

MARGATE COMMUNITY
REDEVELOPMENT AGENCY
(A Component Unit of the City
of Margate, Florida)

BASIC FINANCIAL STATEMENTS

September 30, 2005

MARGATE COMMUNITY REDEVELOPMENT AGENCY
BASIC FINANCIAL STATEMENTS
September 30, 2005

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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 (the "Agency"), a component unit of the City of Margate, Florida as of and for the year ended September 30, 2005, as listed in the table of contents. The financial statements and supplemental schedule referred to below are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements and the supplemental schedule 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, 2005, and the changes in financial position and budgetary comparison for the General Fund 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 January 20, 2006, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Margate Community Redevelopment Agency

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
January 20, 2006

MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005

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, 2005 and 2004. 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, 2005:

- The Agency's total net assets exceeded its liabilities at September 30, 2005 by \$ 10,003,778 (net assets). All of this amount is restricted in future years to redevelopment related projected and programs.
- The Agency's total revenues were \$ 4,204,635; and expenses for redevelopment related activities, projects and programs including administration were \$ 539,409. In addition, the Agency purchased land totaling \$ 423,301, and incurred \$86,441 on new construction projects. The significant difference in revenues over expenditures is due to the Agency's plan to acquire additional real estate without debt. All unexpended and unencumbered funds on September 30, 2005 are reserved for land acquisition and associated fees.
- The overall taxable value of the Agency's district was \$ 593,457,120 for the City of Margate and Broward County; an increase of 9.1% over the previous year's value. Overall taxable value of the Agency's district was \$ 594,711,910 for the North Broward Hospital District; an increase of 9.1% over the previous year's value. The difference in values is due to an additional \$ 25,000 homestead exemption for low income seniors adopted by the City and County but not by the Hospital District.
- Tax increment revenues for the Agency were \$ 3,402,593; rental income was \$ 556,937; and \$ 145,105 relates to interest income and miscellaneous revenues.
- The agency received a \$100,000 grant from the Florida Department of Transportation to be used in beautification projects.
- At the end of the year, the Agency's General Fund reported ending fund balance of \$ 4,319,533, an increase of \$ 3,199,174 from the prior year.
- During 2005, the Agency waived the tax assessment for Children's Services Council of Broward County.

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.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005

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.

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 7 and 8 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: 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 have no reconciling items to consider in order to agree them to the government-wide statements of net assets and activities, respectively.

The governmental fund financial statements can be found on pages 9-13 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 14-20 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 21 of this report.

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 \$ 10,003,778 at the close of the year.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005

The table below summarizes the Agency's net assets as of September 30, 2005 and 2004:

Margate Community Redevelopment Agency Statements of Net Assets		
	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash	\$ 4,449,399	\$ 1,334,627
Other assets	13,676	345
CAPITAL ASSETS:		
Nondepreciable	3,377,669	2,867,927
Depreciable (net)	<u>2,306,576</u>	<u>2,350,266</u>
Total assets	<u>10,147,320</u>	<u>6,553,165</u>
LIABILITIES		
Total liabilities	<u>143,542</u>	<u>214,613</u>
NET ASSETS:		
Restricted for:		
Physical and economic redevelopment	<u>10,003,778</u>	<u>6,338,552</u>
Total net assets	<u>\$ 10,003,778</u>	<u>\$ 6,338,552</u>

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

Governmental activities. Governmental activities for the year ended September 30, 2005 increased the Agency's net assets by \$ 3,665,226 as reflected in the table below:

Margate Community Redevelopment Agency Statements of Activities		
	<u>2005</u>	<u>2004</u>
REVENUES:		
Tax increment revenues:		
City of Margate	\$ 1,461,823	\$ 1,144,455
Broward County	1,401,716	1,114,345
North Broward Hospital District	539,054	424,330
Children's Services Council	-	66,535
Rental income	556,937	24,304
Intergovernmental revenues	100,000	-
Interest income	94,179	34,289
Miscellaneous revenues	<u>50,926</u>	<u>98,789</u>
Total revenues	<u>4,204,635</u>	<u>2,907,047</u>

**MARGATE COMMUNITY REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2005**

	2005	2004
EXPENSES:		
General government	190,543	198,070
Redevelopment projects	348,866	319,528
Total expenses	539,409	517,598
Change in net assets	3,665,226	2,389,449
NET ASSETS, October 1	6,338,552	3,949,103
NET ASSETS, September 30	\$ 10,003,778	\$ 6,338,552

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$ 430,960 more than the final budget projections. Expenditures were \$ 2,768,214 less than final appropriations. The reason for the significant difference between actual expenditures and final appropriations is the Agency's desire and plan to acquire real estate free of debt. In order to accomplish this, significant funding has been carried over from year to year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Agency did invest in capital assets in the form of construction in progress and infrastructure in the amount of \$ 527,583.

