

CITY OF SOUTH MIAMI, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

# City of South Miami, Florida

## Table of Contents

	PAGE
I. INTRODUCTORY SECTION	
Letter of Transmittal	i
Organizational Chart	vii
List of Principal Officials- September 30, 2008	viii
List of Principal Officials- May 12, 2009	ix
Certificate of Achievement in Financial Reporting	x
II. FINANCIAL SECTION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet -- Governmental Funds	15
Reconciliation of the Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Assets -- Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets -- Fiduciary Funds	20
Notes to the Basic Financial Statements	21-44
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	45
Community Redevelopment Agency Fund	46
Notes to Budgetary Comparison Schedules	47-48
Retirement System	
Schedule of Funding Progress	49
Schedule of Employer Contributions	50
Combining Individual Fund Statements and Schedules	
Combining Balance Sheet -- Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -- Nonmajor Governmental Funds	52
Schedules of Revenues, Expenditures, and Changes in Fund Balance -- Budget and Actual -- Nonmajor Governmental Funds	53-54
Combining Statement of Net Assets -- Fiduciary Funds	55
Combining Statement of Changes in Net Assets -- Fiduciary Funds	56

# City of South Miami, Florida

## Table of Contents

III.	STATISTICAL SECTION	
	Net Assets by Component	57
	Changes in Net Assets	58
	General Governmental Revenues by Source	59
	Fund Balances by Governmental Funds	60
	Changes in Fund Balance of Governmental Funds	61
	General Governmental Tax Revenues by Source	62
	Assessed Value and Estimated Actual value of Taxable Property	63
	Property Tax Rates Direct and Overlapping Governments	64
	Principal Property Tax Payers	65
	Property Tax Levies and Collections	66
	Ratios of Outstanding Debt by Type	67
	Ratios of General Bonded Debt Outstanding	68
	Direct and Overlapping Governmental Activities Debt	69
	Legal Debt Margin Information	70
	Demographic and Economic Statistics	71
	Principal Employers- Miami Dade County, Florida	72
	Full Time Equivalent City Government Employees by Function	73
	Operating Indicators by Function	74
	Capital Asset Statistics by Function/Program	75
IV.	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 <i>GOVERNMENT AUDITING STANDARDS</i>	76-77
	MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	78-79
	INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550 RULES OF THE AUDITOR GENERAL	80-81
	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	82
	NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	83
	SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND RESPONSES	84-92

## **I. INTRODUCTORY SECTION**

May 12, 2009

Honorable Mayor and Members of the City Commission  
City of South Miami, Florida

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of South Miami (the "City") for the fiscal year ended September 30, 2008 is hereby submitted for your review. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations for all funds under the direct operating control of the City.

All necessary disclosures have been included to enable the reader to gain maximum understanding of the City's financial activities for the year. Accordingly this report consists of three sections, namely Introductory, Financial, and Statistical.

The contents of the report are influenced by compliance with GASB pronouncements, including Statement 34 et al., that has required the preparation of government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis. The MD&A can be found immediately following the report of independent certified public accountants.

## THE REPORTING ENTITY AND ITS SERVICES

The City of South Miami was incorporated in 1927 and is a political subdivision of the State of Florida. The City is a full service city providing its citizens with a full complement of municipal services, specifically, public safety, general government, parks, culture and recreation, sanitation and public works.

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The South Miami Community Redevelopment Agency is included as a blended component unit. There are no discretely presented component units.

## ECONOMIC OUTLOOK

The City of South Miami is primarily a residential community composed of approximately 11,000 residents. The majority of persons employed within the City are in Professional/Specialty, Administrative Support and Executive/Administrative/Management positions. City residents are primarily employed in jobs throughout Miami-Dade County.

The City's downtown business district is composed of three blocks located on Sunset Drive featuring specialty shops with restaurants on the side streets and three blocks on the west side of Red Road both north and south of Sunset Drive.

Also located within the City are two medical facilities, South Miami Hospital and Larkin Hospital, considered two of the finest medical facilities in the metropolitan area.

In addition to the Miami- Dade County bus system servicing the City, the Metro-Rail system also passes through the City with a station located off of Sunset Drive and U.S. 1. The Miami International Airport is within 15 minutes from downtown South Miami.

The City is located right in the center of metropolitan Miami Dade County abutting several other municipalities in the area. Numerous major attractions are situated in close proximity to the City. As with many businesses in the County, local businesses benefit from sizeable tourist trade. The City's downtown business district continues to experience significant private development investment as well as improvements to the City infrastructure within the area. A new multi-use public parking garage facility was approved by the City Commission and completed by November 2007. In the past years the Shops of Sunset has leased space to several new national chain retail stores, restaurants and nightclubs.

A major mixed use development entitled Red Road Commons, adjacent to the South Miami Metro Rail Station is nearing construction completion and will provide over 400 new residential units and affordable housing units. Also, two new commercial mixed use buildings are under construction on S. Dixie Highway and will provide over 100,000 sq ft of first class office space. All of these buildings will add to the City's tax roll.

## MAJOR INITIATIVES

The Community Redevelopment Agency (CRA) (a blended component unit of the City) was created in 1998 to bring economic revitalization to the depressed area of the City through tax increment financing. The agency obtains its funds through annual contributions from Miami Dade County and the City from the tax revenue generated from increase in property assessment of the designated area. The agency ended its fifth fiscal year of operations in September 2005. On May 3, 2005, the Miami-Dade County Commission approved Resolution R-466-05, extending the life of the CRA for fifteen (15) years beyond the June 1, 2005 sunset provision of the CRA's Interlocal Agreement with the County. However the renewal included a sunset review within two (2) years of this extension. As part of the fifteen year extension, the Miami-Dade County Commission mandated that the CRA must obtain long-term financing supported by tax increment revenues to fund the second phase of the Plan within the two (2) year period ended June 1, 2007. In November 2006, the City through its Community Redevelopment Agency ("CRA") issued \$2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area.

The City continues to review its land use codes for any changes that may be instituted to improve the area. The Agency has acquired several properties within its area of operations for development purposes, and has provided zero to low interest rate loans to residents of the area to improve their properties.

## MAJOR INDUSTRIES AND/OR SERVICE CENTERS

The City economy is influenced greatly by the economic condition of the entire county of Miami-Dade. The major businesses in the City are service-oriented with health care, professionals and retail shopping operators being the main employers. Below is the breakdown of businesses within the City by category.

INDUSTRY	Number of establishments
Construction	75
Manufacturing	14
Wholesale, Trade	63
Retail Trade	190
Transportation and Warehousing	10
Information	24
Finance and Insurance	68
Real Estate and Rental	114
Professional, Scientific and Technical	268
Management of companies and	3
Administrative, Support, Waste	50
Educational Services	21
Health Care and Social Assistance	317
Arts, Entertainment and Recreation	24
Accommodation and Food Services	75
Other Servicee	145
Unclassified Establishments	3

Source: U.S. Census Bureau 2005 Industry Code Summary

## ACCOUNTING SYSTEM, INTERNAL AND BUDGETARY CONTROL

In the design and direction of the City's accounting system, we have followed U.S. generally accepted accounting principles (GAAP) for state and local governments as set forth in the aforementioned statements on governmental accounting and financial reporting. Our accounting records follow the modified accrual basis of reporting revenues and expenditures for all governmental funds, i.e., General Fund, and Special Revenue Funds. The Pension Trust Funds are accounted for on the accrual basis. Further explanation of the City's accounting policies is contained in the notes to the financial statements.

The City's Finance Department is responsible for maintaining a comprehensive internal framework of accounting controls. The objectives of this system are to protect the City's assets from loss, theft and/or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in accordance with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The firm of Rodriguez, Trueba & Company, licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of South Miami for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. As part of their audit, Rodriguez, Trueba & Company gained an understanding and performed tests of controls on the City's comprehensive framework of controls as required by U.S. generally accepted auditing standards. Comments and recommendations resulting from the assessment of the controls are currently being evaluated by management. These recommendations will be implemented to the extent that the additional control objectives are cost beneficial to the City.

Budgetary control is maintained, in a manner to ensure compliance with the requirements and restraints of the City Charter, through a system of monthly financial reports reflecting expenditures and encumbrances against appropriations. The annual budget provides details of the approved appropriation by specific purpose within each object of expense. Encumbrances remaining open at the close of the fiscal year are reported as reservations of fund balance.

## CASH MANAGEMENT

The City aggressively pursues a program of cash management to achieve maximum return on all available funds. Non-Pension idle cash balances are held overnight in interest bearing accounts and funds available for longer term investment are placed in money markets, repurchase agreements, and certificates of deposit at competitive interest rates. Pension fund investments are maintained by an investment manager under the guidance of the pension board. All investment decisions are within the constraints imposed by Florida Statutes and Resolutions of the City Commission.

## DEBT ADMINISTRATION

The City has several loans outstanding with the Florida Municipal Loan Council (FMLC). The council, as a subsidiary of Florida League of Cities administers the Florida Municipal Loan Program. Small and medium-sized cities in the state obtain loans from the FMLC, through bonds and backed by MBIA Insurance Corporation.

One of the loans is for \$2.2 million obtained in 2001, with \$1.5 million used as matching fund for the safe neighborhood grant used to construct the new South Miami Community Center, \$400,000 was loaned to the CRA for acquisition of the Mobley Warehouse building located within the CRA district. The remaining \$300,000 was utilized for various traffic calming projects around the City. The loan bears interest at variable rates ranging from 3.25% to 5.25%. The City pledged part of the annual contributions from the South Miami Hospital to repay the loan.

Another loan was obtained in 2002 for \$6.5 million used for joint venture construction of a mixed-use parking garage-retail facility. The loan interest ranges from 3.25% to 5.50%. At the time the loan was obtained, the City pledged to use the revenues from the parking garage operation and funds from the partner in the joint venture to repay the loan.

On December 2006 the City borrowed \$5.6 million to finance the construction and improvements of a city-owned parking garage to be used for public parking. The loan interest varies from 4.2%-4.5%. Investment income from the note receivable and loan proceeds not expended, future garage revenues, and non-ad valorem revenues will be used to repay the loan.

On April 25, 2005, the City purchased eight police vehicles financed through the issuance of a note payable to a local bank totaling \$155,082. The note calls for annual payments of principal and interest of \$41,981 at an annual interest rate of 4%. The note matured on November 2008.

On April 20, 2005, the City purchased property located at 7800 SW 59 Ave for \$573,367 financed through the issuance of a note payable to a local bank. The note calls for quarterly payments of principal of \$20,477 and quarterly interest payments of varying amounts at an annual interest rate of 3.95%. The note matures on April 30, 2012.

On November 21, 2005, the City purchased land totaling \$2,750,000 from the YMCA of Greater Miami, Inc. financed through loans totaling \$2,775,000. The loans consist of three separate note payables. One of these notes for \$850,000, was paid off during January 2008.

On April 19, 2006, the City purchased eight police vehicles financed through the issuance of a note payable to a local bank totaling \$188,450. The note calls for annual payments of principal and interest of \$40,827 at an annual interest rate of 4.1%. The note matures on April 20, 2010.

In November 2006, the City through its Community Redevelopment Agency ("CRA") issued \$2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area. The revenue bonds are secured by CRA Tax Increment Financing revenues from the County and the City. The bonds carry an interest rate of 5.99%. Principal and interest payments are due quarterly up to May 1, 2020, the maturity date of the bonds.

On January 4, 2008, the City entered into a lease purchase agreement for \$250,000, with the Trust for Public Land for the acquisition of the Dison Property. This was a three year agreement with an interest rate oft prime plus 1.5%. The lease purchased agreement was paid in full in January, 2008.

On April 7, 2008, the City borrowed \$1 million for the completion of the construction of the parking facility and certain road improvements. This was an interim loan until permanent financing was obtained. The note has a one year term at an interest rate of 1.76% plus the LIBOR rate, two days prior to the payoff.

## RETIREMENT BENEFITS

The City of South Miami sponsors two defined benefit pension plans, the General Employees' Pension Fund and the Police Officers Retirement Trust Fund. These two pension plans are administered through one independent Pension Board. The Pension Board hires an outside pension plan administrator to administer the plans. Each year, an independent actuary, engaged by the Board calculates the amount of annual contribution that the City of South Miami must make to each pension plan to ensure that the plans are actuarially sound. As a matter of policy, the City of South Miami fully funds each year's annual required contribution to the pension plan as determined by the actuary. Regular full-time employees of the City hired on or after October 1, 1995 must become participants upon completion of six months of service. Police officers become eligible to enter the plan as of the date of employment. The financial activities of the Plans are reported annually as part of the overall City Comprehensive Annual Financial Report.

The City also provides, a defined contribution Section 457 deferred compensation plan for all its employees and a 401A deferred compensation plan for senior level employees and the City Manager.

## AWARDS

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2007. In order to be awarded a Certificate of Achievement; a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

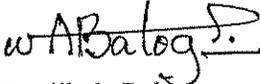
## ACKNOWLEDGEMENTS

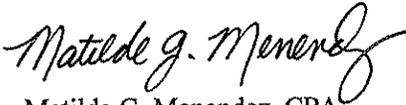
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department.

We express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report, and to the various Departments who contributed the necessary statistical data. Our thanks and appreciation is also extended to the accounting firm of Rodriguez, Trueba & Company for the professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions.

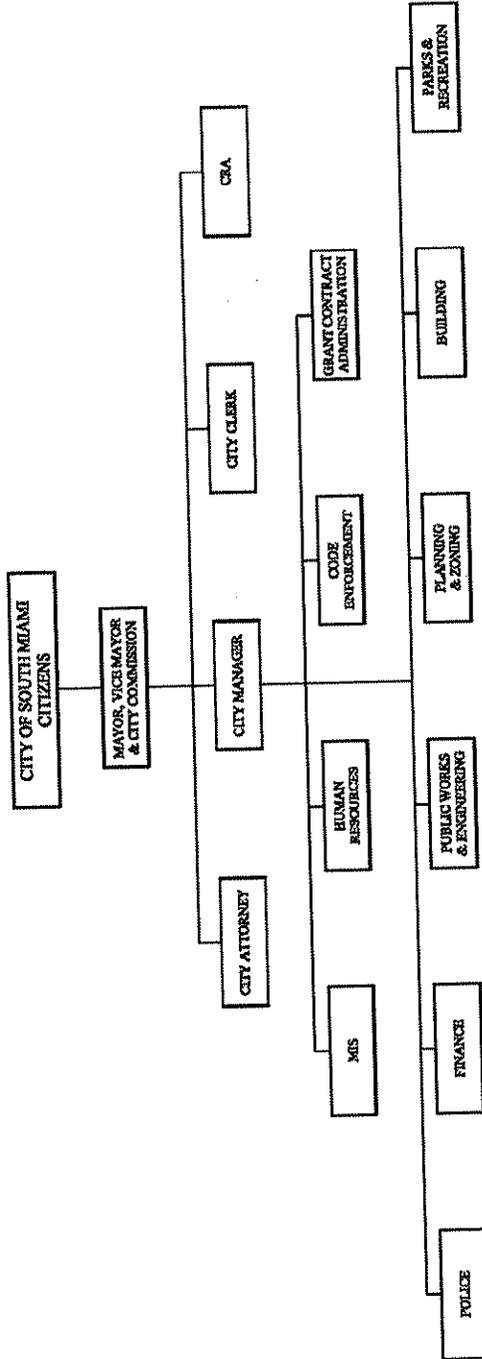
Finally, our thanks to the Mayor and City Commission for their guidance and cooperation in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

  
W. Ajibola Balogun  
City Manager

  
Matilde G. Menendez, CPA  
Finance Director

# City of South Miami, Florida ORGANIZATIONAL CHART



# CITY OF SOUTH MIAMI, FLORIDA

## COMMISSION - MANAGER FORM OF GOVERNMENT LIST OF PRINCIPAL OFFICIALS As of September 30, 2008

### CITY COMMISSION

HORACE G. FELIU  
Mayor

BRIAN D. BEASLEY  
Vice Mayor

VELMA PALMER  
Commissioner

RANDY G. WISCOMBE  
Commissioner

JAY BECKMAN  
Commissioner

CITY MANAGER  
W. Ajibola Balogun

CITY ATTORNEY  
Nagin Gallop Figueredo

CITY CLERK  
Maria M. Menendez

FINANCE DIRECTOR  
Matilde G. Menendez,  
CPA

### CERTIFIED PUBLIC ACCOUNTANTS



# CITY OF SOUTH MIAMI, FLORIDA

## COMMISSION - MANAGER FORM OF GOVERNMENT

### LIST OF PRINCIPAL OFFICIALS

As of May 12, 2009

#### CITY COMMISSION

HORACE G. FELIU  
Mayor

BRIAN D. BEASLEY  
Vice Mayor

VELMA PALMER  
Commissioner

VALERIE NEWMAN  
Commissioner

VACANT  
Commissioner

CITY MANAGER  
W. Ajibola Balogun

CITY ATTORNEY  
Nagin Gallop Figueredo

CITY CLERK  
Maria M. Menendez

FINANCE DIRECTOR  
Matilde G. Menendez,  
CPA

#### CERTIFIED PUBLIC ACCOUNTANTS



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Miami  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. M.", written over a white background.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer", written over a white background.

Executive Director

## **II. FINANCIAL SECTION**



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Honorable Mayor, City Council and City Manager  
City of South Miami, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of South Miami Pension which represent 100% of the fiduciary fund's net assets. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary fund statements, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of South Miami, Florida, as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on our 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.

Doral Office: 1985 NW 88<sup>th</sup> Court, Suite 102, Doral, FL 33172 · Phone: 305-593-2644 · Fax: 305-539-0390  
Miami-Lakes Office: 8040 SW 155<sup>th</sup> St., Suite 206, Miami Lakes, FL 33016 · Phone: 305-779-1120 · Fax: 305-779-1121  
[www.rtc-cpa.com](http://www.rtc-cpa.com)

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Honorable Mayor, City Council and City Manager  
City of South Miami, Florida

The management's discussion and analysis on pages 3 through 12, the schedules of funding progress and employee contributions— Retirement System, on pages 49-50 and the budgetary comparison information for the general fund, and the South Miami Community Redevelopment Agency Fund on pages 45 through 48 are not a required part of the basic financial statements but are supplementary information required by the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements and schedules, the statistical section, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Rodriguez Trueba & Company*

Doral, Florida  
May 12, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD&A)

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**City of South Miami Florida**  
Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2008

The management of the City of South Miami has included this section in the Comprehensive Annual Financial Report (CAFR) in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34, et al. It is intended to provide readers of this report the narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2008. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, the City's financial statements and the other required supplemental information.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

### **FINANCIAL HIGHLIGHTS**

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

- The assets of the City of South Miami exceeded its liabilities at the close of the most recent fiscal year by \$35 million (net assets). Of this amount, \$9 million is unrestricted.
- The City's \$23.08 million in revenues for governmental activities exceeded the \$18.8 million in expenses, providing a \$4.28 million increase in net assets.
- At the end of the current year fund balance for the General Fund was \$10 million, or 54.1% of total general fund operating revenues. Of this amount \$5.97 million is reserved for prepaid costs, encumbrances, public safety, non-current note receivable, debt service and contingencies and \$.26 million is designated. The current year's unreserved fund balance for the General Fund is \$4.7 million, or 19% of total general fund operating revenues.
- The General Fund's fund balance decreased by \$.99 million for the year ended September 30, 2008.
- The City's total debt increased by \$1.95 million or 10.37 percent in new notes payables and capital leases.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an additional section that presents *combining statements* for non-major governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of those parties outside of the government.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information which further explains and supports this information. In addition to these required elements, we have include a section with combining statements that provide details about our non-major governmental funds, each of which is added together and presented in single columns in the basic financial statements.

**City of South Miami Florida**  
Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2008

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of South Miami's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South Miami is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities), and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the City of South Miami include police services, public works, culture and recreation, code compliance, planning and zoning, economic development and general administration services. There are no business-type activities.

In addition, the City has two separate single-employer defined benefit pension plans, 401A plans for the City Manager and senior level staff, and voluntary Section 457 defined contribution plan for all interested employees. The pension plans are reported as Fiduciary Funds in the fund financial statements of this report, but are not included in the government-wide statements.

