 5,949,939	\$ 5,202,314
Rental income	600,828	312,968
Interest income	58,719	401,196
Miscellaneous revenues	<u>91,057</u>	<u>77,245</u>
Total revenues	<u>6,700,543</u>	<u>5,993,723</u>
EXPENSES:		
General government	640,107	370,981
Project redevelopment	1,151,779	1,208,521
Interest expenses	<u>449,169</u>	<u>508,724</u>
Total expenses	<u>2,241,055</u>	<u>2,088,226</u>
Change in net assets	4,459,488	3,905,497
NET ASSETS, October 1	<u>17,265,571</u>	<u>13,360,074</u>
NET ASSETS, September 30	<u>\$ 21,725,059</u>	<u>\$ 17,265,571</u>

- Tax increment revenues increased by approximately \$700,000 as a result of increased property values.
- Interest earnings decreased by approximately \$300,000 because of a decrease in investments and falling interest rates.
- Rental income increased by approximately \$300,000 due to the purchase of two additional shopping centers in the middle of the previous fiscal year.

**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE AGENCY'S FUND

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

This special revenue fund is the main and only fund of the Agency. At the end of the fiscal year, the Agency reported a total fund balance of \$517,485; of this amount \$513,217 was unreserved. In the prior fiscal year, the Agency reported a negative fund balance of \$1,212,481. To address this negative fund balance, the Agency delayed several capital projects, which resulted in the Agency's positive fund balance status at the end of the current year.

SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

The Special Revenue Fund's total revenues were \$75,643 more than the final projections. Total expenditures were \$441,323 less than final appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets The Agency invested in additional infrastructure improvements as part of the Margate Boulevard Streetscape Project which included improvements to Margate Boulevard between East River Drive and State Road 7 and 58th Avenue between Margate Boulevard and Park Drive.

	<u>2008</u>	<u>2007</u>
Land	\$ 25,478,779	\$ 25,478,779
Building and improvements	2,357,990	2,386,392
Infrastructure	527,117	552,431
Construction in progress	<u>5,625,726</u>	<u>3,267,545</u>
	<u>\$ 33,989,612</u>	<u>\$ 31,685,147</u>

Additional information on the Agency's capital assets can be found in Note 4 on page 20 of this report.

**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Debt Administration At the end of the year, the Agency had \$12.7 million in outstanding debt.

**Margate Community Redevelopment Agency
Outstanding Debt**

	<u>2008</u>	<u>2007</u>
Community Redevelopment Bond, Series 2006	\$ 4,669,097	\$ 4,921,060
Community Redevelopment Revolving Line of Credit Bond, Series 2006	<u>8,000,000</u>	<u>8,000,000</u>
	<u>\$ 12,669,097</u>	<u>\$ 12,921,060</u>

More detailed information about the Agency's long-term liabilities is presented in Note 6 on page 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Agency is funded primarily through increases in the taxable values of properties within its defined district boundaries. Taxable values have significantly and steadily increased since the Agency's inception in 1997. In the upcoming budget year taxable values fell for the first time for the Agency by 1%. Due to an increase in the millage rate by the City of Margate the Agency will have an increase in TIF revenue. The decrease in valuation was far less than the overall rate for the City of Margate as a whole. It is anticipated that a downturn in valuations will continue to occur thru FY 2011 due to the credit crisis and collapse of the housing market.

The adopted operating budget for fiscal year 2009 totals \$ 7.0 million. The tax increment income for fiscal year 2009 is 8.0% higher than fiscal year 2008.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Margate Community Redevelopment Agency's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, City of Margate, 5790 Margate Boulevard, Margate, Florida 33063.

BASIC

FINANCIAL STATEMENTS

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of the City of Margate, Florida)
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 1,266,988
Prepayments	11,076
Capital assets:	
Land	25,478,779
Construction in progress	5,625,726
Building and improvements, net	2,885,107
Total Assets	\$ 35,267,676
 LIABILITIES	
Accounts payable	\$ 241,510
Accrued interest payable	307,963
Customer deposits	37,466
Due to City of Margate	271,212
Deferred revenue	15,378
Noncurrent liabilities:	
Due within one year	262,752
Due in more than one year	12,406,336
Total liabilities	13,542,617
 NET ASSETS:	
Invested in capital assets, net of related debt	21,320,524
Unrestricted	404,535
Total net assets	\$ 21,725,059