Debt Administration. At the end of the year, the Agency had no outstanding debt.

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. This increase in values has risen at a rate over and above that of the City of Margate as a whole. It is anticipated that this trend will continue as the County as a whole reaches full build-out and the supply of land and buildings diminishes, as population, and thus demand for land and building space, increases.

The adopted operating budget for fiscal year 2006 totals \$ 4.2 million, 13% higher than the final operating budget for fiscal year 2005. The tax increment income for fiscal year 2006 is 16% higher than fiscal year 2005.

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
 STATEMENT OF NET ASSETS
 September 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 4,449,399
Rent receivable	5,179
Prepaid expenditures	8,497
Capital assets:	
Non-depreciable	3,377,669
Depreciable (net)	<u>2,306,576</u>
Total assets	<u>10,147,320</u>
 LIABILITIES:	
Accounts payable	80,418
Customer deposits	38,328
Due to the City of Margate (Note 7)	14,950
Deferred revenue	<u>9,846</u>
Total liabilities	<u>143,542</u>
 NET ASSETS:	
Restricted for:	
Physical and economic redevelopment	<u>10,003,778</u>
Total net assets	\$ <u><u>10,003,778</u></u>

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

		Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Assets	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
General government	\$ 190,543	\$ --	\$ --	\$ --	\$ (190,543)
Physical and economic redevelopment	<u>348,866</u>	<u>556,937</u>	<u>--</u>	<u>100,000</u>	<u>308,071</u>
Total governmental activities	\$ <u>539,409</u>	\$ <u>556,937</u>	\$ <u>--</u>	\$ <u>100,000</u>	<u>117,528</u>
General revenues:					
Taxes:					
Tax increment revenues					3,402,593
Interest income					94,179
Miscellaneous income					<u>50,926</u>
Total general revenues					<u>3,547,698</u>
Change in net assets					3,665,226
Net assets, October 1, 2004					<u>6,338,552</u>
Net assets, September 30, 2005					\$ <u>10,003,778</u>

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
 BALANCE SHEET - GOVERNMENTAL FUND
 September 30, 2005

A S S E T S

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 4,449,399
Rent receivable	5,179
Prepaid expenditures	<u>8,497</u>
Total assets	\$ <u>4,463,075</u>

L I A B I L I T I E S A N D F U N D B A L A N C E

LIABILITIES:	
Accounts payable	\$ 80,418
Customer deposits	38,328
Due to the City of Margate (Note 7)	14,950
Deferred revenue	<u>9,846</u>
Total liabilities	143,542
FUND BALANCE:	
Reserved for encumbrances	6,955
Reserved for prepaid expenditures	8,497
Reserved for physical and economic redevelopment	<u>4,304,081</u>
Total fund balance	<u>4,319,533</u>
Total liabilities and fund balance	\$ <u>4,463,075</u>

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2005

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENCE BECAUSE:

Total fund balances of governmental funds in the balance sheet, page 9	\$ 4,319,533
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Depreciable government capital assets	2,384,129
Less accumulated depreciation	(77,553)
Nondepreciable governmental capital assets	<u>3,377,669</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$ <u>10,003,778</u>

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Year Ended September 30, 2005

REVENUES:	
Tax increment revenues	\$ 3,402,593
Rental income	556,937
Intergovernmental revenue	100,000
Interest income	94,179
Miscellaneous revenues	<u>50,926</u>
Total revenues	<u>4,204,635</u>
EXPENDITURES:	
Current:	
Redevelopment projects	814,918
General government	<u>190,543</u>
Total expenditures	<u>1,005,461</u>
Excess of revenues over expenditures	3,199,174
FUND BALANCE, October 1, 2004	<u>1,120,359</u>
FUND BALANCE, September 30, 2005	\$ <u>4,319,533</u>

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

NET CHANGE IN FUND BALANCES - TOTAL
GOVERNMENTAL FUNDS, PAGE 11 \$ 3,199,174

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	527,583
Less current year provision for depreciation	<u>(61,531)</u>