The government-wide financial statements can be found on pages 13 and 14 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 City of South Miami, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Miami can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of South Miami maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**City of South Miami Florida**  
Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2008

Budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The basic governmental funds financial statements can be found on pages 15 to 18 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the City of South Miami's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 19 to 20 of this report. Individual fund data for the Fiduciary Funds is provided in the form of combining statements elsewhere in this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 44 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 City of South Miami's progress in funding its obligation to provide pension benefits to its employees, and budgetary comparison schedules for the General Fund.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements can be found beginning on page 51 of this report.

Our analysis of the financial statements of the City begins below. The statement of Net Assets and the Statement of Activities report information about the City's activities that will help answer questions about the position of the City.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Assets summary presentation as reflected below:

- 1) *Net results of activities* will impact (increase/decrease) current assets and unrestricted net assets.
- 2) *Borrowing for capital* will increase current assets and long-term debt.
- 3) *Spending borrowed proceeds on new capital* will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.
- 4) *Spending of non-borrowed current assets on new capital* will reduce current assets and increase capital assets and increase invested in capital assets, net of debt.
- 5) *Principal payment on debt* will reduce current assets and reduce long-term debt and reduce unrestricted net assets and increase invested in capital assets, net of debt.
- 6) *Reduction of capital assets through depreciation* will reduce capital assets and invested in capital asset, net of debt.

The City's net assets were \$35 million in fiscal year 2008—(see Table 1). This amount came solely from Governmental activities because the City has no Business-Type activities. Restricted net assets and net assets invested in capital assets amounted to 74% of total net assets. The largest portion of the net assets (62 percent) is invested in capital assets (land, buildings, streets, sidewalks, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of net assets (12 percent) is restricted for debt service, public safety or capital projects. The remaining balance of *unrestricted* net assets (\$9.3 million) may be used to meet government's ongoing obligations to citizens and creditors.

**City of South Miami Florida**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2008**

**Table 1**  
**City of South Miami's Net Assets**  
*(in millions of dollars)*

	<b>Governmental</b>		<b>Total Percentage Change 2007-2008</b>
	<b>Activities</b>		
	<b>2007</b>	<b>2008</b>	
Current and other assets	17.4	17.6	1.3%
Capital assets	35.5	40.2	13.2%
<b>Total assets</b>	<b>52.9</b>	<b>57.8</b>	9.3%
Long-term debt outstanding	16.7	16	-4.2%
Other Liabilities	5.2	6.5	25.0%
<b>Total Liabilities</b>	<b>21.9</b>	<b>22.5</b>	2.7%
<b>Net assets</b>			
Invested in capital assets net of related debt	16.7	21.9	31.1%
Restricted	4.3	4.1	0.0%
Un-restricted	10.0	9.3	-9.0%
<b>Total net assets</b>	<b>31</b>	<b>35.3</b>	13.9%

At the end of the current fiscal year, the City of South Miami is able to report positive balances in all three categories of net assets. The restricted net assets increased in 2008 by \$54 thousand, while the unrestricted governmental activities net assets decreased by \$836 thousand. Capital assets increased during the current year due to additions purchased through grants or debt financing. The increase in other liabilities is mainly due to new notes payables.

**Summary of Changes in Net Assets:**

The following information presented is to assist the reader in understanding the different types of normal impacts that can affect revenues:

- 1) Economic Condition can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) The City Commission has significant authority to set increases or decreases in City's rates (stormwater, permitting, user fees, etc.)
- 3) Changing patterns in intergovernmental and grant revenues (both recurring and non-recurring) can significantly change and impact the annual comparisons.
- 4) Market impacts on investment income may cause investment revenues to fluctuate from the prior year.

Some other basic impacts on expenses are reflected below:

- 1) Introduction of new programs can have a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- 2) Changes in service demand levels can cause the City to increase or decrease authorized staffing.
- 3) Salary increases such as cost of living, performance increases and market adjustments can impact personal service costs.
- 4) While inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals, supplies, fuels and parts. Some functional expenses may experience unusual commodity specific increases.

**City of South Miami Florida**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2008**

**Statement of Activities:**

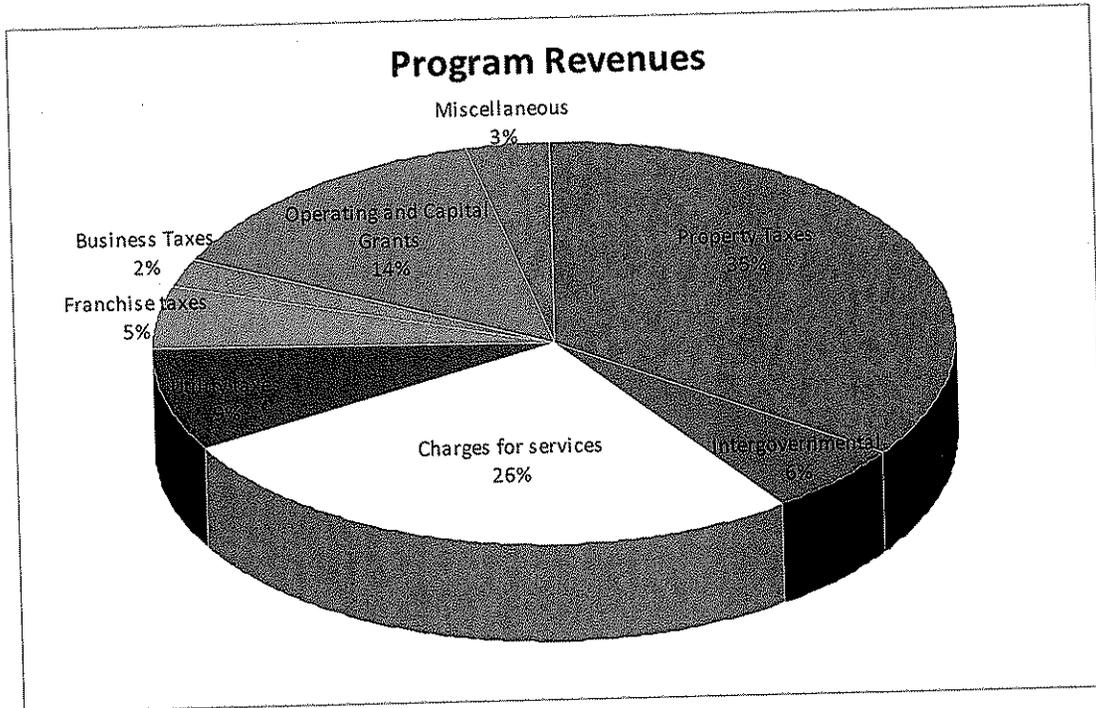
As noted earlier, the *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. The following table reflects the City's revenues and expenses for fiscal year 2008 compared to 2007 with the resulting change in net assets:

**Table 2**  
**Changes in City of South Miami's Net Assets**  
*(in millions of dollars)*

	Governmental Activities		Total Percentage Change 2007-2008
	2007	2008	
<b>Revenues:</b>			
Program revenues			
Charges for services	3.19	6.04	89.3%
Operating grants/contributions	0.5	0.59	18.0%
Capital grants/contributions	3.96	2.69	-32.1%
<b>General Revenues</b>			
Property taxes	8.9	8.1	-9.0%
Franchise taxes	1.11	1.12	0.9%
Utility taxes	1.83	1.97	7.7%
Business taxes	0.55	0.55	0.0%
Investment Income	0.81	0.4	-50.6%
Intergovernmental	1.29	1.28	-0.8%
Miscellaneous	0.5	0.34	-32.0%
<b>Total revenues</b>	<b>22.64</b>	<b>23.08</b>	<b>1.9%</b>
<b>Expenses:</b>			
General government	6.97	8.16	17.1%
Public Safety	4.55	4.41	-3.1%
Public Works	5	4.53	-9.4%
Culture and Recreation	0.86	1.02	18.6%
Interest on long-term debt	0.5	0.68	36.0%
<b>Total expenses</b>	<b>17.88</b>	<b>18.8</b>	<b>5%</b>
<b>Increase in net assets</b>	<b>4.76</b>	<b>4.28</b>	<b>-10%</b>

The City's total revenues increased by 1.9 percent to \$23.08 million (see Table 2), due mainly to increases in charges for services. Nearly 35 percent of the City's revenues come from property taxes, another 20 percent comes from intergovernmental and grants and 26 percent from charges for services. (See chart that follows) The City's management took major actions in 2008 and 2007 to improve City revenues and to control expenses. The actual numbers for most of the City's revenue sources were above the final budget estimates.

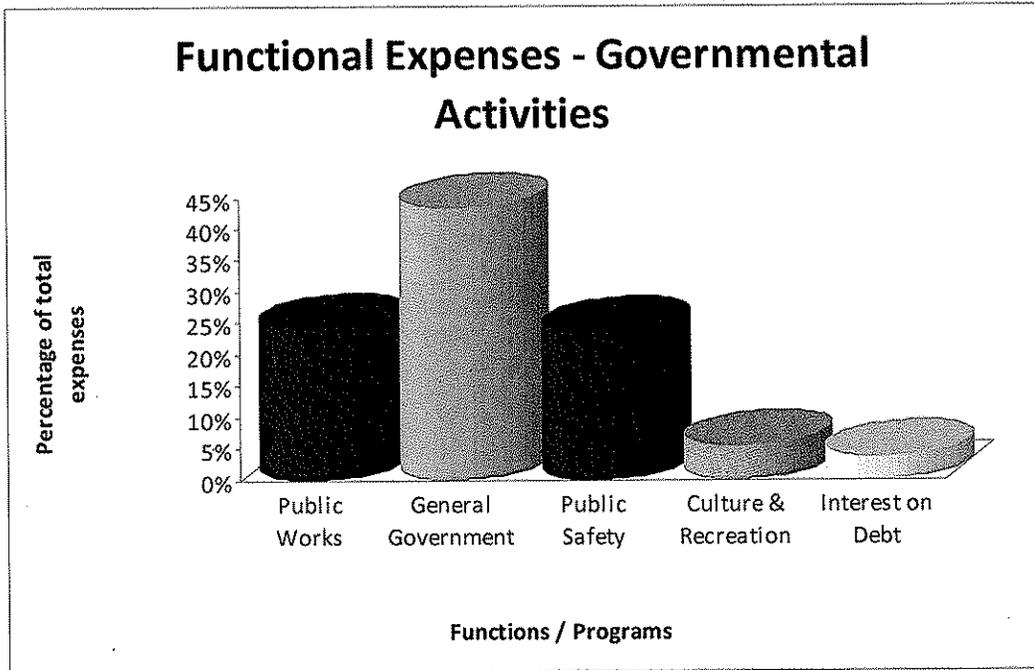
**City of South Miami Florida**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2008**



The total cost of all programs and services increased by \$.92 million or 5 percent (see Table 2). The City's expenses cover a range of services, with about 23 percent related to public safety. As shown in Chart 2, governmental expenses are largely weighted in three functions, namely the public safety, general government, and public works. At \$4.41 million, public safety expenditures represent 23% of the statement of activities' total expenses for the City in 2008. General Government category expenditures total for 2008 was \$8.16 million, or 43 percent of total expenses. The General Government category includes all other City departments except public safety, culture and recreation, public works, and non-departmental. Lastly, public works expended \$4.53 million, or 24% of expenses. No business-type activities for the current year.

The chart below presents the cost of each of the City's governmental services. Net cost is the total cost of each service less the program revenue generated, fees by each activity and intergovernmental aid. The net cost shows the financial cost that is placed on the City's taxpayers by each of these services:

**City of South Miami Florida**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2008**



The cost of all *governmental* activities this year, including approximately \$680 thousand in interest expense on long-term debt, was \$18.8 million. Some of that cost was financed by:

- Those who directly benefited from the programs through charges for services (\$6.04 million), or
- Other governments and organizations that subsidized certain programs from grants and contributions (\$3.28 million).

The City financed the remaining \$9.47 million "public benefit" portion of governmental activities from property taxes, utility taxes and with other revenues, such as interest and unrestricted intergovernmental revenue.

**GOVERNMENTAL FUNDS' FINANCIAL ANALYSIS**

As the City completed the year, its governmental funds reported combined fund balances of \$14.8 million, with the general fund representing \$10.0 million. Of the \$14.8 million; \$7.3 million is reserved and \$259 thousand is designated, leaving \$7.2 million in unreserved undesignated fund balance.

The General Fund's fund balance decreased by \$989 thousand after transfers of \$589 thousand and debt proceeds of \$1.9 million. There were approximately \$2.6 million in capital outlay expenditures for the general fund, which were financed mostly through debt proceeds and restricted funds. General fund revenues were fairly consistent for the years ended 2008 and 2007. Please refer to the General Fund Budget Highlights section below for further information.

**City of South Miami Florida**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2008**

During the current year the Grants Fund's fund balance increased by \$95 thousand. There were approximately \$1.7 million in capital outlay expenditures, which were funded through intergovernmental revenues. The Community Redevelopment Agency fund balance increased by \$392 thousand. Total fund expenditures of \$817 thousand were financed with Ad Valorem taxes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended the General Fund budget twice. The budget was amended during the fiscal year, in accordance with the City Charter, to account for rollovers related to capital improvement projects, to account for additional funding for unforeseen expenditures, personnel changes and for prior year encumbrances.

The base revenue budget of \$15.6 million increased to \$18.6 million. The increase was for prior year encumbrances, loan proceeds and a recreation concurrency fee. The difference between the estimated revenues and the actual revenues in the General Fund was \$124 thousand for fiscal year 2008. Actual revenues, at \$18.5 million came in slightly lower than the final budget of \$18.6 million.

Comparing the original budget to the final budget, the fiscal year 2008; the original expenditure budget of \$19.2 million was increased by 3.25 million for prior year encumbrances, debt service and capital improvements. Actual expenditures were \$22 million and were below the final amended budget by \$413 thousand. The largest capital expenditures were for the completion of the public parking garage construction which amounted to \$1.2 million, capital leases of public works vehicles amounting to approximately \$203 thousand and the lease purchase agreement for the acquisition of the Dison property for \$750 thousand. All other expenditures were in line with the projected expectations. Please refer to page 45-48 for further details.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets:**

The City of South Miami's investment in capital assets for its governmental activities as of September 30, 2008 is detailed below:

**Table 4**

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2007</b>	<b>2008</b>	<b>2007-2008</b>
Land	10.5	11.3	7.6%
Construction in progress	7.8	0	-100.0%
Buildings	7.2	16.3	126.4%
Furniture & Fixtures	5.9	6.7	13.6%
Infrastructure	17.6	20.8	18.2%
Total	49	55.1	12.4%

**City of South Miami Florida**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended September 30, 2008**

For fiscal year 2008 the City spent \$6.1 million on capital programs primarily in the acquisition of real estate properties, the purchase of vehicles, equipment, furniture and infrastructure for traffic calming projects, street improvements, storm-water improvements and for the completion of the public parking garage construction. Additional information on the City's capital assets can be found in Note III-C on pages 31 of this report.

**Debt Administration:**

At year-end the City had \$19.68 million in outstanding debt, as noted below:

**City of South Miami**  
**Outstanding Debt**  
**(in millions of \$1)**

	<b>Governmental</b>		<b>Total Percent</b>
	<b>Activities</b>		
	<b>2007</b>	<b>2008</b>	<b>2007-2008</b>
Loans	16.1	15.73	-2.3%
Notes Payable	1.85	1.88	1.6%
Due to Miami Dade County	0.15	0.16	6.7%
Compensated Absences	1.3	1.38	6.2%
Capital Lease Payable	0.7	0.53	-24.3%
<b>Total</b>	<b>20.1</b>	<b>19.68</b>	<b>-2.1%</b>

During the 2008 fiscal year the City obtained an interim loan. The loan was for completion of the construction of the parking facility and certain road improvements. The City Compensated Absences balance represents the amount expected to be paid by the City as payoff to its employees, based on current City policy, in the event of termination of employment of our employees. The City also purchased public works vehicles through capital leases and entered into a lease purchased agreement for the Dison property. More detailed information about the City's long-term liabilities is presented in Note III-F, beginning on page 33 of the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATIOS**

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments. For certain governmental activities (building inspections, recreational programs, etc.) the user pays a related fee or charge associated with the service.

Revenues in fiscal year 2009 adopted General Fund budget are \$17.8 million, a decrease of \$800 thousand from final approved revenues of \$18.6 million for fiscal year 2008. With these revenues the City will be able to fund current services and any expected impact of inflation on salaries and benefits.

Fiscal year 2009 budgeted expenditures and transfers are expected to be \$19.2 million, or 14 percent, lower than fiscal year 2008 total final budgeted expenditures of \$22.4 million if estimates are realized, the City's budgetary General Fund balance is expected to increase modestly by the close of 2009.

**City of South Miami Florida**  
Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2008

**REQUESTS FOR INFORMATION**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Matilde G. Menendez, CPA, Finance Director, City of South Miami, 6130 Sunset Drive Miami, Florida 33143.

**City of South Miami, Florida**

Statement of Net Assets

September 30, 2008

<b>ASSETS</b>	Governmental Activities
Cash and investments	\$ 12,545,949
Accounts receivable - net	2,618,931
Prepays	175,279
Temporarily restricted assets:	
Cash and cash equivalents	44,427
Note receivable	2,230,807
Net pension asset	32,363
Capital assets:	
Capital assets, not being depreciated	11,295,107
Capital assets, being depreciated	43,847,516
Total capital assets	55,142,623
Less accumulated depreciation	(14,979,948)
Total capital assets, net	40,162,675
 <b>Total Assets</b>	 <b>\$ 57,810,431</b>
 <b>LIABILITIES</b>	
Accounts payable	\$ 2,317,047
Accrued liabilities	286,960
Net pension obligation	18,495
Due to other governments	144
Other liabilities	215,311
Deferred revenues	9,012
Compensated absences	1,384,441
Noncurrent liabilities:	
Due within one year	1,328,863
Due in more than one year	16,963,281
<b>Total Liabilities</b>	<b>22,523,554</b>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	21,870,531
Restricted for:	
Debt service	2,230,807
Public Safety	145,037
Capital projects/ transportation	1,706,098
Unrestricted	9,334,404
<b>Total Net Assets</b>	<b>\$ 35,286,877</b>

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

**City of South Miami, Florida**

Statement of Activities

For the Fiscal Year Ended September 30, 2008

	Program Revenues			Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/programs</b>				
Primary Government				
Governmental activities:				
General government	\$ 7,910,628	\$ 3,952,184	\$ -	\$ (3,958,444)
Public safety	4,410,128	458,600	11,325	(3,940,203)
Public works	4,534,559	399,421	247,840	(1,194,226)
Culture and recreation	1,020,574	1,229,022	335,165	543,613
Interest on long-term debt	920,665	-	-	(920,665)
Total primary government	\$ 18,796,554	\$ 6,039,227	\$ 594,330	\$ (9,469,925)

**GENERAL REVENUES:**

Property taxes	8,104,260
Franchise fees (based on gross receipts)	1,115,721
Utility taxes	1,965,110
Business taxes	552,410
Unrestricted investment earnings	396,092
Intergovernmental (unrestricted)	1,281,708
Miscellaneous	340,921
Total General Revenues	13,756,222
Change in net assets	4,286,297
Net assets, October 1	31,000,580
Net assets, September 30	\$ 35,286,877

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

**City of South Miami, Florida**  
 Balance Sheet  
 Governmental Funds  
 September 30, 2008

	<u>Major Funds</u>			<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Grants Fund</u>	<u>Community Redevelopment Agency Fund</u>		
<b>ASSETS</b>					
Cash and investments	\$ 7,381,169	\$ 546,840	\$ 3,025,230	1,592,710	\$ 12,545,949
Accounts receivable	767,186	1,517,953	-	333,792	2,618,931
Due from other funds	2,710,052	759,154	206,139	1,150,222	4,825,567
Prepaid	175,279	-	-	-	175,279
Temporarily restricted assets:					
Cash and cash equivalents	44,427	-	-	-	44,427
Note receivable	2,230,807	-	-	-	2,230,807
<b>Total Assets</b>	<u>\$ 13,308,920</u>	<u>\$ 2,823,947</u>	<u>\$ 3,231,369</u>	<u>3,076,724</u>	<u>\$ 22,440,960</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 826,303	\$ 710,426	\$ 135,980	644,338	\$ 2,317,047
Due to other funds	1,962,262	1,883,766	37,848	941,691	4,825,567
Due to other governments	144	-	-	-	144
Accrued liabilities	286,960	-	-	-	286,960
Compensated absences	15,273	-	-	-	15,273
Other liabilities	210,232	-	5,079	-	215,311
Deferred revenues	9,012	-	-	-	9,012
<b>Total liabilities</b>	<u>\$ 3,310,186</u>	<u>\$ 2,594,192</u>	<u>\$ 178,907</u>	<u>1,586,029</u>	<u>\$ 7,669,314</u>
Fund balances:					
Reserved for:					
Prepays	175,279	-	-	-	175,279
Encumbrances	708,127	392,597	307,257	386,666	1,794,647
Public safety	6,398	-	-	137,675	144,073
Capital projects/Transportation	-	-	100,000	988,431	1,088,431
Parks and recreation	-	-	-	-	-
Note receivable	2,230,807	-	-	-	2,230,807
Contingencies	1,917,465	-	-	-	1,917,465
Unreserved, designated	259,466	-	-	-	259,466
Unreserved, undesignated	4,701,192	(162,842)	2,645,205	(22,077)	7,161,478
<b>Total fund balances</b>	<u>9,998,734</u>	<u>229,755</u>	<u>3,052,462</u>	<u>1,490,695</u>	<u>14,771,646</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 13,308,920</u>	<u>\$ 2,823,947</u>	<u>\$ 3,231,369</u>	<u>3,076,724</u>	<u>\$ 22,440,960</u>

**City of South Miami, Florida**  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 Governmental Funds  
 September 30, 2008

Fund balances - total governmental funds (page 15) \$ 14,771,646

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	55,142,623
Less accumulated depreciation	(14,979,948)

Net pension asset	32,363
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Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Net pension obligation	(18,495)
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Loans payable	(13,245,000)	
Bond payable	(2,481,381)	
Trust for Public Land payable	(250,000)	
Note payable	(1,634,257)	
Due to Miami Dade County	(155,115)	
Capital leases payable	(526,391)	
	(18,292,144)	(18,292,144)

Compensated absences	(1,369,168)
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Net assets of governmental activities (page 13)	\$ <u><u>35,286,877</u></u>
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The notes to the basic financial statements are an integral part of these financial statements.