The accompanying notes are an integral part of the financial statements

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of the City of Margate, Florida)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Change in Net Assets
Governmental Activities:				
General Government	\$ 640,107	\$ -	\$ -	\$ (640,107)
Project Redevelopment	1,151,779	600,828	-	(550,951)
Interest Expenses	449,169	-	-	(449,169)
	\$ 2,241,055	\$ 600,828	\$ -	\$ (1,640,227)
Total governmental activities				
General revenues:				
Taxes:				
Tax increment revenues				\$ 5,949,939
Interest Income				58,719
Miscellaneous income				91,057
Total general revenues				6,099,715
Change in net assets				4,459,488
Net assets, October 1, 2007				17,265,571
Net assets, September 30, 2008				\$ 21,725,059

FUNCTIONS/ PROGRAMS:

Governmental Activities:
General Government
Project Redevelopment
Interest Expenses

Total governmental activities

General revenues:

Taxes:

Tax increment revenues

Interest Income

Miscellaneous income

Total general revenues

Change in net assets

Net assets, October 1, 2007

Net assets, September 30, 2008

The accompanying notes are an integral part of the financial statements

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of the City of Margate, Florida)
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2008

ASSETS

	Special Revenue Fund
ASSETS:	
Cash and cash equivalents	\$ 1,266,988
Deposits and other assets	11,076
Total assets	\$ 1,278,064

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts payable	\$ 241,510
Accrued interest payable	195,013
Customer deposits	37,466
Due to City of Margate	271,212
Deferred revenue	15,378
Total liabilities	760,579
 FUND BALANCE	
Reserved for encumbrances	4,268
Unreserved	513,217
	517,485
Total liabilities and fund balance	\$ 1,278,064

The accompanying notes are an integral part of the financial statements

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of the City of Margate, Florida)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Fund balance - total governmental fund (page 11)	\$	517,485
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:		
Governmental capital assets		34,217,467
Less accumulated depreciation		(227,855)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds		(12,669,088)
Bond interest payable not reported in the governmental fund		<u>(112,950)</u>
Net assets of governmental activities (page 9)	\$	<u>21,725,059</u>

The accompanying notes are an integral part of the financial statements

MARGATE COMMUNITY REDEVELOPMENT AGENCY
 (a component unit of the City of Margate, Florida)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Special Revenue Fund</u>
REVENUES:	
Tax increment revenues	\$ 5,949,939
Rental income	600,828
Interest income	58,719
Miscellaneous revenues	<u>91,057</u>
Total revenues	<u>6,700,543</u>
 EXPENDITURES	
Current:	
General government	640,107
Redevelopment projects	3,456,244
Debt service:	
Principal retirement	251,972
Interest	<u>622,254</u>
Total expenditures	<u>4,970,577</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 <u>1,729,966</u>
 NET CHANGE IN FUND BALANCE	 1,729,966
 FUND BALANCE (DEFICIT), BEGINNING	 <u>(1,212,481)</u>
 FUND BALANCE, END	 <u>\$ 517,485</u>

The accompanying notes are an integral part of the financial statements

MARGATE COMMUNITY REDEVELOPMENT AGENCY
 (a component unit of the City of Margate, Florida)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balance - total governmental fund (page13)	\$	1,729,966
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets		2,358,181
Less: current year provision for depreciation		(53,716)

The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets.

Principal repayment		251,972
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Under the modified accrual basis of accounting used in the governmental funds, interest on long-term debt is not recognized until it is paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

		<u>173,085</u>
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Change in net assets of governmental activities (page 10)	\$	<u>4,459,488</u>
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The accompanying notes are an integral part of the financial statements

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of City of Margate, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Margate Community Redevelopment Agency (the "Agency"), significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

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

Financial Reporting Entity:

The Margate Community Redevelopment Agency (the "Agency") is a dependent special district established by the City of Margate, Florida (the "City") under Agency granted by Florida Statute 163, Section III. The purpose of the Agency is to promote and guide the physical and economic redevelopment of the City. The Agency is a legally separate entity established by ordinance number 96-15 of the City of Margate Commission on October 2, 1996.

The Agency is governed by a Board of Commissioners (the "Board"), which is composed of five members. The governing Board of the Agency is appointed by the Commission of the City of Margate, Florida and the members are the same as City of Margate Commission. The Board exercises all powers granted to the Agency pursuant to Chapter 163.370, Section III of the Florida Statutes (F.S.) excluding however those power enumerated in F.S. 163.358.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining whether Certain Organizations are Component Units*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Agency is financially accountable for a component unit if it appoints a voting majority of the organization's board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, or impose specific financial burdens on the Agency. At September 30, 2008, the Agency had no entities that met the requirements as defined within GASB Statement No. 14, as amended by GASB Statement No. 39.

Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Agency does not have any *business-type activities* or non major funds. The special revenue fund is the Agency's operating and only fund and is reported as a major fund. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. The receivable is recorded net of an estimated uncollectible, which is based on past collection experience. 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*. 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 available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement focus, basis of accounting, and financial statement presentation:
(Continued)

The Agency reports the following major governmental fund:

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

Amounts reported as *program revenues* include 1) operating grants and contributions and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

The Agency uses a pooled cash concept in maintaining its bank account. Cash is pooled with the City for operating and investing purposes and each entity has equity in the pooled amount. For reporting purposes, cash has been allocated to each entity based on its equity in the pooled amount. Currently, cash is deposited in money market mutual funds.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, and infrastructure, are reported in the governmental column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Capital Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	10
Infrastructure	10-20

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Government-wide statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenue

Deferred revenues are recorded when the Agency receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met or when the Agency has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Pronouncement

Effective October 1, 2007, the Agency adopted GASB Statement No. 48 (GASB 48) Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The adoption of GASB 48 resulted changes in content of the Notes to Financial Statements only, and did not have an impact on the government-wide and fund financial statements.

2. CASH AND CASH EQUIVALENTS

The Agency does not have a written investment policy; however, it follows Florida Statutes 218.415(17) which allows local governments electing not to adopt a written investment policy to invest or reinvest any surplus public funds in their control or possession in:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a national recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury

During the year, the Agency's special revenue fund cash and cash equivalents were invested in high performance money market accounts paying interest at a rate of 4.58% per annum. The money market accounts are considered cash and are not categorized as to level of risk since they are deemed to be fully collateralized under the Florida Security for Public Deposit Act and covered under the FDIC insurance.

3. TAX INCREMENT REVENUES

The primary source of revenue for the Agency is the tax increment revenues collected from the City of Margate, Broward County, the Broward Hospital District and the Children's Services Council (CSC). These entities levy ad valorem property taxes within the legally defined redevelopment area of the Agency. The tax increment revenue is calculated by applying the adopted millage rate to the increase in current year taxable assessed valuations over the 1997 base year assessed valuations for all properties located within the Agency's boundaries. In 2005, the Board granted CSC the exemption from its annual obligation to appropriate and deposit the amount of its increment revenues to the CRA.

Assessed values are established by The Broward County Property Appraiser. The assessed property value recognized by the City and Broward County includes the second homestead exemption while the North Broward Hospital District does not recognize such exemption. Each entity is required to pay 95% of these incremental property taxes to the Agency on or before January 1 of each year, otherwise the full amount of the increment revenue will become due.

4. CAPITAL ASSETS

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

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2008</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 25,478,779	\$ -	\$ -	\$ 25,478,779
Construction in progress	<u>3,267,545</u>	<u>2,358,181</u>	<u>-</u>	<u>5,625,726</u>
Total capital assets, not being depreciated	<u>28,746,324</u>	<u>2,358,181</u>	<u>-</u>	<u>31,104,505</u>
Capital assets, being depreciated:				
Improvements other than buildings	61,470	-	-	61,470
Infrastructure	632,511	-	-	632,511
Building	<u>2,418,981</u>	<u>-</u>	<u>-</u>	<u>2,418,981</u>
Total capital assets, being depreciated	<u>3,112,962</u>	<u>-</u>	<u>-</u>	<u>3,112,962</u>
Less accumulated depreciation for:				
Improvements other than buildings	18,197	2,318	-	20,515
Infrastructure	80,080	25,314	-	105,394
Building	<u>75,862</u>	<u>26,084</u>	<u>-</u>	<u>101,946</u>
Total accumulated depreciation	<u>174,139</u>	<u>53,716</u>	<u>-</u>	<u>227,855</u>
Total capital assets being depreciated, net	<u>2,938,823</u>	<u>(53,716)</u>	<u>-</u>	<u>2,885,107</u>
Governmental activities capital assets, net	<u>\$ 31,685,147</u>	<u>\$ 2,304,465</u>	<u>\$ -</u>	<u>\$ 33,989,612</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities	
Project Redevelopment	<u>\$ 53,716</u>

5. PAYABLES

Payables at September 30, 2008 amounted to \$241,510 pertains to unpaid invoices to various vendors at year-end.

6. LONG-TERM DEBT

On October 31, 2006, the Agency entered into a Community Redevelopment Bond, Series 2006 Loan Agreement with Suntrust Bank for an amount of \$5 million to finance infrastructure projects. The loan is secured by a bond certificate issued by the agency in the same amount at an interest rate of 4.23% per annum and is payable on 15th of January and July of each fiscal year through 2022 with semi-annual payments of \$228,752.