CHANGES IN NET ASSETS OF GOVERNMENTAL
ACTIVITIES, PAGE 8 \$ 3,665,226

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
	Original	Final				
REVENUES:						
Taxes:						
Tax incremental revenues	\$ 3,403,675	\$ 3,403,675	\$ 3,402,593	\$ (1,082)	\$ --	\$ 3,402,593
Rental income	370,000	370,000	536,937	186,937	--	536,937
Intergovernmental revenues	--	--	100,000	100,000	--	100,000
Interest income	--	--	94,179	94,179	--	94,179
Miscellaneous revenues	--	--	50,926	50,926	--	50,926
Total revenues	3,773,675	3,773,675	4,204,635	430,960	--	4,204,635
EXPENDITURES:						
Current:						
Redevelopment projects	3,455,175	3,455,175	821,873	2,633,302	(6,955)	814,918
General government	318,500	318,500	190,543	127,957	--	190,543
Total expenditures	3,773,675	3,773,675	1,012,416	2,761,259	(1)	1,005,461
Excess (deficiency) of revenues over expenditures	--	--	3,192,219	3,192,219	6,955	3,199,174
FUND BALANCE, October 1, 2004	--	--	1,120,359	1,120,359	--	1,120,359
FUND BALANCE, September 30, 2005	\$ --	\$ --	\$ 4,312,578	\$ 4,312,578	\$ 6,955	\$ 4,319,533

\$ 6,955

EXPLANATION OF DIFFERENCE:

- (1) Encumbrances for equipment ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment is received for GAAP purposes.

Net increase in fund balance - budget to GAAP

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

MARGATE COMMUNITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING 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 authority 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 the City Commission of the City. The Agency is reported as a component unit in the financial statements of the City. The Agency is managed by an independent agency contracted by the Agency. The following is a summary of the more significant accounting policies of the Agency:

As defined by generally accepted accounting principles, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusions would cause the reporting entity's basic financial statements to be misleading or incomplete.

Based on the application of such criteria, the Agency is a component unit of the City. The City Commission of the City appoints the governing Board of the Agency and the tax increment financing allocated to the Agency is considered evidence of the City's obligation to provide continuing financial support to the Agency. Consequently, the Agency is reported as a special revenue fund using the blended method.

Additionally, as a result of evaluating the above criteria, management has determined that no component units exist for which the Agency is financially accountable and which would require their inclusion in the Agency's basic financial statements.

Financial Statements - Government-wide Statements:

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major fund). Both the government-wide and fund financial statement categorize primary activities as either governmental or business type. All of the Agency's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations, when and if applicable.

The government-wide statement of activities reports both the gross and net cost of each of the Agency's functions. The net costs, by function, are also supported by general revenues (taxes, investment earnings, other revenue, etc.). The statement of activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflect capital-specific grants.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This government-wide focus is more on the ability to sustain the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

Financial Statements - Fund Financial Statements:

The accounts of the Agency are organized on the basis of funds. The operations of the only fund is accounted for with a separate self-balancing account that comprises its assets, liabilities, equity, revenues and expenditures.

The General Fund is employed in accounting for the financial activities of the Agency. It is a governmental fund type and is used to account for all the Agency's financial transactions.

Measurement focus and basis of accounting:

Measurement focus refers to what is being measured. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the basic financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statements use the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within sixty days of the end of the current fiscal year.

The Agency reports the following governmental fund:

General Fund - This fund is used to account for all operating activities of the Agency. Revenues are principally derived from incremental ad valorem property taxes.

Encumbrances:

Encumbrances in the fund financial statements represent commitments related to unperformed contracts for goods or services. At September 30, 2005, there were \$ 6,955 in encumbrances outstanding.

Budget:

A budget is adopted for the General Fund on an annual basis. Appropriations lapse at fiscal year end. Changes or amendments to the total budgeted expenditures of the Agency must be approved by the Agency Board of Commissioners. In order to make the most effective use of the budgetary process, it is the policy of the Agency to make as few budget adjustments as possible. Expenditures may not legally exceed budgeted appropriations for the Agency in total.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Agency prepared the annual budget on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

Cash:

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

GASB No. 34 requires the Agency to report and depreciate new infrastructure assets effective October 1, 2002. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Agency. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The Agency will implement the retroactive infrastructure provisions by the fiscal year ending September 30, 2007.

Equity classifications:

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.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 statements

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.

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.