**City of South Miami, Florida**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2008

	<b>Major Funds</b>				<b>Total Governmental Funds</b>
	<b>General</b>	<b>Grants Fund</b>	<b>Community Redevelopment Agency Fund</b>	<b>Other Nonmajor Governmental Funds</b>	
<b>REVENUES:</b>					
Taxes:					
Ad Valorem	\$ 6,632,820	\$ -	\$ 1,471,440	\$ -	\$ 8,104,260
Utility taxes	1,965,110	-	-	-	1,965,110
Business taxes	552,410	-	-	-	552,410
Franchise fees	1,115,721	-	-	-	1,115,721
Licenses and permits	1,136,831	-	-	-	1,136,831
Intergovernmental	1,461,125	1,945,966	-	1,012,019	4,419,110
Charges for services	2,817,604	-	-	-	2,817,604
Fines and forfeitures	287,064	-	-	42,403	329,467
Investment earnings	344,617	1,944	34,872	14,659	396,092
Other	2,149,253	-	49,995	46,998	2,246,246
Total Revenues	<u>18,462,555</u>	<u>1,947,910</u>	<u>1,556,307</u>	<u>1,116,079</u>	<u>23,082,851</u>
<b>EXPENDITURES:</b>					
Current:					
General government	6,817,333	-	420,568	-	7,237,901
Public safety	4,330,224	-	-	1,992	4,332,216
Public works	4,263,795	105,178	-	914,955	5,283,928
Culture and recreation	939,074	20,630	-	16,940	976,644
Debt service					
Principal	2,253,982	-	141,232	48,620	2,443,834
Interest	762,845	-	156,540	1,280	920,665
Capital outlay	2,626,275	1,727,038	98,900	201,912	4,654,125
Total Expenditures	<u>21,993,528</u>	<u>1,852,846</u>	<u>817,240</u>	<u>1,185,699</u>	<u>25,849,313</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,530,973)	95,064	739,067	(69,620)	(2,766,462)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers	589,093	-	(346,539)	(242,554)	-
Issuance of debt	1,000,000	-	-	-	1,000,000
Proceeds from issuance of capital leases	952,944	-	-	-	952,944
Total Other Financing Sources (Uses)	<u>2,542,037</u>	<u>-</u>	<u>(346,539)</u>	<u>(242,554)</u>	<u>1,952,944</u>
Net change in fund balances	(988,936)	95,064	392,528	(312,174)	(813,518)
Fund balances, beginning	10,987,670	134,691	2,659,934	1,802,869	15,585,164
Fund balances, ending	<u>\$ 9,998,734</u>	<u>\$ 229,755</u>	<u>\$ 3,052,462</u>	<u>\$ 1,490,695</u>	<u>\$ 14,771,646</u>

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

**City of South Miami, Florida**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Net Assets  
 For the Fiscal Year Ended September 30, 2008

Net change in fund balances - total governmental funds (Page 17) \$ (813,518)

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 outlays	6,146,854	
Less current year depreciation	<u>(1,461,139)</u>	4,685,715

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long term debt and related items.

Debt issued	(1,952,944)	
Principal payments	<u>2,443,834</u>	490,890

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that do not require the use of expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Changes in:		(115,409)
Compensated absences		38,619
Change in net pension obligation		<u>38,619</u>

Change in net assets of governmental activities (page 14)		<u>\$ 4,286,297</u>
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**City of South Miami, Florida**  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
September 30, 2008

	<u>Employee Retirement Fund</u>
<b>ASSETS</b>	
Investments, at fair value	\$ 17,112,397
Receivables:	
Employer	164,187
Employees	-
Dividends and interest	73,087
South Miami Police Officers' Retirement Plan	<u>37,780</u>
Total receivables	<u>275,054</u>
<b>Total Assets</b>	<u><u>17,387,451</u></u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u><u>\$ 17,387,451</u></u>

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

**City of South Miami, Florida**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended September 30, 2008

	<u>Employee Retirement Fund</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 731,406
Employees	825,992
Total contributions	<u>1,557,398</u>
Investment income:	
Net decrease in fair value of investments	(3,342,337)
Interest and dividend income	708,786
Total investment income	<u>(2,633,551)</u>
Less investment expenses	(108,956)
Net investment income	<u>(2,742,507)</u>
Total Additions	<u>(1,185,109)</u>
<b>DEDUCTIONS:</b>	
Benefits Paid	619,015
Refunds of contributions	143,013
Administrative expenses	75,800
Total Deductions	<u>837,828</u>
Changes in net assets	<u>(2,022,937)</u>
Net assets - beginning of year	<u>19,410,388</u>
Net assets - end of year	<u>\$ 17,387,451</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of South Miami (the "City") is a political subdivision of the State of Florida, located in Miami-Dade County. The City was incorporated in 1927 and has operated since 1978 under the same charter. The City is approximately 2.5 square miles in area. The City is a full service city providing its citizens with a full complement of municipal services, specifically public safety, general government, parks, culture and recreation, sanitation and public works. It also maintains various trust funds in a fiduciary capacity, but does not provide any educational facilities, water, wastewater or fire services. Those services are provided by the Miami-Dade County Public School System and Miami-Dade County.

The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. There are no discretely presented component units.

*Blended Component Unit*

The South Miami Community Redevelopment Agency (the "Agency"), was established on April 15, 1997 through the adoption of City Ordinance No. 12- 97-1633. The Miami-Dade County Board of County Commissioners approved and adopted the South Miami Community Redevelopment Agency Plan on May 19, 1998 with the adoption of Ordinances 98-79 and 98-80. The Agency began providing services to the City on October 1, 1998. The Agency's main objective is to prevent the spread of and eliminate the existence of slum and blighted conditions within the redevelopment area.

The Agency was deemed to be a separate, distinct and independent legal entity controlled by a board of seven commissioners, which include five members of the City's elected council. The Agency falls under the requirements of Chapter 163 part III of the Florida Statutes.

Individual financial statements for the CRA are available through the Finance Department of the City at 6130 Sunset Drive, South Miami, Florida 33143.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *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 City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 City considers revenues to be available if they are collected within twelve months of the current fiscal period, except for property taxes, for which the period is 60 days. 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, sales taxes, utility taxes, franchise taxes, licenses, 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.

The City reports the following major governmental funds:

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

The **grants fund** is one of the government's special revenue funds. It accounts for grant funds received that are restricted for certain types of projects.

The **South Miami Community Redevelopment Agency fund** accounts for the revenues and expenditures of the City of South Miami Community Redevelopment Agency (the "CRA") (a blended component unit of the City). The CRA's primary source of revenue is tax-increment funds from the County and the City.

Additionally, the government reports the following fund types:

The *pension trust funds* accounts for the activities of the General Employees Pension Fund and the Police Pension Fund, which accumulates resources for pension benefit payments to qualified general and public safety employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has no business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) 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, whose purpose has not been restricted to a specific program.

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

**D. Assets, Liabilities, and net assets or equity**

**1. Deposits and Investments**

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

Investments for the City, as well as for its component unit, are reported at fair value.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**3. Property Taxes**

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Miami-Dade County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2008.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Commission and the Miami-Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2008 was 4.818 mills (\$4.818 per \$1,000 of taxable assessed valuation).

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, Liabilities, and net assets or equity** (continued)

**4. Prepaids**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

**5. Restricted Assets**

Certain proceeds from the Florida Municipal Loan Council loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by the applicable loan covenants.

**6. Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, pump stations, stormwater lines, catch basins, and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the City, as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as they are completed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture and Equipment	5-20
System and Public Domain Infrastructure	20-65

**7. Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee serves.

Effective October 1, 1996, the City's vacation and sick leave policy requires that earned vacation and sick leave must be taken within one year of the employee's anniversary date, as there is no carryover from one period to another. Unused vacation pay, if any, is paid with the employee's termination or retirement. However, the City continued to accrue vacation leave after the change in policy and discontinued to accrue vacation leave effective October 1, 2004.

The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. Governmental funds report only the compensated absence liability payable for those who have resigned or retired.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and net assets or equity (continued)**

**8. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize debt proceeds and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. 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 future purpose. The description of each reserve indicates the purpose for which each was intended. Designations of fund balance represent tentative management plans that are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

**10. Unearned Revenues**

Unearned revenue is a specific type of deferred revenue that does not involve the application of the availability criterion, and therefore applies equally to both accrual and modified accrual financial statements. The unearned items consist primarily of license and permit revenues and grant advances.

**11. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. Some of these estimates include assessing the collectibility of receivables, the realization of pension obligations and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**12. New Pronouncements**

During 2006, 2007 and 2008 GASB issued the following new pronouncements, none of which came into effect for fiscal year ended September 30, 2008. The City did not elect to early implement any of the newly issued pronouncements:

 <u>GASB Statement No. 53</u> (June 2008)	Accounting and Financial Reporting for Derivative Instruments
 <u>GASB Statement No. 52</u> (November 2007)	Land and Other Real Estate Held as Investments by Endowments
 <u>GASB Statement No. 51</u> (June 2007)	Accounting and Financial Reporting for Intangible Assets
 <u>GASB Statement No. 49</u> (November 2006)	Accounting and Financial Reporting for Pollution Remediation Liabilities

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and net assets or equity (continued)**

**12. New Pronouncements (continued)**

In May 2007 GASB issued *GASB Statement No. 50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, to closely align the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhance the information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. Statements 43 and 45, which were developed using Statements 25 and 27 as models, improved the transparency and decision usefulness of financial reporting as a result of decisions by the Board to modify, for financial reporting by OPEB plans and employers, certain requirements related to note disclosures and RSI. This Statement similarly is intended to improve the transparency and usefulness of financial reporting by pension plans and employers by amending Statements 25 and 27 to conform to the applicable note disclosure and RSI modifications adopted in the OPEB Statements.

In September 2006 GASB issued *GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* to establish the criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial reporting entity should continue to be reported at their current carrying value when those assets or future revenues are transferred.

In November 2008 GASB issued *GASB Concept Statement No. 5, Service Efforts and Accomplishments Reporting – an Amendment of GASB Concepts Statement No. 2* to reflect developments that have occurred since it was issued in 1994. This amendment eliminated one section and modified four sections of Concepts Statement 2. The changes to the purpose and scope section include a clarification that it is beyond the scope of the GASB to establish (a) the goals and objectives of state and local governmental services, (b) specific nonfinancial measures or indicators of service performance, or (c) standards of, or benchmarks for, service performance. The section on the elements of SEA performance measures separates the elements of SEA reporting from related information. Elements of SEA performance measures for reporting purposes focus on the three different types of SEA performance measures—measures of service efforts, measures of service accomplishments, and measures that relate service efforts to service accomplishments.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. Budgets are legally adopted for the General Fund, Stormwater Drain Trust Fund, Local Option Gas Tax Fund, Peoples Transportation Tax Fund, the Federal Forfeiture Fund and the Community Redevelopment Agency Fund. The City has no material violations of finance-related legal and contractual obligations; except as disclosed in the schedule of findings and questioned costs found in the compliance section.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**Fund Accounting Requirements**

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 City, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, bond covenants, and segregation for management purposes.

**Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
Federal, State and Local Grants	Grant Program Expenditures
Federal Forfeitures	Law Enforcement

For the year ended September 30, 2008, the City complied, in all material respects, with these revenue restrictions except as disclosed in the schedule of findings and questioned costs found in the compliance section of this report package.

**Designated Fund Balance**

As of September 30, 2008, the City had \$259,046 of unreserved designated fund balance. This designation is for the future payment of the outstanding balance on the note payable to Miami Dade County (see Note III-F) and for a performance audit required by the City Charter.

**Deficit Fund Balance**

The Community Development Block Grant fund had a deficit fund balance of \$18,035, as of September 30, 2008. The deficit resulted from the funds incurring expenditures that were not fully reimbursed by grants but will be funded by the general fund in future periods. Additionally, the Grants fund had encumbrances of \$392,597 which was in excess of its fund balance of \$229,755 as of September 30, 2008. This resulted from grant related projects that will be funded in future periods as expenditures are actually incurred.

**Excess of expenditures over appropriations**

For the year ended September 30, 2008, expenditures exceeded appropriations in the Non-departmental departments (the legal level of budgetary control) of the general fund by \$404,282. These overexpenditures were caused by capital outlays for the purchase of park land and funded through the issuance of the lease and purchase agreement with the Trust for Public Land (See Note III-E). The purchase was approved by the Commissioners but a budget amendment was never made. See Findings 2005-1 in the Compliance Section.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The City, for accounting and investment purposes, maintains a cash and investment pool for use by all City funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. Each fund's portion of this pool is displayed on the balance sheets as cash and equity in pooled cash and investments. Income earned on pooled cash and investments is allocated to the respective funds based on relative month-end balances.

*Custodial credit risk (deposits)* - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All of the City's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value of the City's deposits on the balance sheet date was \$5,217,175. The bank balance of the City's deposits as of September 30, 2008 was \$5,790,623.

The City's investment policy follows the State of Florida investment policy as set forth in State Statute 218.415. Allowable investments include United States government obligations, guaranteed United States agency short-term issues, the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool, Florida bank certificates of deposit, and investments authorized by City Council.

City administration is authorized to invest in those instruments authorized by the Florida Statutes. As of September 30, 2008, the City had the following investments:

Investment Type	Fair Value	Maturity Less than 1 Year
Certificates of deposit	\$ 3,288,499	\$ 3,288,499
Repurchase agreement	4,084,702	4,084,702
Total fair value	\$ 7,373,201	

A reconciliation of deposits and investments as shown by category and the statement of net assets is as follows:

<b>By Category</b>	
Deposits	\$ 5,217,175
Investments	7,373,201
	\$ 12,590,376
 <b>Statement of Net Assets:</b>	
Cash and investments	\$ 12,545,949
Restricted cash and cash equivalents	44,427
Restricted investment	-
	\$ 12,590,376

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**A. DEPOSITS AND INVESTMENTS (continued)**

The General Employees and Police Officers Pension Plan (the Plan) investments are held separately from those of other City funds. As prescribed by Plan's investment policy, the Plan is authorized to invest among several institutionally acceptable asset classes including bonds, debentures and other corporate obligations, equity securities and domestic real estate.

As of September 30, 2008, the General Employees and Police Officers Pension Plan's investments consisted of the following:

Common stock	\$ 7,797,092
U.S. Government Obligations	5,098,792
Corporate bonds	2,248,641
International equity	551,487
Short-term Investments	<u>1,416,385</u>
<b>Total</b>	<b><u>\$ 17,112,397</u></b>

The Plan's investments in government securities and corporate bonds had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
U.S. Agencies	\$ 5,098,793	\$ 138	\$ 1,103,941	\$ 718,500	\$ 3,276,214
Corporate Bonds	2,248,640	-	954,208	497,649	796,783
<b>Totals</b>	<b><u>\$ 7,347,433</u></b>	<b><u>\$ 138</u></b>	<b><u>\$ 2,058,149</u></b>	<b><u>\$ 1,216,149</u></b>	<b><u>\$ 4,072,997</u></b>

*Interest Rate Risk* – Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. The City and the Plan do not have a written policy on interest rate risk, however, the City manages its exposure to declines in fair values by limiting the weighted average monthly maturity of its investment portfolio to less than six months (180 days). At September 30, 2008 the portfolio weighted average maturity was 90 days for the City.

*Credit Risk* – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

The Plan's investment policy limits its credit risk by limiting its investments in fixed income securities to US Government and agency securities or corporate bonds which meet or exceed a credit rating of "BBB" or higher. The Plan's fixed income securities were rated as follows:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 2,921,453
AA2	140,872
AA3	78,531
A1	362,669
A2	412,918
A3	214,163
BAA1	133,117
BAA2	28,964
NR	<u>3,054,746</u>
<b>Total</b>	<b><u>\$ 7,347,433</u></b>

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**A. DEPOSITS AND INVESTMENTS (continued)**

*Concentration of Credit Risk* – There are no limits on the amount that may be invested in Certificates of Deposits (CD's) placed with public depositories or securities of the U.S. Government and its agencies. The City's investment policy does not stipulate any limit on the percentage that can be invested in any one issuer. In the fiduciary fund, the Plan's investment policy limits investments that may be invested in any one issuer to no more than 5% of the Plan's net assets other than those issued by the U.S. Government or its Agencies. GASB 40 requires disclosure when the percent is 5% or more in any one issuer. As of September 30, 2008, the value of each position held in the City's and Fiduciary fund Plan's portfolio comprised less than 5% of the City's and Plan's investment assets.

***Risks and Uncertainties***

The City's General Employees and Police Pension Plans (the Plan) have investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of fiduciary net assets and the statement of changes in fiduciary net assets. The Plan, through its investment advisors, monitors the Plans' investments and the risks associated therewith on a regular basis, which the Plans believe minimizes these risks.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**B. RECEIVABLES AND PAYABLES**

Receivables at September 30, 2008 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Grants</u>	<u>Total</u>
Governmental Activities				
General Fund	\$ 413,035	\$ 299,632	\$ 54,519	\$ 767,186
Grants Fund	-	-	1,517,953	1,517,953
Community Redevelopment Agency	-	-	-	-
Non-major governmental funds	-	332,874	918	333,792
Total governmental activities	<u>\$ 413,035</u>	<u>\$ 632,506</u>	<u>\$ 1,573,390</u>	<u>\$ 2,618,931</u>

All receivables are expected to be collected within one year.