The agency also entered into a Community Redevelopment Revolving Line of Credit Agreement with Sun Trust Bank on October 31, 2006 for \$10 million revolving line of credit. In March 2007, the line of credit was increased from \$10 million to \$15 million and the amount shall be drawn no later than October 1, 2009. The line of credit bears a nominal interest rate of 5.97% per annum and accrues based on outstanding amount drawn payable every 15th of January and July of each fiscal year through 2022 with semi-annual payments of \$477,994 beginning fiscal year 2010. As of September 30, 2008, the agency has drawn \$8 million from the available line of credit.

The loans are secured by the Agency's tax increment revenues and proceeds were used to fund the acquisitions of various properties during the year.

Annual debt service requirement to maturity are as follows:

Year Ended September 30:	<u>2006 Bond Loan</u>		<u>Revolving Line of Credit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 262,752	\$ 194,753	\$ -	\$ 497,600
2010	273,984	183,521	465,517	490,472
2011	285,696	171,808	494,922	461,067
2012	297,909	159,596	526,185	429,804
2013	310,644	146,861	559,422	396,566
2014-2018	1,764,131	523,393	3,373,982	1,405,962
2019-2022	1,473,961	127,306	2,579,972	287,993
	<u>\$ 4,669,097</u>	<u>\$1,507,238</u>	<u>\$ 8,000,000</u>	<u>\$ 3,969,464</u>

Long-term liability activity for the year ended September 30, 2008 was as follows:

Community Redevelopment	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Bond Series 2006	\$ 4,921,060	\$ -	\$(251,972)	\$ 4,669,088	\$ 262,752
Revolving Line of Credit	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>8,000,000</u>	<u>-</u>
	<u>\$ 12,921,060</u>	<u>\$ -</u>	<u>\$(251,972)</u>	<u>\$ 12,669,088</u>	<u>\$ 262,752</u>

7. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Agency carries property and liability insurance. The Agency has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded the insurance coverage for any of the last three years.

8. RELATED PARTY TRANSACTIONS

The Agency paid the City approximately \$ 294,000 for various administrative services provided by the City. In addition, the City waives permit fees, impact fees, and other administrative charges as the Agency pursues various projects to enhance and redevelop the City.

The outstanding balance of Due to City of Margate at September 30, 2008 amounting to \$271,212 results mainly from services provided by the City and reimbursable expenditures recorded in the accounting system. The City has the option to offset these advances against the Agency's cash and cash equivalents pooled by the City.

9. PLEDGED REVENUES

The Agency has pledged a portion of the future tax increment revenues to repay the \$5 million redevelopment bonds and \$8 million revolving line of credit agreements entered into in October 2006 to finance the acquisition of various properties for redevelopment purposes. The long-term debts are payable solely from the tax increment revenues and are payable through 2022. At fiscal year ended September 30, 2008, the maximum annual debt service is at 24% of the tax increment revenues. The total principal and interest remaining to be paid on these long-term debts is \$18,145,799. Principal and interest paid and tax increment revenues for the current year were \$874,226 and \$5,949,939, respectively.

10. COMMITMENTS

The Agency has active construction project as of September 30, 2008 which include among others the Margate Boulevard Streetscape and Improvements with total project cost of approximately \$4.1 million of which approximately \$3.9 million has been spent-to-date.