NOTE 2 - TAX INCREMENT REVENUES

Tax increment revenues are the primary source of revenue for the Agency. Tax increment revenue is collected from three entities that levy ad valorem property taxes within the legally defined redevelopment area of the Agency. The three entities are the North Broward Hospital District, the City of Margate, and Broward County. The tax increment revenue is calculated by applying the adopted millage rate of each of these entities 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. The assessed property value recognized by the City and the 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. The increase in assessed valuations of property within the Agency boundaries over the 1997 base year valuations is presumed to be the result of the redevelopment efforts of the Agency. The tax base of the Agency is the layer of assessed valuations of properties over the 1997 base year assessed valuations, but does not include any portion of such base. The assessed value of properties subject to the incremental property taxes for the year ended September 30, 2005 was as follows:

	City of Margate and Broward County	North Broward Hospital District
Assessed property value for 2005	\$ 593,457,120	\$ 594,711,910
Assessed property value for the 1997 base year	<u>316,374,190</u>	<u>316,374,190</u>
Increase in assessed property value	\$ <u>277,082,930</u>	\$ <u>278,337,720</u>
Assessed property value subject to incremental ad valorem property tax (95%)	\$ <u>263,228,784</u>	\$ <u>264,420,834</u>

MARGATE COMMUNITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	Balance October 1, 2004	Additions	Deletions	Balance September 30, 2005
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,867,927	\$ 423,301	\$ --	\$ 3,291,228
Construction in progress	<u> --</u>	<u>86,441</u>	<u> --</u>	<u>86,441</u>
Total capital assets, not being depreciated	<u>2,867,927</u>	<u>509,742</u>	<u> --</u>	<u>3,377,669</u>
Capital assets, being depreciated:				
Improvements other than buildings	61,470	--	--	61,470
Infrastructure	614,670	17,841	--	632,511
Building	<u>1,690,148</u>	<u> --</u>	<u> --</u>	<u>1,690,148</u>
Total capital assets being depreciated	<u>2,366,288</u>	<u>17,841</u>	<u> --</u>	<u>2,384,129</u>
Total capital assets	<u>5,234,215</u>	<u>527,583</u>	<u> --</u>	<u>5,761,798</u>
Less accumulated depreciation for:				
Improvements other than buildings	3,586	6,147	--	9,733
Infrastructure	12,436	21,581	--	34,017
Building	<u> --</u>	<u>33,803</u>	<u> --</u>	<u>33,803</u>
Total accumulated depreciation	<u>16,022</u>	<u>61,531</u>	<u> --</u>	<u>77,553</u>
Total capital assets, being depreciated, net	<u>2,350,266</u>	<u>(43,690)</u>	<u> --</u>	<u>2,306,576</u>
Governmental activities capital assets, net	\$ <u>5,218,193</u>	\$ <u>466,052</u>	\$ <u> --</u>	\$ <u>5,684,245</u>

Provision for depreciation was charged to functions as follows:

Governmental Activities:	
Physical environment	\$ <u>61,531</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits

The Agency's deposits must be placed with banks and savings and loans which are qualified as public depositories prior to receipt of public monies under Chapter 280, Florida Statutes. These deposits are insured by the FDIC up to \$ 200,000, \$ 100,000 for demand deposits and \$ 100,000 for savings deposits. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the collateral pool. At year end, the Agency did not have any deposits.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

The investment of funds is authorized by Florida Statutes, which allows the Agency to invest in the Local Government Surplus Funds Trust or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the United States Treasury.

Investments as of September 30, 2005 were as follows:

	<u>Reported Amount - Fair Value</u>
Mutual fund	\$ <u>4,449,399</u>

These investments are reflected in the accompanying statement of net assets and balance sheet - governmental funds as cash and cash equivalents.

Credit risk

Florida Statutes require the money market mutual funds held by the Agency to have the highest credit quality rating from a nationally recognized rating agency. The money market mutual funds held by the Agency are rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

NOTE 5 - PAYABLES

Payables at September 30, 2005 were as follows:

	<u>Vendors</u>	<u>Real Estate Taxes</u>	<u>Total Payables</u>
Governmental activities:			
General	\$ 600	\$ --	\$ 600
Community redevelopment	<u>15,943</u>	<u>63,875</u>	<u>79,818</u>
Total governmental activities	<u>\$ 16,543</u>	<u>\$ 63,875</u>	<u>\$ 80,418</u>

NOTE 6 - RISK MANAGEMENT

For the period ended September 30, 2005, the Agency participated in the Florida League of Cities (FLC) risk pool. This is a statewide pool with several hundred governmental members. FLC provided the Agency with general liability and property coverages. The FLC pool is nonassessable. There is no self-insured retention for the Agency excluding a \$ 2,500 per occurrence supplemental employment liability, and a \$1,000 per occurrence property deductible. FLC provided the Agency with \$ 1,000,000 in general liability coverage.