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenues reported in the governmental funds were as follows:

Occupational licenses renewals	\$ 1,419
Other	<u>7,593</u>
Total government activities	<u>\$ 9,012</u>

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**C. CAPITAL ASSETS**

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

	Balance <u>Oct. 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>Sept. 30, 2008</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,539,622	\$ 755,485	\$ -	\$ 11,295,107
Construction in progress	<u>7,813,503</u>	<u>1,197,880</u>	<u>9,011,383</u>	<u>-</u>
Total assets not being depreciated	<u>18,353,125</u>	<u>1,953,365</u>	<u>9,011,383</u>	<u>11,295,107</u>
Capital assets being depreciated:				
Building and improvements	7,180,781	9,178,552	-	16,359,333
Furniture and equipment	5,961,635	764,109	45,930	6,679,814
System and public domain infrastructure	<u>17,546,158</u>	<u>3,262,211</u>	<u>-</u>	<u>20,808,369</u>
Total capital assets being depreciated	<u>30,688,574</u>	<u>13,204,872</u>	<u>45,930</u>	<u>43,847,516</u>
Less accumulated depreciation for:				
Buildings and improvements	1,820,631	408,193	-	2,228,824
Furniture and equipment	3,604,345	476,578	45,930	4,034,993
System and public domain infrastructure	<u>8,139,763</u>	<u>576,368</u>	<u>-</u>	<u>8,716,131</u>
Total accumulated depreciation	<u>13,564,739</u>	<u>1,461,139</u>	<u>45,930</u>	<u>14,979,948</u>
Total capital assets being depreciated, net	<u>17,123,835</u>	<u>11,743,733</u>	<u>-</u>	<u>28,867,568</u>
Governmental activities capital assets, net	<u>\$ 35,476,960</u>	<u>\$ 13,697,098</u>	<u>\$ 9,011,383</u>	<u>\$ 40,162,675</u>

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

Governmental Activities:	
General government	\$ 618,979
Public safety	152,783
Public works	631,791
Culture and recreation	<u>57,586</u>
Total depreciation expense - governmental activities	<u>\$ 1,461,139</u>

***Construction Commitments***

The City has approximately \$1 million in outstanding construction commitments for infrastructure repairs and construction as of September 30, 2008.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2008 and the amount of interfund transfers for the fiscal year ended September 30, 2008 are as follows:

	Interfund <u>Receivable*</u>	Interfund <u>Payable*</u>	Transfers <u>In**</u>	Transfers <u>Out**</u>
General	\$ 2,710,052	\$ 1,962,262	\$ 596,539	\$ 7,446
Grants fund	759,154	1,883,766	-	-
Community Redevelopment Agency	206,139	37,848	-	346,539
Non-major governmental	1,150,222	941,691	7,446	250,000
Total governmental activities	<u>\$ 4,825,567</u>	<u>\$ 4,825,567</u>	<u>\$ 603,985</u>	<u>\$ 603,985</u>

\* These interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

\*\* \$596,539 transferred into the General Fund represent a \$250,000 transfer from the Stormwater Drain Trust Fund to pay for partial salary and benefits for those employees working on stormwater related activities in the City, a \$124,336 transfer from the CRA to pay for salary and benefits for 1 code enforcement officer and 1 police officer primarily working in the CRA district, and a \$222,203 transfer from the CRA to contribute to City administered infrastructure and improvement projects within the CRA district.

**E. RESTRICTED ASSETS**

Restricted assets and the related reservations of net assets for Governmental Activities consist of the following:

- \$44,427 of cash deposits from funds received which are restricted by the granting agency for capital projects and/or debt service.
- \$2,230,807 note receivable from Mark Richmond Properties Inc. for the building of the parking garage (see NOTE III-I). Payments of principal and interest on this note receivable can only be used to pay down the FMLC Series 2002A loan.
- \$145,037 of net assets set aside for public safety from federal and state forfeiture funds.
- \$1,706,098 of net assets set aside for capital and transportation projects from grants, stormwater, local option gas and peoples transportation taxes.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM DEBT**

*Florida Municipal Loan Council – Loans*

On November 15, 2001, the City borrowed \$2,200,000 from the Florida Municipal Loan Council's ("FMLC") November 30, 2001 debt issue of \$90,210,000 Series 2001A Revenue Bonds, (the "Series 2001A Loan") to repay borrowings of \$600,000 and finance the construction of a multi-purpose activities center. The loan carries varying interest ranging from 3.25% to 5.25% and includes covenants that include reserves and investment policies, all of which have been complied with by the Trustee and the City. All proceeds and reserves held are invested by the Trustee in accordance with the investment policies. All disbursements to the City for use of loan proceeds are disbursed by the Trustee to the City in accordance with the covenants of the loan agreement. The loans are secured by non-ad valorem revenues from the City. These revenues (see also Note III-H page 39), specifically investment income earned from the loan proceeds not expended, will be used to repay the loans.

On May 1, 2002, the City borrowed \$6,500,000 from the Florida Municipal Loan Council's May 17, 2001 debt issue of \$49,775,000 Series 2002A Revenue Bonds (the "Series 2002A Loan") to finance the construction of a parking garage (See Note III-I). The loan carries varying interest ranging from 3.25% to 5.5% and includes covenants that include reserves and investment policies, all of which have been complied with by the Trustee and the City. All proceeds and reserves held are invested by the Trustee in accordance with the investment policies. All disbursements to the City for use of loan proceeds are disbursed by the Trustee to the City in accordance with the covenants of the loan agreement. The loans are secured by non-ad valorem revenues from the City. Investment income from the note receivable from Mark Richmond Properties, Inc. ("MRP") and loan proceeds not expended, future garage revenues, and non-ad valorem revenues will be used to repay the bonds as they become due.

On December 1, 2006, the City borrowed \$5,625,000 from the Florida Municipal Loan Council's September 28, 2006 debt issue of \$22,365,000 Series 2006 Revenue Bonds (the "Series 2006 Loan") to finance the construction and improvements of a city-owned parking garage to be used for public parking (See Note III-I). The loan carries varying interest ranging from 4.2% to 4.5% and includes covenants that include reserves and investment policies, all of which have been complied with by the Trustee and the City. All proceeds and reserves held are invested by the Trustee in accordance with the investment policies. All disbursements to the City for use of loan proceeds are disbursed by the Trustee to the City in accordance with the covenants of the loan agreement. The loans are secured by non-ad valorem revenues from the City. Investment income from the note receivable from ("MRP") and loan proceeds not expended, future garage revenues, and non-ad valorem revenues will be used to repay the loan as the payments become due.

Future principal and interest payments for the FMLC Loans are as follows:

	<u>Series 2001A - Loan</u>		<u>Series 2002A- Loan</u>		<u>Series 2006- Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 45,000	\$ 97,738	\$ 130,000	\$ 295,826	\$ 100,000	\$ 240,382	\$ 908,946
2010	45,000	95,488	135,000	290,626	105,000	236,382	907,496
2011	50,000	93,113	140,000	285,226	110,000	232,182	910,521
2012	50,000	90,613	150,000	279,450	115,000	227,782	912,845
2013	55,000	87,988	155,000	271,950	120,000	223,182	913,120
2014-2018	310,000	394,212	910,000	1,221,700	685,000	1,026,660	4,547,572
2019-2023	405,000	303,698	1,185,000	949,825	870,000	852,776	4,566,299
2024-2028	500,000	192,500	1,510,000	621,750	1,065,000	657,038	4,546,288
2029-2033	510,000	52,250	1,505,000	197,569	1,330,000	399,375	3,994,194
2034-2037	-	-	-	-	955,000	87,075	1,042,075
	<u>\$ 1,970,000</u>	<u>\$ 1,407,598</u>	<u>\$ 5,820,000</u>	<u>\$ 4,413,922</u>	<u>\$ 5,455,000</u>	<u>\$ 4,182,834</u>	<u>\$ 23,249,353</u>

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM DEBT (continued)**

***CRA Bond Series 2006***

In November 2006, the City through its Community Redevelopment Agency (“CRA”) issued \$2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area. The revenue bonds are secured by CRA Tax Increment Financing revenues from the County and the City. The bonds carry an interest rate of 5.99%. Principal and interest payments are due quarterly up to May 1, 2020, the maturity date of the bonds. As of the end of fiscal year 2008, the City has purchased eight properties with the proceeds of the revenue bonds.

Future principal and interest payments for the loan payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 150,439	\$ 147,334
2010	159,785	137,988
2011	169,713	128,061
2012	179,934	117,840
2013	191,436	106,337
2014-2018	1,150,861	338,005
thereafter	479,214	29,016
	<u>\$ 2,481,381</u>	<u>\$ 1,004,580</u>

***Notes Payable***

**Land Acquisition Promissory Note Series 2005.** On April 20, 2005, the City purchased property located at 7800 S.W. 59<sup>th</sup> Avenue for \$573,367 financed through the issuance of a note payable to a local bank. The note calls for quarterly payments of principal of \$20,477 and quarterly interest payments of varying amounts at an annual interest rate of 3.95%. The note matures on April 30, 2012. At September 30, 2008, the balance outstanding was approximately \$292,369.

**Police Vehicles.** On April 25, 2005, the City purchased eight police vehicles financed through the issuance of a note payable to a local bank totaling \$155,082. The note calls for monthly payments of principal and interest of \$41,981 at an annual interest rate of 4%. The note matures on November 1, 2008.

On April 19, 2006, the City purchased eight police vehicles financed through the issuance of a note payable to a local bank totaling \$188,450. The note calls for monthly payments of principal and interest of \$40,827 at an annual interest rate of 4.1%. The note matures on April 20, 2010.

**YMCA-Loans.** On November 21, 2005, the City purchased land totaling \$2,750,000 from the YMCA of Greater Miami, Inc. financed through loans totaling \$2,775,000. The loans consist of three separate note payables as follows:

- a) \$1,425,000 Non-Taxable Promissory Note, Series 2005-A- This note calls for quarterly interest only payments of \$14,499 at an annual interest rate of 4.07% with the principal balance due on November 21, 2007. On November 01, 2006, the City made a lump sum principal payment of \$1,324,436. The remaining balance of \$100,564 was paid on November 21, 2007, as scheduled.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM DEBT (continued)**

*Notes Payable (continued)*

**YMCA-Loans. (continued)**

- b) \$500,000 Non-Taxable Promissory Note, Series 2005-B- This note calls for quarterly principal payments of \$25,000 and quarterly interest payments of varying amounts at an annual interest rate of 4.26% maturing on November 21, 2010.
- c) \$850,000 Taxable Promissory Note, Series 2005-C- This note calls for quarterly interest only payments of \$13,260 at an annual interest rate of 6.24% with the principal balance due paid on November 21, 2007. However, an extension was granted and the note was subsequently paid in January of 2008.

The City has pledged the lease revenues on the property that was purchased. Should the collected lease payments not be sufficient to cover the debt service on the loans, the City has pledged to budget and appropriate from non-ad valorem revenues sufficient funds to cover the required debt service.

**Bridge Loan.** On April 8, 2008, the City signed a promissory note in the amount of \$1,000,000 for the purposes of financing expenditures incurred with respect to the construction of the municipal parking garage. This Note is expected to be repaid over a period of 1 year and bears a variable rate of interest of 1.76% plus the LIBOR rate. The source of repayment or security for the Note is certain lawfully available revenue of the City. Principal and interest were due in full on or before April 7, 2009. However, the City negotiated the permanent refinancing of this loan prior to the due date. (See Note III-L)

In April 2009, the City refinanced this loan with a Capital Improvement Promissory Note, Series 2009. Principal on the Series 2009 Note shall be due and payable on February 1, May 1, August 1 and November 1 of each year, beginning August 1, 2009 through and including April 7, 2019. Interest at the rate of 4.23% per annum shall be due and payable on each payment date beginning August 1, 2009 until maturity.

Future principal and interest payments for the notes payable are as follows:

	Principal	Interest	Total
2009	\$ 289,053	\$ 81,236	\$ 370,289
2010	303,382	54,038	357,420
2011	193,786	42,234	236,020
2012	125,629	34,998	160,627
2013-2017	514,925	102,962	617,887
2018-2019	207,482	8,779	216,261
	\$ 1,634,257	\$ 324,247	\$ 1,958,504

***Trust for Public Land Lease-Purchase Agreement***

During 2008, the Trust for Public Land (the "Trust"), a California charitable corporation qualified to transact business in Florida, entered a purchase agreement with a property owner to acquire land on behalf of the City in the amount of \$750,000. On January 4, 2009, the City then entered a lease/purchase agreement with the Trust for a term of three years in order to pay back the Trust for the purchase of the property. Under this agreement, the City agreed to pay base rent of \$500,000 on the commencement date, \$100,000 plus accrued interest on both the first and second anniversary dates from the commencement date, and \$50,000 plus accrued interest on the third anniversary from the commencement date. Interest accrues on unpaid balances at prime rate plus 1.5% as determined by the Bank of America or SunTrust Bank of Northwest Florida. These base rent payments would be credited against the purchase price at closing of the purchase. The balance outstanding at September 30, 2008 under this agreement amounted to \$250,000. This balance was subsequently paid in full in January of 2009 (See Note III- L).

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM DEBT (continued)**

*Due to Miami-Dade County*

The City had entered into an Inter-Local agreement with Miami Dade County in 1995, for the purchase of 800MHz police radios. The cost for the radios was \$247,329 and was to be paid within ten years. As of September 30, 2008, the City still owes \$155,115 to the County.

*Capital Leases*

The City has entered into various capital lease agreements for law enforcement and other City vehicles totaling approximately \$1,139,000. The leases expire at varying intervals through fiscal year 2012.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 were as follows:

Year ending September 30,	
2009	\$ 231,339
2010	181,342
2011	113,332
2012	43,761
Total minimum lease payments	569,774
Less: amount representing interest	(43,383)
Present value of minimum lease payments	\$ 526,391

*Non-Commitment Debt - Health Care Facilities Revenue Bonds*

In 1995, the City issued \$69,985,000 in Health Facilities Authority ("HFA) Hospital Revenue Refunding Bonds("1995 Bonds") to provide funds to the City of South Miami Health Facilities Authority (the "Authority"), a non-profit public benefit corporation, for the purpose of currently refunding the City of South Miami Health Facilities Revenue Bonds (the South Miami Hospital Project) Series 1989 and Series 1991A and to provide financing for the cost of certain additional capital improvements to the health care facility. South Miami Hospital is an independent health care facility located within the geographic boundaries of the City. The 1995 Bonds were redeemed on June 15, 2007, their first available redemption date, and are no longer outstanding.

In 1998, the City issued \$104,205,000 in City of South Miami Health Facilities Authority Hospital Revenue Bonds, series 1998("1998 Bonds"). The bonds were issued for the purpose of financing improvements in renovation, new construction and acquisition of equipment in the health facilities of the borrowers, Baptist Health Systems, Inc., and affiliates, an independent health care facility located near South Miami. On May 16, 2007, Baptist Health Systems Obligated Group ("BHSF") irrevocably deposited funds in an escrow account held by an independent trustee in an amount sufficient to meet all scheduled principal and interest payments on the 1998 Bonds and to redeem the refunded bonds on their first available redemption date, which is November 15, 2008. Hence, the 1998 Bonds have been legally defeased.

In 2003, the City issued \$150,000,000 in City of South Miami Health Facilities Authority Hospital Revenue Bonds, series 2003 ("2003 Bonds"). The bonds were issued for the purpose of financing improvements in renovation, new construction and acquisition of equipment in the health facilities of the borrowers, Baptist Health Systems, Inc., and affiliates, an independent health care facility located near South Miami. On May 16, 2007, BHSF irrevocably deposited funds in an escrow account held by an independent trustee in an amount sufficient to meet all scheduled principal and interest payments on the 2003 Bonds and to redeem the refunded bonds on their first available redemption date, which is February 1, 2013. Hence, the 2003 Bonds have been legally defeased.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG TERM DEBT (continued)**

*Non-Commitment Debt - Health Care Facilities Revenue Bonds (continued)*

In 2007, the City issued \$800,000,000 in City of South Miami Health Facilities Authority Hospital Revenue Bonds, series 2007 ("2007 Bonds"). The bonds were issued for the purpose of reimbursing the costs of acquiring, constructing, renovating, rehabilitating, furnishing and equipping certain healthcare facilities, refunding certain prior bonds outstanding and paying certain expenses incurred in connection with the issuance of the 2007 Bonds.

The City acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding and not legally defeased as of September 30, 2008 was \$791,090,000 for the 2007 Bonds.

*Changes in Long-Term Liabilities*

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Loans and capital leases:					
Florida Municipal Loan Council Loans	\$ 13,510,000	\$ -	\$ 265,000	\$ 13,245,000	\$ 275,000
CRA Bond Series 2006	2,622,614	-	141,233	2,481,381	150,439
Notes payable	1,850,117	1,000,000	1,215,860	1,634,257	289,053
Trust for Public Land	-	750,000	500,000	250,000	250,000
Due to Miami-Dade County	155,115	-	-	155,115	155,115
Capital leases	645,188	202,944	321,741	526,391	209,256
Total loans and capital leases	<u>18,783,034</u>	<u>1,952,944</u>	<u>2,443,834</u>	<u>18,292,144</u>	<u>1,328,863</u>
Other Liabilities:					
Compensated absences*	1,304,035	463,640	383,234	1,384,441	15,273
Governmental activity long-term Liabilities	<u>\$ 20,087,069</u>	<u>\$ 2,416,584</u>	<u>\$ 2,827,068</u>	<u>\$ 19,676,585</u>	<u>\$ 1,344,136</u>

\*Compensated absences are typically paid from the general fund.

**G. COMMITMENTS AND CONTINGENCIES**

*Agreement With South Miami Hospital Foundation*

In May 1983, the City entered into an agreement with South Miami Hospital Foundation wherein the Foundation voluntarily agreed to undertake certain activities for the beautification and overall improvement of the City through a growth impact assessment. The City receives \$150,000 each year from the South Miami Hospital Foundation to be used solely for the purposes of the beautification of the City and such other purposes as shall directly relate to the health and welfare of the residents of the City. The City has designated \$120,000 per year of this contribution for debt service payments of the Series 2001A Loan.

*Lawsuits*

The City is currently a defendant in several pending claims and legal proceedings incidental to the operations of the City. The City is aggressively defending each action. The ultimate liability related to these claims is not presently determinable. Except for the litigation described in Note III-I relating to the parking garage, it is the opinion of the City's management and legal counsel that the final resolution of these claims and legal proceedings would not have a material adverse effect on the financial condition of the City.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**G. COMMITMENTS AND CONTINGENCIES (continued)**

*Employment Contract*

During 2008, the city entered into an employment agreement with the new City Manager for a term of 5 years commencing on March 21, 2008. As per the agreement, in the event that the Commission terminates employment without "cause", the City shall pay the City Manager a lump sum cash payment equal to the City Manager's base salary for six months as a severance benefit in addition to insurance benefits from the effective date of termination for a period equal in time to the basis of the severance benefit. In the event the City Manager terminates this Agreement or the Commission terminates "for cause", the City Manager shall not be entitled to severance benefits.

*Grants*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the City. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

*Interlocal Cooperation Agreement with Miami-Dade County*

On June 1, 2000, the City of South Miami Community Redevelopment Agency (the CRA); a blended component unit of the City; entered into an Interlocal Cooperation Agreement (the Interlocal Agreement) with the City and the County in order to delineate their areas of responsibilities with respect to the redevelopment of the Redevelopment Area. The Interlocal Agreement required the CRA to submit a supplement to its original South Miami Community Redevelopment Plan (the Plan) for the second phase of redevelopment by December 1, 2004.

On May 3, 2005, the Board approved Resolution R-466-05 amending the Plan for the second phase of redevelopment and extended the life of the CRA for fifteen (15) years beyond the June 1, 2005 sunset provision of the CRA's Interlocal Agreement with the County. However the renewal included a sunset review within two (2) years of this extension. The CRA was required to obtain long-term financing supported by tax increment revenues to fund the second phase of the Plan within the two (2) year period ended June 1, 2007. In November 2006, the City through its Community Redevelopment Agency ("CRA") issued \$2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area. (See Note 8)

*Litigation*

Mark Richman Properties ("MRP") initiated a civil action against the City on March 21, 2003 for breach of contract. (See Note III-H.)