**SUPPLEMENTAL FINANCIAL
INFORMATION**

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of City of Margate, Florida)
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Tax incremental revenues	\$ 5,949,900	\$ 5,949,900	\$ 5,949,939	\$ 39
Rental income	650,000	650,000	600,828	(49,172)
Investment income	-	-	58,719	58,719
Miscellaneous	25,000	25,000	91,057	66,057
Total revenues	<u>6,624,900</u>	<u>6,624,900</u>	<u>6,700,543</u>	<u>75,643</u>
Expenditures:				
Redevelopment projects:				
Professional services	430,000	410,400	293,382	(117,018)
Taxes	250,250	270,250	269,822	(428)
Town Center Margate Boulevard	2,300,000	2,472,000	2,358,181	(113,819)
Maintenance	400,000	490,000	501,213	11,213
Contingency	43,446	6,746	6,314	(432)
Transit infrastructure	80,000	80,000	-	(80,000)
Improvements				-
Landscaping and median	155,000	35,000	-	(35,000)
Commercial	150,000	150,000	-	(150,000)
Others	30,000	30,000	27,332	(2,668)
Total redevelopment projects	<u>2,715,000</u>	<u>2,767,000</u>	<u>3,456,244</u>	<u>(488,152)</u>
Current:				
General government				
Administrative fees	250,000	294,000	294,000	-
Office supplies and expenses	39,000	59,300	44,000	(15,300)
Insurance	300,000	302,000	302,107	107
Total general government	<u>1,712,696</u>	<u>1,832,696</u>	<u>640,107</u>	<u>(15,193)</u>
Debt Service:				
Principal retirement	457,504	251,980	251,972	(8)
Interest	526,700	560,224	622,254	62,030
	<u>984,204</u>	<u>812,204</u>	<u>874,226</u>	<u>62,022</u>
Total expenditures	<u>5,411,900</u>	<u>5,411,900</u>	<u>4,970,577</u>	<u>(441,323)</u>
Excess of revenues over expenditures	<u>1,213,000</u>	<u>1,213,000</u>	<u>1,729,966</u>	<u>516,966</u>
Net change in fund balances	1,213,000	1,213,000	1,729,966	516,966
Fund balances - beginning	<u>(1,212,481)</u>	<u>(1,212,481)</u>	<u>(1,212,481)</u>	<u>-</u>
Fund balances - ending	<u>\$ 519</u>	<u>\$ 519</u>	<u>\$ 517,485</u>	<u>\$ 516,966</u>

See the accompanying Notes to Budgetary Comparison Schedule

MARGATE COMMUNITY REDEVELOPMENT AGENCY
(a component unit of City of Margate, Florida)
NOTES TO BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2008

A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to July 30 of each year, the Agency Executive Director submits to the Agency Board a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and means of financing such expenditures.
2. Public hearing is held to obtain the constituents comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The level of control at which expenditures may not exceed budget is at the Agency in total. Any changes or amendments to the total budgeted expenditures of the Agency must be approved by the Agency Board of Commissioners.
5. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be re-appropriated and honored during the subsequent year. The Agency's outstanding encumbrances as of September 30, 2008 totaled \$4,268.

COMPLIANCE

SECTION



**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**

To the Board of Commissioners
Margate Community Redevelopment Agency
(a component unit of the City of Margate, Florida)
Margate, Florida

We have audited the financial statements of Margate Community Redevelopment Agency (a component unit of the City of Margate, Florida) (the "Agency") as of September 30, 2008, and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

To the Board of Commissioners
Margate Community Redevelopment Agency
(a component unit of the City of Margate, Florida)
Margate, Florida
Page 2

Compliance and Other Matters

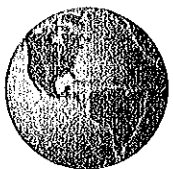
As part of obtaining reasonable assurance about whether Margate Community Redevelopment Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

This report is intended solely for the information and use of Agency's management, the City of Margate, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

March 16, 2009





**MANAGEMENT LETTER PURSUANT TO THE RULES OF THE
AUDITOR GENERAL FOR THE STATE OF FLORIDA**

To the Board of Commissioners
Margate Community Redevelopment Agency
(a component unit of the City of Margate, Florida)
Margate, Florida

We have audited the basic financial statements of Margate Community Redevelopment Agency (a component unit of the City of Margate, Florida) (the "Agency"), as of and for the year ended September 30, 2008, and have issued our report thereon dated March 16, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated March 16, 2009, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(i) as required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the Margate Community Redevelopment Agency, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations**
- II. Status of prior year findings and recommendations**
- III. Compliance with the provisions of the Auditor General of the State of Florida**

This report is intended solely for the information and use of Agency's management, the City of Margate, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

March 16, 2009

LETTER TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

1. Unless otherwise required to be reported in the auditor's report on compliance and on internal controls, the management letter shall include, but not be limited to a statement as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report Rule 10.557(3)(b)2. There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2007.
2. The Margate Community Redevelopment Agency (the "Agency") complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There were no significant findings and recommendations to improve the Agency's financial management, accounting procedures, and internal control for the fiscal year ended September 30, 2008.
4. There were no violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.
5. Based on our professional judgment, we may report on the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (a) violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or were likely to have occurred, and (b) control deficiencies that are not significant deficiencies, including, but not limited to (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (2) failure to properly record financial transactions; and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. In connection with our audit, we did not have any such findings.
6. The Agency was established in 1996, by Ordinance No. 96-15 of the City of Margate Commission. The agency does not have any component units.
7. The Agency has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
8. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2008 financial audit report.
9. We applied financial condition assessment procedures pursuant to Rule 10.556 (7) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.