MARGATE COMMUNITY REDEVELOPMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 - RELATED PARTY TRANSACTIONS

The Agency, as a component unit of the City of Margate, paid the City approximately \$ 35,000 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 due to the City of Margate reported on the balance sheet and statement of net assets represents payments by the City for Agency expenditures/expenses.

NOTE 8 - SUBSEQUENT EVENT

Due to Hurricane Wilma, many tenants of the Margate Shopping Center which is owned by the Agency vacated as a result of damage from the storm. FEMA's structural engineer has totalled the Center. The Florida Municipal Insurance Trust has grossly undervalued the Agency's payout on the insurance claim and the Agency is currently negotiating with the Trust. The Agency's intention is to level the structure, package the property with other property they are purchasing and then go out for request for proposals from developers.

SUPPLEMENTAL FINANCIAL
INFORMATION

MARGATE COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Tax increment revenues:				
City of Margate	\$ 1,462,320	\$ 1,462,320	\$ 1,461,823	\$ (497)
Broward County	1,402,193	1,402,193	1,401,716	(477)
North Broward Hospital District	539,162	539,162	539,054	(108)
Rental income	370,000	370,000	556,937	186,937
Intergovernmental	--	--	100,000	100,000
Interest income	--	--	94,179	94,179
Miscellaneous revenues	<u>--</u>	<u>--</u>	<u>50,926</u>	<u>50,926</u>
Total revenues	\$ <u>3,773,675</u>	\$ <u>3,773,675</u>	\$ <u>4,204,635</u>	\$ <u>430,960</u>
EXPENDITURES:				
Redevelopment projects -				
Land acquisition and fees	\$ 1,931,175	\$ 1,931,175	\$ 423,301	\$ 1,507,874
Professional services	289,000	519,000	152,988	366,012
Rental expenses	150,000	150,000	117,294	32,706
Improvements - landscaping and medians	860,000	660,000	68,495	591,505
Improvements - commercial	200,000	200,000	35,000	165,000
Improvements - sign and features	<u>25,000</u>	<u>25,000</u>	<u>17,840</u>	<u>7,160</u>
Total redevelopment projects	<u>3,455,175</u>	<u>3,485,175</u>	<u>814,918</u>	<u>2,670,257</u>
Current:				
General government -				
Professional services	152,000	152,000	118,250	33,750
Office supplies and expense	83,500	83,500	48,612	34,888
Insurance	8,000	8,000	23,681	(15,681)
Contingency	<u>75,000</u>	<u>45,000</u>	<u>--</u>	<u>45,000</u>
Total general government	<u>318,500</u>	<u>288,500</u>	<u>190,543</u>	<u>97,957</u>
Total expenditures	\$ <u>3,773,675</u>	\$ <u>3,773,675</u>	\$ <u>1,005,461</u>	\$ <u>2,768,214</u>

**OTHER REPORTS OF
INDEPENDENT AUDITORS**



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Margate Community Redevelopment Agency
A Component Unit of the City of Margate, Florida
Margate, Florida

We have audited the statement of net assets and balance sheet of Margate Community Redevelopment Agency (the Agency) as of September 30, 2005, and the statement of activities, statement of revenues, expenditures and change in fund balance and revenues, expenditures and change in fund balance - budget and actual - General Fund for the year then ended and have issued our report thereon dated January 20, 2006. 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 Margate Community Redevelopment Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by management in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Margate Community Redevelopment Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of basic 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.

Margate Community Redevelopment Agency

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


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
January 20, 2006



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INDEPENDENT AUDITORS' REPORT TO AGENCY MANAGEMENT

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 (the "Agency"), as of and for the year ended September 30, 2005, and have issued our report thereon dated January 20, 2006.

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 are dated January 20, 2006, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter. Those rules (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Margate Community Redevelopment Agency

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the Agency for the fiscal year ended September 30, 2005, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Agency complied with Section 218.415, Florida Statutes.

The Rules of Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the basic financial statements); (4) failure to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no matters requiring disclosure in the management letter or the basic financial statements.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the basic financial statements. Margate Community Redevelopment Agency was established in 1996, by Ordinance No. 96-15 of the City of Margate Commission. The Agency does not have any component units.

As required by the Rules of the Auditor General (Section 10.554(h)6.c. and 10.556(8)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
January 20, 2006