On November 30, 2007, the City's Pension Plan Board of Trustees filed an arbitration claim against Merrill Lynch claiming the Plan suffered damages as a result of numerous improper activities by Merrill Lynch. The case is scheduled for final hearings December 15-18, 2009.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**H. PARKING GARAGE AND RETAIL BUILDING JOINT PROJECT**

**Litigation Settlement and Lease Agreement**

The City Commission approved a lease agreement on November 20, 2001, executed March 5, 2002, with Mark Richman Properties, Inc. (MRP) to jointly develop a mixed-use parking garage and retail building (the Project) in the downtown area on property owned by the two parties (City Property and Richman Property). Under this agreement, the City was responsible for the cost of construction of the parking garage and would retain all the revenues from the parking garage. MRP would deed to the City the air rights above the Richman Property and be responsible for the costs of construction of the retail space on the Richman Property. MRP would also be responsible for the costs of construction, less a \$100,000 credit provided by the City, for the retail space on the City Property. MRP would receive all the revenues for the retail space. In March of 2003, MRP initiated a civil action against the City. A settlement was approved by both parties in February of 2005 including a new lease agreement as follows:

- (i) The MRP lease agreement dated March 5, 2002 would be cancelled and each party would release the other from any and all obligations there under and all claims of any kind and causes of action related in any manner to the cancelled lease agreement and/or related in any manner to the lawsuit bearing Case Number 03-07058-CA-24;
- (ii) The lawsuit would be dismissed with prejudice by MRP immediately upon the execution of the new Lease Agreement and the issuance of the building permit;
- (iii) The City would contribute \$1,000,000 towards the design and construction of the project and the City would receive credit for project costs expended; and
- (iv) The project would consist of 5 levels. Approximately 24,500 square feet of retail space and 380 parking spaces. The settlement provides MRP with no development approvals or promises of approval. The project must comply with all applicable regulations;
- (v) MRP would pay the city a minimum guaranteed rent equal to \$76,000 per year and a 12.5% of the annual gross parking revenue in excess of \$150,000;
- (vi) MRP would assume full responsibility for repaying the entire project financing less the City's share of \$1,000,000;
- (vii) The City authorized an additional \$2.5 million in project funding in addition to the \$8.5 million previously authorized to cover increased costs of construction;
- (viii) MRP guaranteed the cost of construction to complete the project. The debt service was required to be guaranteed by the Lease and Mark Richman's Property;
- (ix) MRP was required to complete construction and obtain a temporary or permanent certificate of occupancy no later than 18 months from the date of issuance of the building permit. In the event MRP fails to meet this deadline, MRP shall pay the city \$26,916 per month until the certificate(s) of occupancy are issued;
- (x) MRP agreed that it will not perform any site work that interferes with the operation of the existing city parking lot prior to dismissing the lawsuit referenced in this paragraph. The City and MRP agreed to join in a formal stay of Case Number 03-07058-CA-24 pending the execution of the Lease Agreement and the issuing of the building permit or the termination of the Agreement.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**H. PARKING GARAGE AND RETAIL BUILDING JOINT PROJECT (continued)**

**Note Receivable**

Also, pursuant to the Lease Agreement the City agreed to loan up to \$3,500,000 to MRP to finance MRP's share of the design and construction costs. On June 12, 2002, the City entered into a loan agreement with Mark Richman Properties, Inc. for the \$3,500,000 which was divided in two payments of \$2,500,000 (the Initial Loan) and \$1,000,000. The term of the loan commenced on October 1, 2002 and terminates on April 1, 2032. The net interest cost average is 5.10% through the term of the loan. The note receivable is collateralized by a promissory note, a mortgage on certain land owned by MRP and by a personal guarantee from Mark Richman.

In April 2009, the City refinanced this loan with a Capital Improvement Promissory Note, Series 2009. Principal on the Series 2009 Note shall be due and payable on February 1, May 1, August 1 and November 1 of each year, beginning August 1, 2009 through and including April 7, 2019. Interest at the rate of 4.23% per annum shall be due and payable on each payment date beginning August 1, 2009 until maturity.

Principal and interest payments due to the City from MRP for the term of this loan are as follows:

Year ending September 30	
2009	\$ 162,518
2010	162,403
2011	162,178
2012	163,469
2013	162,312
2014-2018	809,035
2019-2023	808,363
2024-2028	811,120
2029-2032	638,977
	<u>\$3,880,374</u>

**I. EMPLOYEE RETIREMENT SYSTEMS**

***Plan Description***

The City maintains the City of South Miami Pension Plan, a single -employer defined benefit pension plan administered by the Public Employment Retirement System (PERS). It was established by Ordinance No. 528 dated December 7, 1965, effective October 1, 1965 and amended on January 17, 2006. It covers police officers and other full-time employees of the City who are eligible to participate in the Plan and who fulfill the prescribed eligibility requirements. A more detailed description of the Plan and its provisions appears in the Ordinances constituting the Plan and in the summary plan description.

The Plan's separately issued financial statements prepared in accordance with generally accepted accounting principles are available upon request. Requests should be addressed to the third party administrator, Benefits USA, Inc., 3810 Inverrary Blvd., Suite 303, Lauderhill, FL 33319.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**I. EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Eligibility*

Under the Plan, all regular full-time employees of the city become participants upon completion of six months of credited service and attainment of age 20. Police Officers are eligible to enter the Plan as of date of employment.

*Vesting*

Benefits are fully vested after 10 years of continuous service.

*Benefits*

Normal retirement – General employees who retire at or after age 55 and completion of 10 years of credited service are entitled to a retirement benefits ranging from 1.6% to 2.75% of final average compensation times years of credited service. Police officers who retire at or after age 60 and completion of 10 years of credited service or completion of 25 years of credited service regardless of age are entitled to the same retirement benefits as the general employees with a retirement benefit percentages ranging from 2.0% to 3.0% of average compensation times years of service.

Early retirement - Early retirement is available to vested employees at or after age 60 for general employees after 15 years of credited service and age 50 for police after 15 years of credited service.

Early retirement - Benefits shall be equal to an actuarial equivalent (adjusted by the number of years of early retirement) of the amount of pension to which the participant is entitled up to his early retirement date. For general employees, the percentage varies from 91.8% (for those retiring one year earlier than normal retirement) to 66.9% (for those retiring 5 years early). For police, the percentage varies from 97% (for those retiring one year earlier than normal retirement) to 85% (for those retiring 5 years early).

A cost of living supplemental benefit based upon the consumer price index is provided upon retirement. The annual increase is limited to 3%.

Disability retirement – Members who become totally and permanently disabled for a six month period while actively employed are eligible for disability benefits. Benefits for disability retirement will be based on final monthly compensation (FMC) and credited service as of the date of disability, actuarially reduced as for early retirement.

Pre-retirement death – Death benefits are payable on behalf of members who die prior to retirement. A surviving beneficiary will receive the member's accumulated employee contributions.

*Funding Policy*

The employer's annual required contributions are determined as part of the by actuarial valuations and are, together with earnings and employee contributions, sufficient to fund benefits described above. However, should the City contribution be actuarially determined to exceed 14% of payroll (15% for Police Officers), both the City and the employees will share equally in such excess. Based on the actuarial valuation, employees other than police officers were required to contribute 12.1% of their salaries while police officers contributed 13% to the Plan during fiscal year 2008.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**I. EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Summary of Significant Accounting Policies*

The City's defined benefit pension plan for both general and police employees, utilizes the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

*Method Used to Value Investments*

Investments in common stocks, mutual funds, corporate bonds and government securities are valued at quoted fair market prices determined by last reported sale price. Net appreciation or depreciation in fair value of investments, realized and unrealized gains and losses are determined on the basis of specific cost. Purchases and sales of securities are recorded on a trade-date basis.

*Annual Pension Cost and Net Pension Obligation*

The annual required contributions for the current year were determined as part of the October 1, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases between 5.5-6.5% per year including an inflation component of 4% (c) amortization method used is, level payment closed, the amortization period is 25 years. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using five year smoothed market.

The City's annual pension costs and net pension obligations/asset of the City's pension plans for the current year were as follows:

	General Employees	Police
Annual required contribution	\$ 350,334	\$ 418,852
Interest on net pension asset	(2,552)	(1,513)
Adjustment to annual required asset	2,089	1,137
Annual pension cost	349,871	418,476
Contributions made	(350,334)	(381,072)
Increase (decrease) in net pension obligation	(463)	37,404
Net pension (asset), beginning of year	(31,900)	(18,909)
Net pension (asset)/obligation, end of year	<u>\$ (32,363)</u>	<u>\$ 18,495</u>

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**I. EMPLOYEE RETIREMENT SYSTEMS (continued)**

*Annual Pension Cost and Net Pension Obligation (continued)*  
General Employees

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset)</u>
9/30/2006	306,885	100%	(30,860)
9/30/2007	365,127	100%	(31,900)
9/30/2008	349,871	100%	(32,363)

Police Officers

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset)/Obligation</u>
9/30/2006	324,302	100%	(18,520)
9/30/2007	428,049	100%	(18,909)
9/30/2008	418,476	91%	18,495

***Litigation***

On November 30, 2007, the City's Pension Plan Board of Trustees filed an arbitration claim against Merrill Lynch claiming the Plan suffered damages as a result of numerous improper activities by Merrill Lynch. The case is scheduled for final hearings December 15-18, 2009.

**J. DEFINED CONTRIBUTION PLANS**

**South Miami Police Officers' Retirement Trust Fund**

The City maintains the South Miami Police Officers' Retirement Trust Fund (the Fund), which accounts for the financial activity of the separate plan for police officers established under the provisions of Chapter 185 of the Florida Statutes. The City and Fund members do not contribute to the Fund. A Board of Trustees administers this account, which includes a limited number of appointments by the City Commission with three members elected by the Fund's participants. Statutory authority vests with the Board of Trustees with autonomy in the administration and control over the trust account. Inquiries concerning financial condition and related information for this Fund should be directed to the South Miami Police Officers' Retirement Trust Fund, c/o Board of Trustees, City of South Miami, Florida.

**City Manager and Senior Employees 401(a) Money Purchase Plans**

The City of South Miami 401(a) Money Purchase Plan is a defined contribution plan established by the City to provide benefits at retirement for certain employees of upper management. At September 30, 2008, there were five plan members, the City Manager, the Assistant City Manager, the Planning Director, the Finance Director and the Building Director. The City is required to contribute on behalf of each participant up to 7% of earnings for the plan year. Participants are permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Council.

The plan assets are administered by ICMA Retirement Corp. The City does not exercise any control over the plan assets. Contributions were approximately \$36,156 for the fiscal year ended September 30, 2008.

**City of South Miami Florida**  
Notes to the Basic Financial Statements  
Fiscal Year Ended September 30, 2008

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**K. RISK MANAGEMENT**

The City 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 City carries commercial insurance. The City has not had a significant reduction in insurance coverage from coverage in the prior year by major categories of risk, and settled claims have not exceeded the City's retention and excess coverage in force for each of the past three years.

**L. SUBSEQUENT EVENTS**

On November 18, 2008 the City Commission adopted Resolution 192-08-12789, which authorized the City Manager to pay the outstanding balance of \$250,000 on the Trust for Public Land Lease-Purchase Agreement (described in Note III-F) in order to utilize certain grant monies expiring April 30, 2009 for the purchase of park land. Consequently, this agreement was paid in full on January 5, 2009.

In November of 2007, the City Commission adopted Resolution 190-07-12575, which authorized the City Manager to negotiate the issuance of the \$1,000,000 Bridge Loan described in Note III-F, in addition to a permanent loan in the same amount. Under the current Bridge Loan agreement principal and interest are due in full on or before April 7, 2009. In April 2009, the City refinanced this loan with a Capital Improvement Promissory Note, Series 2009. Principal on the Series 2009 Note shall be due and payable on February 1, May 1, August 1 and November 1 of each year, beginning August 1, 2009 through and including April 7, 2019. Interest at the rate of 4.23% per annum shall be due and payable on each payment date beginning August 1, 2009 until maturity.

REQUIRED SUPPLEMENTARY INFORMATION

**City of South Miami, Florida**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended September 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES:</b>				
Taxes:				
Ad Valorem	\$ 6,976,967	\$ 6,976,967	\$ 6,632,820	\$ (344,147)
Utility taxes	1,767,000	1,767,000	1,965,110	198,110
Business taxes	533,000	533,000	552,410	19,410
Franchise fees	957,000	957,000	1,115,721	158,721
Licenses and permits	670,000	670,000	1,136,831	466,831
Intergovernmental	1,243,000	1,243,000	1,461,125	218,125
Charges for services	2,231,360	2,231,360	2,817,604	586,244
Fines and forfeitures	335,000	335,000	287,064	(47,936)
Investment earnings	200,000	200,000	344,617	144,617
Other	292,340	1,751,867	2,149,253	397,386
Total Revenues	<u>15,205,667</u>	<u>16,665,194</u>	<u>18,462,555</u>	<u>1,797,361</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
City commission	98,543	97,857	91,098	6,759
City manager	1,793,126	1,819,632	1,754,009	65,623
City clerk	196,690	196,013	186,277	9,736
Legal	415,000	452,722	369,447	83,275
Finance	1,880,736	1,856,258	1,554,653	301,605
Building, zoning and community development	810,887	857,078	816,116	40,962
Total general government	<u>5,194,982</u>	<u>5,279,560</u>	<u>4,771,600</u>	<u>507,960</u>
Public safety:				
Police	4,813,078	4,618,826	4,489,404	129,422
Public works	5,003,775	5,131,956	4,941,158	190,798
Culture and recreation	1,373,371	1,140,779	1,055,875	84,904
Non-departmental	2,755,875	6,220,697	6,624,979	(404,282)
Total Expenditures	<u>19,141,081</u>	<u>22,391,818</u>	<u>21,883,016</u>	<u>508,802</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,935,414)	(5,726,624)	(3,420,461)	2,306,163
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers	365,000	365,000	589,093	224,093
Issuance of debt	-	1,000,000	1,000,000	-
Proceeds from issuance of capital leases	-	238,408	952,944	714,536
Total Other Financing Sources (Uses)	<u>365,000</u>	<u>1,603,408</u>	<u>2,542,037</u>	<u>938,629</u>
Change before fund balance appropriations	(3,570,414)	(4,123,216)	(878,424)	3,244,792
Fund balance appropriations	3,570,414	4,123,216	878,424	
Net change	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**City of South Miami, Florida**  
 Budgetary Comparison Schedule  
 Community Redevelopment Agency  
 For the Fiscal Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Ad valorem	\$ 1,471,440	\$ 1,471,440	\$ 1,471,440	\$ -
Intergovernmental	-	-	-	-
Investment earnings	16,500	16,500	34,872	18,372
Other	73,000	73,000	49,995	(23,005)
<b>Total Revenues</b>	<u>1,560,940</u>	<u>1,560,940</u>	<u>1,556,307</u>	<u>(4,633)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	289,045	289,045	262,963	26,082
Community redevelopment	2,845,085	2,845,085	836,232	2,008,853
<b>Total Expenditures</b>	<u>3,134,130</u>	<u>3,134,130</u>	<u>1,099,195</u>	<u>2,034,935</u>
<b>Excess (deficiency) of revenues over expenditures before other financing uses</b>	<b>(1,573,190)</b>	<b>(1,573,190)</b>	<b>457,112</b>	<b>2,030,302</b>
<b>Other financing sources (uses):</b>				
Issuance of debt	-	-	-	-
Transfers	(124,336)	(124,336)	(346,539)	(222,203)
<b>Total Other Financing (Uses)</b>	<u>(124,336)</u>	<u>(124,336)</u>	<u>(346,539)</u>	<u>(222,203)</u>
<b>Change before fund balance appropriations</b>	<b>(1,697,526)</b>	<b>(1,697,526)</b>	<b>110,573</b>	<b>1,808,099</b>
<b>Fund balance appropriations</b>	<u>1,697,526</u>	<u>1,697,526</u>	<u>-</u>	<u>-</u>
<b>Net change</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,573</u>	<u>-</u>

**City of South Miami Florida**  
Notes to Budgetary Comparison Schedules  
Fiscal Year Ended September 30, 2008

**Note 1: Budgets and Budgetary Accounting**

Annual appropriated budgets are adopted for the general fund, stormwater drain trust fund, local option gas tax, peoples transportation tax fund, federal forfeitures fund and community redevelopment agency special revenue fund on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements.

- a) Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- d) The City Manager is authorized at any time to transfer budgeted amounts within the departments. At the request of the City Manager and within the last three months of the budget year, the City Commission may transfer any unencumbered balance or portion thereof from one department to another. Pursuant to the City's Charter, expenditures may not legally exceed appropriations at the departmental level.
- e) Formal budgetary integration is employed as a management control device during the year for the general fund.
- f) In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements and schedules represent final authorized amounts. Therefore, the department level is the legal level of budgetary control. Budgeted amounts are as originally adopted or as amended.

**Note 2: Excess of expenditures over appropriations**

Revisions that alter the total expenditures of any department within a fund must be approved by the City Commission. Actual expenditures and transfers out may not exceed budget appropriations at the departmental level. Appropriations that are neither expended, encumbered, nor specifically designated to be carried over, lapse at the end of the fiscal year.

For the year ended September 30, 2008, expenditures exceeded appropriations in the Non-departmental departments (the legal level of budgetary control) of the general fund by \$404,282. These overexpenditures were caused by capital outlays for the purchase of park land and funded through the issuance of the lease and purchase agreement with the Trust for Public Land (See Note III-E). All of the expenditures were approved by the City Commission.

**City of South Miami Florida**  
**Notes to Budgetary Comparison Schedules**  
**Fiscal Year Ended September 30, 2008**

**Note 3: Budget/GAAP Reconciliation**

The following schedule reconciles the amounts on the budgetary comparison schedule to the amounts on the statement of revenues, expenditures and changes in fund balances-governmental funds in the General Fund:

	<u>General Fund</u>	<u>Community Redevelopment Agency Fund</u>
Net change in fund balance - actual amounts - budgetary basis - as reported on the budgetary comparison schedule (Page 45)	\$ (878,424)	\$ 110,573
Differences - budget to GAAP:		
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes		
Encumbrances outstanding in 2007 (as reported)	(818,639)	(25,302)
Encumbrances outstanding in 2008	708,127	307,257
Net change in fund balance - GAAP basis - as reported on the statement of revenues, expenditures and changes in fund balances governmental funds (Page 14)	\$ (988,936)	\$ 392,528

**City of South Miami Florida**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**September 30, 2008**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)- Frozen Initial Liability	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a) / (b)	(c) Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a) / (c)
<b>GENERAL EMPLOYEES' PENSION PLAN</b>						
10/1/2007	8,534,387	10,652,651	2,118,264	80.10%	3,192,696	66.30%
10/1/2006	7,498,093	10,019,348	2,521,255	74.80%	3,027,386	83.30%
10/1/2005	6,862,355	8,623,741	1,761,386	79.60%	2,602,280	67.70%
10/1/2004	6,334,549	8,001,397	1,666,848	79.20%	2,458,544	67.80%
10/1/2003	5,955,253	7,088,668	1,133,415	84.00%	2,268,758	50.00%
10/1/2002	5,185,652	6,548,071	1,362,419	79.20%	2,600,201	52.40%
<b>POLICE OFFICERS PENSION PLAN</b>						
10/1/2007	10,206,758	13,475,809	3,269,051	75.70%	3,172,573	103.00%
10/1/2006	8,884,898	12,446,060	3,561,162	71.40%	3,011,503	118.30%
10/1/2005	8,087,213	10,416,669	2,329,456	77.60%	2,470,775	94.30%
10/1/2004	7,358,738	10,163,721	2,804,983	72.40%	2,849,357	98.40%
10/1/2003	6,732,468	9,227,670	2,495,202	73.00%	3,350,992	74.50%
10/1/2002	6,032,513	7,750,885	1,718,372	77.80%	3,198,240	53.70%

**City of South Miami Florida**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**September 30, 2008**

<u>Fiscal Year</u>	<u>(A) Annual Required Contributions</u>	<u>Total Employer Contributions</u>	<u>(B) Percentage Contributed</u>
<b>GENERAL EMPLOYEES</b>			
2007	\$ 365,630	\$ 365,630	100%
2006	307,422	307,422	100%
2005	415,027	415,027	100%
2004	316,403	316,403	100%
2003	361,085	361,085	100%
2002	293,062	297,622	102%
<b>POLICE OFFICERS</b>			
2007	\$ 428,438	\$ 428,438	100%
2006	324,613	324,613	100%
2005	502,203	502,203	100%
2004	441,036	441,036	100%
2003	391,304	391,304	100%
2002	328,847	335,253	102%

(A) Actuarially determined contribution requirements.

(B) Total actual contributions as a percentage of annual required contributions.

The information presented in the required supplemental schedules above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

	<u>GENERAL EMPLOYEES' PENSION PLAN</u>	<u>POLICE OFFICERS PENSION PLAN</u>
Contribution Rate:		
City	11.0%	12.00%
State	0.0%	1.20%
Member	11.0%	12.00%
Valuation date	10/1/2007	10/1/2007
Annual pension cost	349,871	418,476
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, closed	Level percent of pay, closed
Remaining amortization period	25 Years	29 Years
Asset valuation method	Five year smoothed market	Five year smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases*	5.5%-6.5%	5.0%-7.0%
Cost of living adjustments	3.00%	3.00%
*Includes inflation at	4.00%	4.00%

COMBINING INDIVIDUAL FUND STATEMENTS AND SCHEDULES

## SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

- **Revolving Trust Fund** - This fund is used to account for the monies that are legally restricted to certain capital project improvements.
- **Sylva Martin Fund** - This fund is used to account for the donations received that are legally restricted to improve the Sylva Martin Building.
- **Hurricane Fund** - This fund is used to account for FEMA and insurance reimbursements and expenditures related to storm related damage and other preventative measures.
- **Storm Water Drain Trust Fund** - This fund is used to account for the revenue and expenditures associated with an interlocal agreement with Miami-Dade County Stormwater Utility for canal cleaning and maintenance.
- **Local Option Gas Tax Trust Fund** - This fund is used to account for the revenues and expenditures associated with the State of Florida's Local Option Gas Tax.
- **Community Development Block Grant Fund** - This fund is used to account for grant funds received from Miami-Dade County as a part of U.S. Department of Housing and Urban Development Community Development Block Grant Program.
- **Peoples Transportation Tax Fund** - This fund is used to account for the revenues and expenditures associated with the Miami-Dade County Peoples Transportation Tax.
- **Federal Forfeiture Fund** - To account for proceeds received from the Federal government as a result of City participating in investigations that resulted in Federal forfeitures. Proceeds are used for law enforcement purposes.
- **State Forfeiture Fund** - To account for proceeds obtained through the sale of confiscated and unclaimed property turned over to the City through court judgments. Proceeds are to be used solely for crime fighting purposes.

City of South Miami, Florida  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 September 30, 2008

	Special Revenue										Total Nonmajor Governmental Funds
	Revolving Trust	Sylvia Martin Trust	Hurricane	Stormwater Drain Trust	Local Option Gas Tax	Community Development Block Grant	Peoples Transportation Tax Fund	Federal Forfeiture	State Forfeiture	Total	
<b>Assets</b>											
Cash	\$ 2,387	\$ 13,999	\$ 307,609	\$ 928,655	\$ 130,637	\$ -	\$ 85,931	\$ 69,114	\$ 54,378	\$ 1,592,710	
Accounts receivable	-	24	-	102,301	6,177	146,877	78,413	-	-	333,792	
Due from other funds	-	-	26,146	151,809	152,631	14,125	761,309	44,202	-	1,150,222	
<b>Total Assets</b>	<b>\$ 2,387</b>	<b>\$ 14,023</b>	<b>\$ 333,755</b>	<b>\$ 1,182,765</b>	<b>\$ 289,445</b>	<b>\$ 161,002</b>	<b>\$ 925,653</b>	<b>\$ 113,316</b>	<b>\$ 54,378</b>	<b>\$ 3,076,724</b>	
<b>Liabilities</b>											
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 3,005	\$ 54,342	\$ -	\$ 8,506	\$ 578,485	\$ -	\$ -	\$ 644,338	
Due to other funds	-	83	151,928	589,130	-	170,531	-	-	30,019	941,691	
Deferred revenue	-	-	-	-	-	-	-	-	-	-	
<b>Total Liabilities</b>	<b>-</b>	<b>83</b>	<b>154,933</b>	<b>643,472</b>	<b>-</b>	<b>179,037</b>	<b>578,485</b>	<b>-</b>	<b>30,019</b>	<b>1,586,029</b>	
<b>Fund balances:</b>											
Reserved for:											
Encumbrances	-	-	498	189,300	75,826	20,369	100,673	-	-	386,666	
Public safety	-	-	-	-	-	-	-	113,316	24,359	137,675	
Capital projects/ transportation	-	-	178,324	349,993	213,619	-	246,495	-	-	988,431	
Unreserved, undesignated	2,387	13,940	-	539,293	289,445	(38,404)	347,168	113,316	24,359	1,490,695	
<b>Total Fund Balances</b>	<b>2,387</b>	<b>13,940</b>	<b>178,822</b>	<b>1,182,765</b>	<b>289,445</b>	<b>(18,035)</b>	<b>925,653</b>	<b>113,316</b>	<b>54,378</b>	<b>3,076,724</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,387</b>	<b>\$ 14,023</b>	<b>\$ 333,755</b>	<b>\$ 1,182,765</b>	<b>\$ 289,445</b>	<b>\$ 161,002</b>	<b>\$ 925,653</b>	<b>\$ 113,316</b>	<b>\$ 54,378</b>	<b>\$ 3,076,724</b>	

**City of South Miami, Florida**  
 Combining Statements of Revenues, Expenditures, and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2008

	Special Revenue										Total Nonmajor Governmental Funds	
	Revolving Trust	Sylvia Martin Trust	Hurricane	Stormwater Drain Trust	Local Option Gas Tax	Community Development Block Grant	Peoples Transportation Tax Fund	Federal Forfeiture	State Forfeiture			
Revenues:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ad Valorem	-	-	-	424,480	67,572	180,837	338,279	-	851	-	1,012,019	-
Intergovernmental	-	-	-	-	-	-	-	37,099	5,304	-	42,403	-
Fines and forfeitures	-	-	-	-	-	-	-	1,033	347	-	14,659	-
Investment earnings	11	89	3,536	8,257	1,506	19,954	-	24,960	2,084	-	46,998	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	11	89	3,536	432,737	69,078	200,791	338,279	63,092	8,586	-	1,116,079	-
Expenditures												
Current:												
General government	-	-	-	-	-	16,940	-	-	-	-	16,940	-
Culture and recreation	-	-	-	-	-	-	-	-	1,992	-	1,992	-
Public safety	-	-	-	-	17,178	65,385	599,071	-	-	-	914,955	-
Public works	-	-	8,819	224,622	-	-	-	-	-	-	-	-
Debt service:												
Principal	-	-	-	5,636	-	-	13,802	29,182	-	-	48,620	-
Interest	-	-	-	52,316	4,000	97,500	462	818	-	-	1,280	-
Capital outlay	-	-	-	282,574	21,178	179,825	613,335	78,096	1,992	-	201,912	-
Total Expenditures	-	-	8,819	282,574	21,178	179,825	613,335	78,096	1,992	-	1,185,699	-
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	11	89	(5,283)	150,163	47,900	20,966	(275,056)	(15,004)	6,594	-	(69,620)	-
Other financing sources (uses)												
Capital leases	-	-	-	(250,000)	-	-	-	7,446	-	-	(242,554)	-
Transfers	-	-	-	(250,000)	-	-	-	7,446	-	-	(242,554)	-
Total other financing sources (uses)	-	-	-	(99,837)	-	-	-	(7,558)	-	-	(312,174)	-
Net change in fund balance	11	89	(5,283)	(99,837)	47,900	20,966	(275,056)	(7,558)	6,594	-	1,802,869	-
Fund balances, beginning of year	2,376	13,851	184,105	639,130	241,545	(39,001)	622,224	120,874	17,765	-	1,802,869	-
Fund balances, end of year	\$ 2,387	\$ 13,940	\$ 178,822	\$ 539,293	\$ 289,445	\$ (18,035)	\$ 347,168	\$ 113,316	\$ 24,359	\$ -	\$ 1,490,695	\$ -

**City of South Miami, Florida**  
 Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended September 30, 2008

	Stormwater Drain Trust Fund				Federal Forfeiture Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			Original	Final			
Revenues:									
Intergovernmental	\$ 384,000	\$ 384,000	\$ 424,480	\$ 40,480	\$ -	\$ -	\$ 37,099	\$ 37,099	\$ -
Fines and forfeitures	-	-	-	-	-	-	1,033	533	533
Investment earnings	10,000	10,000	8,257	(1,743)	500	500	24,960	24,960	24,960
Other	-	-	-	-	-	-	63,092	63,092	63,092
Total Revenues	394,000	394,000	432,737	38,737	500	500			
Expenditures:									
Current:									
Public safety:	-	-	-	-	83,717	83,717	78,096	5,621	5,621
Public works	447,155	506,550	412,479	94,071	-	-	-	-	-
Total Expenditures	447,155	506,550	412,479	94,071	83,717	83,717	78,096	5,621	5,621
Excess (deficiency) of revenues over expenditures before other financing uses	(53,155)	(112,550)	20,258	132,808	(83,217)	(83,217)	(15,004)	68,213	68,213
Other financing uses:									
Capital leases	-	-	-	-	-	-	-	-	-
Transfers	(250,000)	(250,000)	(250,000)	-	-	-	7,446	7,446	7,446
Total Other Financing (Uses)	(250,000)	(250,000)	(250,000)	-	-	-	7,446	7,446	7,446
Net change in fund balances	(303,155)	(362,550)	(229,742)	132,808	(83,217)	(83,217)	(7,558)	75,659	75,659

(Continued)

**City of South Miami, Florida**  
 Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended September 30, 2008

	Local Option Gas Tax Fund				Peoples Transportation Tax Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ -	\$ -	\$ 67,572	\$ 67,572	\$ 353,400	\$ 338,279	\$ (15,121)	
Fines and forfeitures	-	-	-	-	-	(120)	(6,120)	
Investment earnings (losses)	4,000	4,000	1,506	(2,494)	6,000	-	-	
Other	-	-	-	-	-	-	-	
Total Revenues	4,000	4,000	69,078	65,078	359,400	338,159	(21,241)	
Expenditures:								
Current:								
Public works	135,646	135,646	74,120	61,526	714,518	713,888	630	
Net change in fund balances	(131,646)	(131,646)	(5,042)	126,604	(355,118)	(375,729)	(20,611)	

## TRUST AND AGENCY FUNDS

These funds account for assets held by the City in a trustee capacity or as an agent for employees, other governments and/or other funds.

### Pension Trust Fund

**General Employees Pension** - To account for the accumulation of resources for pension benefit payments to qualified City employees.

**Police Pension** - To account for the accumulation of resources for pension benefit payments to qualified public safety employees.

**City of South Miami, Florida**  
Combining Statement of Net Assets  
Fiduciary Funds  
September 30, 2008

	<u>General Employees Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Investments, at fair value	\$ 7,825,728	\$ 9,286,669	\$ 17,112,397
Receivables:			
Employer	76,110	88,077	164,187
Employees	-	-	-
Dividends and interest	33,424	39,663	73,087
South Miami Police Officers' Retirement Plan	-	37,780	37,780
Total receivables	<u>109,534</u>	<u>165,520</u>	<u>275,054</u>
<b>Total assets</b>	<u>7,935,262</u>	<u>9,452,189</u>	<u>17,387,451</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits	<u>\$ 7,935,263</u>	<u>\$ 9,452,188</u>	<u>\$ 17,387,451</u>

**City of South Miami, Florida**  
Combining Statement of Changes in Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended September 30, 2008

	<b>General Employees Pension Fund</b>	<b>Police Pension Fund</b>	<b>Total</b>
<b>ADDITIONS:</b>			
Contributions:			
Employer	\$ 350,334	\$ 381,072	\$ 731,406
Employees	402,720	423,272	825,992
Total Contributions	753,054	804,344	1,557,398
Investment income:			
Net decrease in fair value of investments	(1,522,134)	(1,820,203)	(3,342,337)
Interest and dividend income	322,404	386,382	708,786
Total investment income	(1,199,730)	(1,433,821)	(2,633,551)
Less investment expenses	(49,636)	(59,320)	(108,956)
Net investment income	(1,249,366)	(1,493,141)	(2,742,507)
Total Additions	(496,312)	(688,797)	(1,185,109)
<b>DEDUCTIONS:</b>			
Benefits paid	289,016	329,999	619,015
Refunds of contributions	90,295	52,718	143,013
Administrative expenses	34,531	41,269	75,800
Total Deductions	413,842	423,986	837,828
Changes in net assets	(910,154)	(1,112,783)	(2,022,937)
Net assets - beginning of year	8,845,417	10,564,971	19,410,388
Net assets - end of year	\$ 7,935,263	\$ 9,452,188	\$ 17,387,451

### **III. STATISTICAL SECTION**

## STATISTICAL SECTION

This part of the City of South Miami, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	57-61
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	62-66
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	67-70
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	71-72
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	73-75

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF SOUTH MIAMI, FLORIDA**

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 6,983	\$ 9,139	\$ 10,604	\$ 14,302	\$ 16,694	\$ 21,871
Restricted	7,817	6,849	6,255	4,165	4,304	4,249
Unrestricted	<u>2,081</u>	<u>4,117</u>	<u>5,492</u>	<u>7,661</u>	<u>10,003</u>	<u>9,167</u>
Total governmental activities net assets	<u>\$ 16,881</u>	<u>\$ 20,105</u>	<u>\$ 22,351</u>	<u>\$ 26,128</u>	<u>\$ 31,001</u>	<u>\$ 35,287</u>

(1) Information for fiscal years ending September 30, 1999-2002 are unavailable in this format since the City implemented *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

**CITY OF SOUTH MIAMI, FLORIDA**

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>EXPENSES</b>						
Governmental activities:						
General government	\$ 4,847	\$ 3,737	\$ 5,828	5,868	6,970	8,155
Public safety	4,990	4,446	4,386	4,280	4,554	4,410
Public works	2,821	3,541	5,258	5,909	5,014	4,535
Culture and recreation	1,399	1,222	1,231	1,366	861	1,021
Non-departmental	-	1,182	-	-	-	-
Interest on long-term debt	380	416	531	613	487	676
Total governmental activities	<u>14,437</u>	<u>14,544</u>	<u>17,234</u>	<u>18,036</u>	<u>17,886</u>	<u>18,797</u>
<b>PROGRAM REVENUES</b>						
Governmental activities:						
Charges for services:						
General government	1,831	3,312	3,336	3,036	2,200	3,952
Public safety	2,513	404	304	748	457	459
Public works	346	372	326	316	343	399
Culture and recreation	105	272	279	161	182	1,229
Operating grants and contributions	4,194	1,856	3,931	4,526	4,458	3,288
Total governmental activities program revenues	<u>8,989</u>	<u>6,216</u>	<u>8,176</u>	<u>8,787</u>	<u>7,640</u>	<u>9,327</u>
Net (expense)/revenue	\$ (5,448)	\$ (8,328)	\$ (9,058)	\$ (9,249)	\$ (10,246)	\$ (9,470)
Governmental activities	\$ (5,448)	\$ (8,328)	\$ (9,058)	\$ (9,249)	\$ (10,246)	\$ (9,470)
Total primary government net expenses						
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	4,817	6,632	7,238	8,170	8,876	8,104
Utility taxes	1,718	1,645	1,633	1,776	1,829	1,965
Franchise fees on gross receipts	730	815	813	1,008	1,116	1,116
Business Taxes	-	-	-	-	553	552
Intergovernmental (unrestricted)	2,427	1,992	1,245	1,310	1,297	1,282
Investment income	158	249	375	594	809	396
Miscellaneous	-	-	-	168	524	341
Total governmental activities	<u>\$ 9,850</u>	<u>\$ 11,333</u>	<u>\$ 11,304</u>	<u>\$ 13,026</u>	<u>\$ 15,004</u>	<u>\$ 13,756</u>
Change in Net Assets						
Governmental activities	\$ 4,402	\$ 3,005	\$ 2,246	\$ 3,777	\$ 4,758	\$ 4,286
Total primary government	<u>\$ 4,402</u>	<u>\$ 3,005</u>	<u>\$ 2,246</u>	<u>\$ 3,777</u>	<u>\$ 4,758</u>	<u>\$ 4,286</u>

(1) Information for fiscal years ending September 30, 1999-2002 are unavailable in this format since the City implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

**CITY OF SOUTH MIAMI, FLORIDA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**

LAST TEN FISCAL YEARS (1)  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Ad-Valorem Taxes General Purpose</u>	<u>Local Option Gas Tax</u>	<u>2nd Local Option Gas Tax</u>	<u>People's Transportation Tax</u>	<u>State Revenue Sharing Tax</u>	<u>Half Cent Sales Tax</u>	<u>Franchise Taxes</u>	<u>Utility Taxes</u>	<u>Business Taxes(2)</u>	<u>Total</u>
2003	4,818	202	84	204	300	628	730	1,686	-	8,652
2004	5,897	194	75	312	315	648	791	1,645	-	9,877
2005	6,457	191	72	324	353	662	813	1,634	-	10,506
2006	6,964	194	72	360	355	723	1,008	1,776	-	11,452
2007	7,304	184	69	351	359	705	1,116	1,829	-	11,917
2008	6,633	175	69	338	353	669	1,116	1,965	552	11,318

(1) Information for fiscal years ending September 30, 1999-2002 are unavailable in this format since the City implemented *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

(2) Prior to 2008 Business Taxes were reported as Charges for Services.

**CITY OF SOUTH MIAMI, FLORIDA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund	\$ 409	\$ 535	\$ 452	\$ 1,884	\$ 6,558	\$ 6,258	\$ 6,288	\$ 5,130	\$ 5,720	\$ 5,038
Reserved	3,245	3,168	2,608	1,920	3,088	3,825	4,319	4,796	5,268	4,961
Unreserved	\$ 3,654	\$ 3,703	\$ 3,060	\$ 3,804	\$ 9,646	\$ 10,083	\$ 10,607	\$ 9,926	\$ 10,988	\$ 9,999
Total general fund										
All other governmental funds	\$ 21	\$ 32	\$ 639	\$ 344	\$ 1,358	\$ 1,494	\$ 1,705	\$ 1,854	\$ 1,986	\$ 2,313
Reserved										
Unreserved, reported in:	228	464	364	460	130	607	579	750	2,612	2,460
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Undesignated	\$ 249	\$ 496	\$ 1,003	\$ 804	\$ 1,488	\$ 2,101	\$ 2,284	\$ 2,604	\$ 4,598	\$ 4,773
Total all other governmental funds										

**CITY OF SOUTH MIAMI, FLORIDA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES</b>										
Taxes and franchise fees	\$ 3,712	\$ 4,119	\$ 4,981	\$ 5,277	\$ 5,547	\$ 7,423	\$ 8,050	\$ 9,178	\$ 9,992	\$ 9,772
Charges for services	1,699	1,788	1,618	1,819	2,276	2,332	2,352	2,532	2,197	2,818
Utility taxes	2,067	2,046	2,131	2,510	1,718	1,669	1,634	1,776	1,829	1,965
Intergovernmental	1,815	2,454	1,462	3,856	2,427	1,992	5,176	5,686	5,593	4,419
Development fees - Shops at Sunset	225	-	-	-	-	-	-	-	-	-
Licenses and permits	628	654	646	695	1,163	1,285	1,101	1,202	1,102	1,137
Fines and forfeitures	200	432	539	282	763	355	304	442	349	330
Interest	320	263	277	160	158	248	375	594	809	396
Grants	-	-	-	-	3,964	1,856	-	-	-	-
Miscellaneous	774	637	643	437	824	389	488	403	774	2,246
Total revenues	<u>11,440</u>	<u>12,393</u>	<u>12,297</u>	<u>15,036</u>	<u>18,840</u>	<u>17,549</u>	<u>19,480</u>	<u>21,813</u>	<u>22,645</u>	<u>23,083</u>
<b>EXPENDITURES</b>										
General government	4,807	5,496	5,064	5,190	4,768	3,598	5,648	5,745	6,660	7,238
Public safety	4,027	4,529	4,812	4,872	4,877	4,281	4,270	4,194	4,253	4,332
Public works	1,248	1,342	1,564	1,604	2,490	3,116	4,660	5,409	5,109	5,284
Program expenditures	-	-	175	1,226	-	-	-	-	-	-
Culture and recreation	662	815	858	940	1,297	1,176	1,199	1,339	837	977
Non-departmental	-	-	-	-	-	1,138	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-
Principal retirement	79	23	168	800	326	533	391	612	2,183	2,444
Interest and fiscal charges	12	8	62	149	382	418	538	614	614	920
Capital outlay:	-	-	-	-	-	-	-	-	-	-
General government	544	48	1,146	1,759	4,965	2,363	3,032	7,538	8,827	4,654
Total expenditures	<u>11,379</u>	<u>12,261</u>	<u>13,849</u>	<u>16,540</u>	<u>19,105</u>	<u>16,623</u>	<u>19,738</u>	<u>25,451</u>	<u>28,483</u>	<u>25,849</u>
Excess(deficiency) of revenues over expenditures	61	132	(1,552)	(1,504)	(265)	926	(258)	(3,638)	(5,838)	(2,766)
Other financing (uses) sources:										
Transfers in	393	153	856	327	6,858	-	-	-	-	-
Transfers out	(418)	(178)	(856)	(337)	(419)	-	-	-	-	-
Proceeds from note payable and contingencies	-	-	650	2,200	-	-	-	-	8,360	1,000
Proceeds from capital lease	-	-	912	-	20	547	233	314	319	953
Proceeds from bond	-	-	-	-	-	-	728	2,963	-	-
Total other financing sources (uses)	<u>(25)</u>	<u>(25)</u>	<u>1,562</u>	<u>2,190</u>	<u>6,459</u>	<u>547</u>	<u>961</u>	<u>3,277</u>	<u>8,679</u>	<u>1,953</u>
Net change in fund balances	\$ 36	\$ 107	\$ 10	\$ 686	\$ 6,194	\$ 1,473	\$ 703	\$ (361)	\$ 2,841	\$ (813)
Debt service as a percentage of noncapital expenditures	0.8%	0.3%	1.8%	6.9%	5.3%	7.1%	5.9%	7.3%	16.6%	18.9%

**CITY OF SOUTH MIAMI, FLORIDA**

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**

LAST TEN FISCAL YEARS (\*)

(modified accrual basis of accounting)

(amounts expressed in thousands)

Fiscal Year	Ad-Valorem Taxes General Purpose	Local Option Gas Tax	2nd Local Option Gas Tax (1)	People's Transportation Tax (1)	State Revenue Sharing Tax	Cigarette Tax	Half Cent Sales tax	Franchise Taxes(2)	Utility Taxes	Business Taxes(3)	Total
1999	3,712	179	-	-	289	11	578	-	2,068	-	6,837
2000	4,119	193	-	-	293	9	615	-	2,046	-	7,275
2001	4,308	197	-	-	293	-	633	-	2,131	-	7,562
2002	4,610	198	-	-	302	-	625	-	2,511	-	8,246
2003	4,818	202	84	204	300	-	628	730	1,686	-	8,652
2004	5,897	194	75	312	315	-	648	791	1,645	-	9,877
2005	6,457	191	72	324	353	-	662	813	1,634	-	10,506
2006	6,964	194	72	360	355	-	723	1,008	1,776	-	11,452
2007	7,304	184	69	351	359	-	705	1,116	1,829	-	11,917
2008	6,633	175	69	338	353	-	669	1,116	1,965	552	13,878

(1) FY 2003 was the first year for this tax source.

(2) Prior to 2003 Franchise Fees were reported as part of Utility taxes.

(2) Prior to 2008 Business Taxes were reported as Charges for Services.

**CITY OF SOUTH MIAMI, FLORIDA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

Fiscal Year	Real Property	Personal Property	Net Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Net assessed Value as a Percentage of Estimated Actual Value (1)
1999	680,655	79,565	760,220	6.590	760,220	100.00%
2000	688,584	91,808	780,392	6.373	780,392	100.00%
2001	723,957	90,942	814,899	6.373	814,899	100.00%
2002	733,156	85,367	818,523	6.373	818,523	100.00%
2003	798,292	81,734	880,026	7.873	880,026	100.00%
2004	919,791	83,712	1,003,503	7.373	1,003,503	100.00%
2005	1,125,391	86,708	1,212,099	7.213	1,212,099	100.00%
2006	1,363,371	82,658	1,446,029	6.681	1,446,029	100.00%
2007	1,578,948	86,150	1,665,098	4.818	1,665,098	100.00%
2008	1,621,815	69,137	1,690,952	5.279	1,690,952	100.00%

Note: Property in the City is reassessed each year at actual value. Tax rates are \$1,000 of assessed value.

(1) Includes tax-exempt property.

Sources: Miami-Dade County  
 Department of Property Appraisal -DR-420

**CITY OF SOUTH MIAMI, FLORIDA**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS(1)**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total City Operations</u>	<u>Overlapping Rates</u>		<u>Total City Wide</u>
		<u>Miami-Dade County Operations</u>	<u>Miami-Dade County Schools</u>	
1999	6.590	9.7240	10.1600	26.4740
2000	6.373	10.4390	9.6440	26.4560
2001	6.373	10.3020	9.6170	26.2920
2002	6.373	10.2040	9.3760	25.9530
2003	7.873	10.3416	9.2520	27.4666
2004	7.373	10.6370	9.1000	27.1100
2005	7.213	10.5440	8.6900	26.4470
2006	6.681	10.4313	7.4400	24.5523
2007	4.818	8.5783	7.9480	21.3443
2008	5.279	8.8119	7.7970	21.8879

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of South Miami.

Additional information:

Property tax rates are assessed per \$1,000 of Taxable Assessed Valuation

Tax rate limits:

City                    10.000 Mills  
County                10.000 Mills  
SFWMD\*              1.000 Mills

Source:                Miami-Dade County  
                             Department of Property Appraisal

\*South Florida Water Management District

**CITY OF SOUTH MIAMI, FLORIDA**  
**PRINCIPAL PROPERTY TAXPAYERS**

CURRENT YEAR AND NINE YEARS AGO  
(amounts expressed in thousands)

	2008			1999			
	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Percentage Total Assessed Valuation	
Bakery Associates, Ltd.	96,000	5.7%	1	Bakery Associates, Ltd.	136,090	1	17.9%
South Miami Corp.	23,264	1.4%	2	South Miami Corp.	9,618	3	1.3%
Valencia South Miami LLC	22,355	1.3%	3				
J.W. Advance Development Corp.	17,743	1.0%	4				
S. Miami Hospital Dev Fund Inc	17,250	1.0%	5				
Capstone Capital Trust Inc.	13,961	0.8%	6				
Larkin Community Hospital	11,635	0.7%	7	Larkin Community Hospital	5,264	9	0.7%
John Hancock-Gannon Joint Venture	11,074	0.7%	8	John Hancock-Gannon Joint Venture	3,905	10	0.5%
Kimco South Miami 634 Inc.	10,165	0.6%	9	KIMCO South Miami	5,300	8	0.7%
Florida Power & Light Co.	9,433	0.6%	10				
				Advance Dev. Corp.	12,012	2	1.6%
				Doctor's Hospital	7,277	4	1.0%
				America's Capital Partners	6,660	5	0.9%
				Sunset Associates, Ltd.	5,900	6	0.8%
				A. Grover Matheny	5,628	7	0.7%
	<u>\$ 232,880</u>	<u>13.8%</u>		<u>\$ 197,654</u>	<u>26.0%</u>		

Sources: Miami-Dade County Tax Assessors' Office  
2008 Tax Roll  
Real/personal property adjusted taxable value of \$1,690,952

**CITY OF SOUTH MIAMI, FLORIDA**  
**PROPERTY TAX LEVIES AND COLLECTION**

LAST TEN FISCAL YEARS  
(amounts expressed in thousands)

<u>Fiscal Year Ended September 30,</u>	<u>Total taxes Levied for Fiscal Year</u>	<u>Collected within the Fiscal Year of Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
1999	3,791	3,654	96.4%	45	3,699	97.6%
2000	4,668	4,054	86.8%	46	4,100	87.8%
2001	4,834	4,182	86.5%	31	4,213	87.2%
2002	5,072	4,521	89.1%	86	4,607	90.8%
2003	5,259	4,737	90.1%	76	4,813	91.5%
2004	6,489	5,718	88.1%	174	5,892	90.8%
2005	7,033	6,402	91.0%	49	6,451	91.7%
2006	7,936	6,886	86.8%	64	6,950	87.6%
2007	8,367	7,185	85.9%	92	7,277	87.0%
2008	7,764	6,582	84.8%	42	6,624	85.3%

Source: Miami Dade County Tax Collector's Office

Note: Total Adjusted Tax Levy is based on final assessed property values by Miami-Dade County Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

Discounts Allowed:

November	4%
December	3%
January	2%
February	1%
April	Taxes delinquent

**CITY OF SOUTH MIAMI, FLORIDA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
(amounts expressed in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Mortgage & Note Payable	Capital Leases	Sewer Bonds	Notes Payable	Capital Leases				
1999	-	71	97	-	-	-	168	0.33%	0.016	
2000	-	47	-	-	-	-	47	0.09%	0.004	
2001	-	797	595	-	-	-	1,392	2.40%	0.132	
2002	8,751	148	487	-	-	-	9,386	15.54%	0.874	
2003	8,555	99	319	-	-	-	8,973	14.32%	0.835	
2004	8,415	139	503	-	-	-	9,057	13.98%	0.842	
2005	8,270	863	511	-	-	-	9,644	13.68%	0.896	
2006	8,115	3,432	608	-	-	-	12,155	16.31%	1.116	
2007	16,133	1,850	645	-	-	-	18,628	23.25%	1.769	
2008	15,727	1,884	526	-	-	-	18,137	21.09%	1.622	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 71 for the personal income and population data.

**CITY OF SOUTH MIAMI, FLORIDA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

(amounts expressed in thousands, except per capita)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
1999	\$ -	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	8,751	-	8,751	1.07%	0.332
2003	8,555	140	8,415	0.96%	0.311
2004	8,415	150	8,265	0.82%	0.298
2005	8,270	155	8,115	0.67%	0.271
2006	8,115	160	7,955	0.55%	0.254
2007	16,133	165	15,968	0.96%	0.474
2008	15,727	275	15,452	0.91%	0.428

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Note: Total Adjusted Tax Levy is based on final assessed property values by Miami-Dade County Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 63 for property value data.

(2) See the Schedule of Demographic and Economic Statistics on page 71 for population data.

**CITY OF SOUTH MIAMI, FLORIDA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2008**  
(amounts expressed in thousands)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Amount Applicable to South Miami</u>
Miami-Dade County Schools (2)	\$ 408,745	0.70%	\$ 2,861
Miami-Dade County (3)	<u>504,371</u>	0.70%	<u>3,531</u>
Subtotal overlapping debt	913,116		6,392
City of South Miami direct debt	<u>15,727</u>	100.00%	<u>15,727</u>
Total direct and overlapping debt	\$ 928,843		\$ 22,119

Sources: (1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the city's boundaries and dividing it by the county's total taxable assessed value.

(2) Miami-Dade County Schools, General Finance Department

(3) Miami-Dade County, Finance Department (includes General Obligation, Special Obligation Bonds)

**CITY OF SOUTH MIAMI, FLORIDA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(amounts expressed in thousands)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit				132,004	136,522	150,526	181,814	216,904	249,765	253,643
Total net debt applicable to limit(1)	N/A	N/A	N/A	8,751	8,555	8,415	8,270	8,115	16,133	15,727
Legal debt margin				123,253	127,967	142,111	173,544	208,789	233,632	237,916
Total net debt applicable to the limit as a percentage of debt limit	N/A	N/A	N/A	6.63%	6.27%	5.59%	4.55%	3.74%	6.46%	6.20%

**LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2008**

Assessed valuation 2008 roll	\$ 1,690,952
Bonded debt limit- 15% of assessed value	\$ 253,643
Total ad valorem debt- General Obligation Bonds	\$ 15,727
Amount of debt applicable	\$ 15,727
Legal debt margin	\$ 237,916

(1) General Obligation Bonds were issued in 2002. In November 2006, the City through its Community Redevelopment Agency (CRA) issued \$2,750,000 of Taxable Redevelopment Bonds.

N/A Information not applicable.

**CITY OF SOUTH MIAMI, FLORIDA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (Amounts Expressed in Thousands) (2)</u>	<u>Per capita Personal Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment rate (5)</u>
1999	10,537	50,612	23,216	N/A	1,708	5.9
2000	10,518	53,414	24,050	35.6	1,708	5.1
2001	10,518	57,922	25,622	35.6	1,708	6.1
2002	10,741	60,402	26,398	35.6	1,708	6.5
2003	10,741	62,665	27,050	35.6	1,708	5.9
2004	10,759	64,765	27,744	35.6	1,708	5.4
2005	10,768	70,514	29,955	37.4	1,708	4.5
2006	10,891	74,534	31,347	37.4	1,708	3.8
2007	10,528	80,112	33,712	37.8	6,123	3.8
2008	11,183	85,979	36,081	38.2	5,957	5.8

- Source:
- (1) State of Florida population estimates
  - (2) U.S. Department of Commerce, Bureau of Economic Analysis
  - (3) U.S. Census Bureau
  - (4) Miami-Dade County Public Schools Registrar's Office
  - (5) U.S. Department of Labor

N/A- Information not available

**CITY OF SOUTH MIAMI, FLORIDA**  
**PRINCIPAL EMPLOYERS - Miami Dade County, Florida**  
**CURRENT YEAR AND NINE YEARS AGO**

<u>EMPLOYER</u>	<u>2008</u>		<u>Percentage of Total County Employment</u>	<u>1999</u>		<u>Percentage of Total County Employment</u>
	<u>EMPLOYEES</u>	<u>RANK</u>		<u>EMPLOYEES</u>	<u>RANK</u>	
Miami-Dade County Public Schools	50,000	1	4.27%	N/A	1	N/A
Miami-Dade County, Florida	32,000	2	2.73%	N/A	2	N/A
Federal Government	20,400	3	1.74%	N/A	3	N/A
Florida State Government	17,000	4	1.45%	N/A	4	N/A
Publix Super Markets	11,000	5	0.94%	N/A	5	N/A
Baptist Health South Florida	10,826	6	0.92%	N/A	6	N/A
Jackson Health System	10,500	7	0.90%	N/A	7	N/A
University of Miami	9,874	8	0.84%	N/A	8	N/A
American Airlines	9,000	9	0.77%	N/A	9	N/A
Miami-Dade College	6,500	10	0.55%	N/A	10	N/A
	<u>177,100</u>		<u>15.11%</u>	<u>-</u>		<u>0.00%</u>

Source: The Beacon Council,  
N/A - Information is not available

CITY OF SOUTH MIAMI, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	13	15	16	17	17	17	17	20	27	29
Public safety										
Police	56	60	64	56	51	46	49	49	51	45
Officers	10	11	13	13	12	7	9	6	7	8
Civilians	14	16	12	13	13	12	13	18	17	16
Building & Zoning										
Public Works	21	17	17	14	16	21	19	24	26	25
Recreation & Social Services	14	24	22	23	26	32	32	25	9	15
Sanitation	13	13	14	14	12	12	12	10	10	10
	141	156	158	150	147	147	151	152	147	148

Source: City of South Miami Finance Department

CITY OF SOUTH MIAMI, FLORIDA

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Public Safety</b>										
Police:										
Number of calls answered	12,389	12,900	12,828	12,631	11,185	10,973	11,005	11,526	11,136	10,655
Number of arrests	1,782	1,610	1,822	2,172	1,134	1,485	1,484	2,530	650	551
Number of uniformed officers	56	60	64	56	51	46	49	49	51	45
Building & Zoning:										
Number of building permits issued	1,990	1,277	1,388	1,317	1,294	1,742	1,754	1,927	1,629	1,350
License/Permit revenue generated	\$ 627,874	\$653,724	\$646,189	\$694,426	\$ 1,162,733	\$1,285,200	\$1,101,120	\$1,201,948	\$1,102,083	\$1,689,241
Occupational licenses issued	N/A	N/A	N/A	N/A	N/A	N/A	2,902	3,024	3,112	3,076
<b>Culture and recreation</b>										
Number of senior meals served	21,280	18,620	22,430	25,550	26,880	28,700	32,730	42,949	38,522	30,712
Recreation revenues collected	\$ 43,857	\$ 44,080	\$ 54,743	\$ 53,139	\$ 55,965	\$ 71,379	\$ 79,209	\$ 76,129	\$ 94,176	\$ 138,455
<b>Sanitation</b>										
Refuse collected (tons per month)	N/A	N/A	N/A	N/A	N/A	845	1,114	1,348	808	839

Sources: Various city departments  
 Note: Indicators are not available for the general government function.  
 N/A-information not available for these years

**CITY OF SOUTH MIAMI, FLORIDA**

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Public Safety</b>										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	66	67	79	74	83	86	76	69	62	62
<b>Public works</b>										
Streets (Miles-paved)	47.41	47.41	47.41	47.41	47.41	47.41	47.41	47.41	47.41	47.41
<b>Culture and recreation</b>										
Parks	7	7	9	9	8	8	8	10	10	10
Tennis courts	N/A	10	10	10						
Baseball/Football fields	N/A	6	7	7						
<b>Sanitation</b>										
Number of collection trucks	12	12	12	14	15	19	15	18	15	14

Sources: Various city departments

N/A : Information not available

Note: No capital asset indicators are available for the general government function.

#### **IV. 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**

Honorable Mayor and Members of the City Council  
City of South Miami, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the "City") as of and for the fiscal year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 12, 2009. We did not audit the financial statements of the City of South Miami Pension which represent 100% of the fiduciary fund's net assets. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary fund statements, is based on the reports of the other auditors. Our report herein does not address their respective internal control. 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be a significant deficiency or material weakness. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider items No. 2008-1 thru 2008-4, 2007-1, and 2005-4 described in the accompanying schedule of findings and questioned costs and responses to be significant deficiencies.

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 City's internal control. Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies listed above and described in the accompanying schedule of findings and questioned costs and responses, we consider item 2007-1 to be a material weakness.

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Honorable Mayor and Members of the City Council  
City of South Miami, Florida  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs and responses as items No. 2007-4, 2006-1, 2006-6, and 2005-1.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, 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.

*Rodriguez, Trueta & Company*

Doral, Florida  
May 12, 2009



**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF  
THE STATE OF FLORIDA**

Honorable Mayor, City Council and City Manager  
City of South Miami, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the City), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 12, 2009. We did not audit the financial statements of the City of South Miami Pension which represent 100% of the fiduciary fund's net assets. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary fund statements, is based on the reports of the other auditors.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to Major State Projects and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those report and schedule, which are dated May 12, 2009, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The findings and recommendations made in the preceding annual financial audit report are addressed in the accompanying schedule of findings and questioned costs and responses.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. Our recommendations are included in the accompanying schedule of findings and questioned costs and responses.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, our recommendations are listed in the accompanying schedule of findings and questioned costs and responses.

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- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors:
  - (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred
  - (2) control deficiencies that are not significant deficiencies, including, but not limited to:
    - (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements);
    - (b) failures to properly record financial transactions; and
    - (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed the following matters required to be disclosed by Rules of Auditor General under Prior Year Findings and Recommendations: 2007-1 and 2007-4.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The *City of South Miami, Florida* was incorporated by Chapter 5799, Laws of Florida, Acts of 1907. The City has one component unit; the City of South Miami Community Redevelopment Agency established by Ordinance number 12-97-1633 of the City of South Miami on April 15, 1997.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures and no deteriorating financial conditions were noted. 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the Mayor, City Council, management, 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.

*Rodriguez Trueba & Company*

Doral, Florida  
May 12, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

Honorable Mayor and Members of the City Council  
City of South Miami, Florida

Compliance

We have audited the compliance of the City of South Miami, Florida (the "City"), with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that are applicable to each of its major state projects for the fiscal year ended September 30, 2008. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the fiscal year ended September 30, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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Honorable Mayor, City Council and City Manager  
City of South Miami, Florida  
Page Two

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and response as item 2008-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the City's internal control. We did not consider item 2008-4 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and responses. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rodriguez Trueba & Company*

Doral, Florida  
May 12, 2009

**City of South Miami, Florida**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended September 30, 2008

Federal/State Agency Program Pass-through Entity Federal Program	<u>CFDA CFSA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
<b><u>FEDERAL AGENCY NAME</u></b>			
U.S. Department of Justice Federal Forfeiture Program	16.000	N/A	\$ 78,096
<b>Indirect Programs</b>			
<i>Pass-through Florida Department of Law Enforcement</i> Edward Byrne Memorial Assistance Grant	16.738	2008-JAG-DADE-6-Q0-155	6,950
<i>Pass-through Miami Dade Department of Human Services</i> Federal Drug Control & System Ctr.	16.579	2008-JAGC-Dade-11-Q9-104	<u>3,109</u>
TOTAL U.S. DEPT. OF JUSTICE			<u>88,155</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Indirect Program</b>			
<i>Pass-through Miami Dade County OCED</i> FY 2008- Murray Park Swimming Pool Design Phase	14.218	CD534C09CI	813
FY 2008- SW 66th Street Improvements-Phase I	14.218	CD534C10CI	813
FY 2007 CDBG- Multipurpose Center Generator I	14.218	CD533C07CI	98,496
FY 2007 CDBG-Church Street Improvements PH IV	14.218	CD533C08CI	235,000
The After School House	14.218	CD532C030	<u>-</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>335,122</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>423,277</u></b>
<b><u>STATE AGENCY NAME</u></b>			
Florida Department of Environmental Protection Sunset Drive Drainage Improvement	37.039	LP6782	\$ 592,285
Stormwater Improvement	37.039	LP6781	479,870
Stormwater Improvement	37.039	LP8975	51,611
FRDAP Dison Property Acquisition	37.017	F7014	<u>4,328</u>
TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>1,128,094</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<b>\$ <u>1,128,094</u></b>

**City of South Miami, Florida**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended September 30, 2008

**NOTE A – General**

The Schedule of Expenditures of Federal Awards Programs and State Financial Assistance included herein represents all of the Federal grant awards and State projects of the City over which it exercised direct operating control for the year ended September 30, 2008.

**NOTE B – Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards Programs and State Financial Assistance is presented using the accrual basis of accounting and includes expenses incurred by the City during its fiscal year October 1, 2007 to September 30, 2008.

**NOTE C – Scope of audit pursuant to OMB CIRCULAR A-133**

All Federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). However, federal grant expenditures did not exceed \$500,000 during the fiscal year ended September 30, 2008. Therefore, a Single Audit was not required for this year.

**NOTE D – Findings of noncompliance**

There were no current year findings of noncompliance. However, certain federal findings are still relevant from prior years. See findings 2007-5 and 2006-10 in the accompanying schedule of findings and questioned costs and responses. Also, see finding 2008-4 in the accompanying schedule of findings and questioned costs and responses for a current year finding on an internal control deficiency related to the major state projects.

**NOTE E – State and Local Awards**

The City has been awarded State funds. State grant expenditures exceeded \$500,000 and a Florida Single Audit was required for the fiscal year ended September 30, 2008. The major programs are listed in Section I of the Schedule of Findings and Questioned Costs.

The City has also been awarded local grants from Miami-Dade Department of Human Services, for the After School House Program and Senior Meals Program, and from the South Florida Water Management District, for the improvement of the City's drainage and water distribution system.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Reportable conditions identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

State Financial Assistance

Internal control over major programs or projects:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<b>Federal Program expenditures for the year ended September 30, 2008 were less than \$500,000. As a result, a Federal Single Audit was not required.</b>	

CSFA Number  
37.039

Name of State Project  
Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualifies as low risk auditee?	N/A, No Federal Single Audit
--	------------------------------

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Fiscal Year Ended September 30, 2008

**SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS - CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**2008 – 1 Retirement Plan Finding (as noted by other auditors)**

**CONDITION:**

The City has used a definition of a "regular, full-time, permanent" employee that is inconsistent with the City's pension ordinance. The Plan's auditors observed several persons employed by the City during the audit period that averaged more than 20 hours per week who were not offered participation in the Plan.

**CRITERIA:**

City ordinance 528.12-7-65, excludes from the definition, those employees whose customary employment is for not more than 20 hours per week, while the City excludes those whose customary employment is for not more than 32 hours per week.

**CAUSE:**

The City uses the definition in the City's personnel manual as the criteria in defining "regular, full-time, permanent" employees when determining which employees are offered participation in the Plan. This definition is inconsistent with the City's Pension Ordinance 528.

**EFFECT:**

Certain employees that might be pensionable are excluded from the Plan. The plan's auditor could not quantify the potential effect of this finding on the financial statements.

**RECOMMENDATION:**

The City should have Counsel review the applicable ordinance and advise on its proper interpretation and application.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The City's Ordinance 528 is being revised to reflect the long established policy as stated in the City's personnel manual that part-time employees include all employees who work less than 32 hours per week.

**2008 – 2 Retirement Plan Finding (as noted by other auditors)**

**CONDITION:**

Prior to 1995, employees were given the choice to opt out of participation in the Plan. The Plan's auditors noted numerous persons that had hire dates prior to 1995 who were still employed during the current audit period and that were not participating in the Plan.

**CRITERIA:**

Plan documents require documentation of employees opting out of the Plan, yet the Plan's auditors were unable to find any signed documents evidencing their choice to opt out.

**CAUSE:**

The City failed to retain evidence on those employees opting out of the Plan.

**EFFECT:**

Rights and benefits under the Plan can be significant. The plan's auditor could not quantify the potential effect of this finding on the financial statements.

**RECOMMENDATION:**

The City should ascertain that all such employees be asked to affirmatively indicate their decision to waive such rights and benefits in writing.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The City's employees who opted out of the City's pension plan prior to 1995 expressed their decision verbally. The City's Human Resource Dept will follow up to maintain said waivers in writing.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Fiscal Year Ended September 30, 2008

**SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS - CURRENT YEAR FINDINGS AND RECOMMENDATIONS (continued)**

**2008 – 3 Retirement Plan Finding (as noted by other auditors)**

**CONDITION:**

The City when computing contributions to the Plan on behalf of police officers did not include hazardous duty pay of \$1,040 per year per officer in pensionable compensation.

**CRITERIA:**

The Plan auditor was unable to find support in the ordinance for this method of computation.

**CAUSE:**

The City's criteria in defining pensionable compensation for police officers excluded hazardous duty pay.

**EFFECT:**

Certain employees that might be receiving less pensionable compensation in their calculations in the Plan. The plan's auditor could not quantify the potential effect of this finding on the financial statements.

**RECOMMENDATION:**

The City should have Counsel review the applicable ordinance and advise on its proper interpretation and application.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

When referring to pensionable earnings, "compensation", shall be defined as wages and salaries, including overtime, vacation, sick leave, holiday pay, hazardous duty pay, clothing allowance, educational incentive, and extra duty pay.

**SECTION III - FEDERAL AWARD AND STATE PROJECTS FINDINGS AND RESPONSES - CURRENT YEAR FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

**2008-4 Florida Department of Environmental Protection Grant Administration**

**CONDITION:**

Internal controls in place are not operating effectively to ensure compliance with project requirements.

**CRITERIA:**

Section 215.97(8), Florida Statutes, The Florida Single Audit Act, requires auditors conducting a state single audit of recipients or subrecipients to obtain an understanding of internal controls, assess control risk and perform tests of controls. Additionally, auditors are to determine whether the entity has internal controls in place to provide reasonable assurance of compliance with the provisions of laws, regulations, and other rules, pertaining to state awards that have a material effect on each major state project.

**CAUSE:**

During our single audit testing we noted that the City

- Did not timely request the reimbursement of certain current year expenditures that are allowable grant related expenditures.
- Supporting schedules to document the City's compliance with matching requirements as stipulated per budget in the grant agreements need improvement.
- Reporting needs to improve in order to properly segregate expenditures and matching amongst different grants related to similar construction projects.

**EFFECT:**

Auditor could not ensure compliance with projects' reporting and matching requirements.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Fiscal Year Ended September 30, 2008

**SECTION III - FEDERAL AWARD AND STATE PROJECTS FINDINGS AND RESPONSES - CURRENT YEAR FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS**  
(continued)

**2008-4 Florida Department of Environmental Protection Grant Administration (continued)**

**QUESTIONED COSTS:**

Unknown. Based on total project costs to date, it appears as if the required matching has been provided. However, the City lacks support to substantiate the matching occurred in the proper grant and category as stipulated in the grant agreements.

**RECOMMENDATION:**

- We recommend individuals administering grants and the related projects work together in maintaining grant files and necessary support on an ongoing basis. All files should be consolidated to include, by grant, copies of the grant contract/agreement, support and schedules of expenses incurred and reported under the grant, support/copies of cash receipts received for the grant, copies of reimbursement requests, and any other supporting documents relevant to the grant, such as information regarding matching funds, sources and accounts. Individuals administering the grants should analyze all active grant projects and their current status to accelerate the completion of reimbursement requests in a timely manner going forward.
- It is recommended that the City improve on the master project budget (matrix) to assess the status of each construction project. The matrix should identify the estimated cost of each project versus the available funds and grant budgets. This document can be used by the City to evaluate and monitor the status of each project and related funding. It will provide the City with an administrative tool that will help them plan and identify potential problem areas in reimbursements.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

With restructuring of duties and possible additional staff, management will accelerate reimbursement request and improve on the documentation and reconciliation of the projects.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Fiscal Year Ended September 30, 2008

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS**

The following is a summary of the September 30, 2007 recommendations, as communicated in the prior year that were not repeated in the current year recommendations, were not implemented or were only partially implemented by the City during the current year. All prior year recommendations that have been fully implemented were not repeated in this section.

Finding Number	Prior Years' Observation	Comment is Still Relevant	Comment is no Longer Relevant
<b><u>A. PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u></b>			
2007-1	Audit Journal Entries	X	
2007-2	Pension Plan		X
2006-1	Audited Financial Statements	X	
2006-3	Cash Disbursements	X	
2006-5	Encumbrances		X
2006-6	Compliance with the City of South Miami's Charter	X	
2006-7	Minutes for the Budget and Finance Committee		X
2006-8	Accounting Policies and Procedures Manual	X	
2005-1	Budgeting	X	
2005-4	Inventory Capital Assets	X	
2003-1	Recording of Transactions in Accordance with GAAP		X
<b><u>B. PRIOR YEAR FEDERAL AWARD FINDINGS</u></b>			
2007-3	CFDA #14.218 - U.S. Department of HUD -CDBG-Madison Square Project		X
2007-4	CFDA #14.218 - U.S. Department of HUD -CDBG-Madison Square Project	X	
2006-10	Waste Fee Reimbursement	X	

**A. FOLLOW UP TO PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

**2007-1 Audit Journal Entries**

**CONDITION:**

The City's audit required several material audit adjustments to prepare financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). The financial statements are required to be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements in accordance with GAAP. The circumstances described above have always existed in the City. However, in May 2006, the Auditing Standards Board issued Statement on Auditing Standards No 112, Communicating Internal Control Related Matters Identified in an Audit. SAS 112 introduced terms, definitions and guidance for identifying and evaluating control deficiencies and communicating significant deficiencies and material weaknesses. Under SAS 112, a deficiency exists if the governmental unit does not have effective controls to prevent, detect and correct misstatements in the financial statements and auditors are now required to communicate in writing any significant deficiencies and material weaknesses in internal control over financial reporting identified during an audit. Under these guidelines, the City's condition meets the criteria of a material weakness.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Fiscal Year Ended September 30, 2008

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS (continued)**

**A. FOLLOW UP TO PRIOR YEAR FINANCIAL STATEMENT FINDINGS (continued)**

**2007-1 Audit Journal Entries (continued)**

**CURRENT STATUS**

We noted significant improvements in this area. However, material adjustments are still required as a part of the audit.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The independent auditors assist the City with the preparation of the financial statements as a convenience, because the City has the skills to do so. Having the City staff prepare the financial statements would not be a cost-efficient alternative to the current situation. As a result, management does not presently deem the risk of this deficiency as significant. However, the City's Finance Director met with the independent auditors prior to closing the books of the City and tried to identify possible adjustments and circumstances that would prevent this finding. This resulted in a minimization of audit adjustments during the current year. Although correcting this situation may not provide a cost-effective solution to the finding, we will continue this practice in order to prevent this finding in future years.

**2006-1 Audited Financial Statements**

**CONDITION:**

Based on our review of the City's loan agreements, we noted that the agreements required submission of audited financial statements within 120 days of the fiscal year end. The City did not comply with this requirement during 2006.

**CURRENT YEAR STATUS:**

The City did not comply with this requirement during 2008.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

This City will provide all of its readers and interested parties copies of the final financial reports once the reports are completed. The delay in providing them has been due to the extraneous situation within the finance department, as a result of unexpected turnover in directorship and personnel within the last 3 years and delays related to the completion of the pension audit.

**2006-3 Cash Disbursements**

**CONDITION:**

During our cash disbursement testing, 1 of the 47 checks tested did not include approval from the City Council as required for all payments to vendors of over \$5,000. Although, the check selected for testing did not exceed the \$5,000 amount, total payments to the vendor during the year did exceed the \$5,000 amount.

**CURRENT YEAR STATUS:**

During our 2008 testing of cash disbursements, we did not note any items evidencing condition described above, where council approval was not obtained for payments to vendors that in the aggregate exceeded \$5,000 within the same year. However, we noted that this is because Central Services is updating the approval list on an ongoing basis throughout and after the fiscal year close, once the payments to the vendors have exceeded \$5,000. We believe that though this eliminates the condition noted above, it does not fulfill the intended purposes of the controls originally established by this policy. As a result this procedure of vendor approval has become a detective control instead of a preventive and proactive control. We recommend the City revisit this procedure to determine the City's control needs and amend as necessary.

We also noted the following deficiencies during our disbursements control testing:

- (a) A reimbursement check was not properly classified to the correct expense accounts.
- (b) 3 out of 43 items selected did not have the corresponding requisition signed by Central Services, per City's control policies.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended September 30, 2008**

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS (continued)**

**A. FOLLOW UP TO PRIOR YEAR FINANCIAL STATEMENT FINDINGS (continued)**

**2006-3 Cash Disbursements (continued)**

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The City has implemented a review on a monthly basis of all vendors and payments to ensure that Commission review of over \$5,000 amounts are authorized. In addition certain procedures are currently in effect which provide for the proper review and approval of all supporting documentation accompanying the requests for disbursements.

**2006-6 Compliance with the City of South Miami's Charter**

**CONDITION:**

During our compliance testing we noted that the City of South Miami's charter require that all finance department personnel be properly bonded. Also, that a performance based audit be performed on each department at least once every five years. Based on our testing, none of the City's finance department personnel have been bonded and no performance based audits have been performed.

**CURRENT YEAR STATUS:**

The City obtained bonding for the finance department personnel. However, the performance based audit has yet to be performed.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

Presently, the City will begin the process of advertising and obtaining bids for a performance based audit.

**2006-8 Accounting Policies and Procedures Manual**

**CONDITION:**

During our testing, we noted that the City has a written accounting policies and procedures manual; however, due to recent restructurings of City departments and turn-over in the finance department we believe that the manual needs to be updated.

**CURRENT YEAR STATUS:**

Although, the Finance Department has already begun the process of updating the procedures manual, it has not been completed.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The Finance department began to update the procedures manual during the year 2007. This was finalized in FY 2008-2009.

**2005-1 Budgeting**

**CONDITION:**

Section 166.241 (3) of the Florida Statutes states that "The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations." The City did not adopt a budget for all of the special revenue funds; therefore, it is not in compliance with the above mentioned Florida Statute.

Also, the City has not included in its budget, expenditures for debt service, grant expenditures and capital leases, which caused expenditures over appropriations once the audit adjustments were recorded.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Fiscal Year Ended September 30, 2008

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS (continued)**

**A. FOLLOW UP TO PRIOR YEAR FINANCIAL STATEMENT FINDINGS (continued)**

**2005-1 Budgeting (continued)**

**CURRENT YEAR STATUS:**

For the year ended September 30, 2008, dramatic improvements were noted as expenditures exceeded appropriations only in the Non-departmental department (the legal level of budgetary control) of the general fund by \$404,282. Additionally, these overexpenditures were caused by capital outlays for the purchase of park land and funded through the issuance of the lease and purchase agreement with the Trust for Public Land (See Note III-E), approved by commission during the year in order to qualify for grant funding which expired during the year.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

For the 2006 -2007 and 2007-2008 Budgets, the City of South Miami adopted a budget for its special revenue funds, bringing us into compliance with the State of Florida Statute Section 166.241 (3). Additionally, we intend to include appropriations for expenditures for debt service and capital outlay funded by debt proceeds and capital leases in the 2008-2009 Budget.

**2005-4 Inventory Capital Assets**

We noted that the City has not performed a physical inventory of capital assets since 2003, when an outside consultant was hired to perform the inventory.

**CURRENT YEAR STATUS:**

During 2006, the City hired an independent consultant to perform a physical count of capital assets. However, during FY 2007 this detail was still not input into the City's fixed asset module because the City's central services department noted significant discrepancies in reconciling this report to their own inventory list and general ledger; in essence leaving the City with no accurate list of inventories. During FY 2008, the City was still in the process of reconciling and inputting this information into their fixed assets module. We recommend that the City finalize this process and then perform yearly physical inventory counts of its capital assets.

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The Finance Department will establish procedures to correct this situation moving forward.

**B. PRIOR YEAR FEDERAL AWARD FINDING AND QUESTIONED COST**

**2007-4 CFDA #14.218 – U.S. Department of Housing and Urban Development - CDBG - Madison Square/South Miami Strip Mall Mixed Use Development Program**

**CONDITION:**

During our Single Audit test of compliance we noted the following events of noncompliance related to this grant:

- As of September 30, 2007, the SMCRA had not performed a Phase I Environmental Audit of the identified project site.
- The City's audit was not completed and submitted to Miami-Dade County within the required deadline.
- The SMCRA purchased the property related to this program for \$135,000 above the appraised value but no documentation was available in support of the overage expenditures.

**CURRENT YEAR STATUS:**

We noted correspondence related to the SMCRA's exclusion to an environmental review. However, we have not noted compliance with the other two comments.

**City of South Miami, Florida**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Fiscal Year Ended September 30, 2008

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS, QUESTIONED COSTS AND RECOMMENDATIONS (continued)**

**B. PRIOR YEAR FEDERAL AWARD FINDING AND QUESTIONED COST (continued)**

**2007-4 CFDA #14.218 – U.S. Department of Housing and Urban Development - CDBG - Madison Square/South Miami Strip Mall Mixed Use Development Program (continued)**

**VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

- The SMCRA annual audit is performed in conjunction with the City's annual audit and therefore completion of the SMCRA audit is contingent upon completion of the City's audit. The City's audit was delayed due to extraneous factors described in finding 2006-1.
- Management of the SMCRA believes that all grant funds received from Miami Dade County have been expended in accordance with the guidelines of the grant agreement. Of the total grant funding received from the County in the amount of \$394,000, \$294,000 has been expended for land acquisition costs as authorized by the County. The remaining \$100,000 designated for development costs associated with the Madison Square Project remains in the SMCRA's budgeted account and will not be expended until such time as development on the Madison Square Project commences. Prior to the receipt of grant funding from Miami-Dade County, executed City SMCRA resolutions were provided to Miami-Dade County indicating the SMCRA's formal approval to purchase two properties located at 6442 SW 59<sup>th</sup> Place and 6443 SW 60<sup>th</sup> Avenue for the total purchase price of \$730,000. In correspondence received from Miami-Dade County dated July 10, 2006, Miami-Dade County acknowledged the fact that they received an executed copy of SMCRA Resolution #10-06-203 authorizing purchase of two properties as part of the required land acquisition for the proposed Madison Square site for a total purchase price of \$730,000. The purchase of the two properties was approved by the SMCRA Board based on two property appraisals being obtained by the SMCRA and also based on the inherent value of the properties in relation to the benefits to the SMCRA Community, including fulfillment of the fundamental goal of the SMCRA which is to eliminate previously identified slum and blighted conditions in the SMCRA and to provide economic development to a documented economically distressed community.

The SMCRA will continue to review and implement changes to its controls to ensure compliance with HUD. Additionally, the SMCRA has also contacted the grant administrator from Miami Dade County to ensure completion of any missing items that are necessary in order to warrant the City as compliant with HUD - CDBG guidelines. The City is willing to do everything in its power to establish compliance with grant guidelines. The SMCRA is also requesting a letter of grant sufficiency from the County since all expenditures related to this grant have been incurred subject to their knowledge and authorization. Additionally, the grant administrator performed monitoring visits in August of 2008 and found us in compliance with their guidelines.

**2006-10 Waste Fee Reimbursement**

**CONDITION:**

During our testing of hurricane clean up expenditures submitted for reimbursement to the Federal Emergency Management Agency (FEMA) we noted that the City included the entire month's invoice for waste management services by the County for the month of November 2005. Although the majority of the invoice was for hurricane clean-up, a portion of the invoice (approximately \$56,000) was due to regular monthly services. Therefore, the reimbursement request to FEMA was overstated by \$56,000.

**CURRENT YEAR STATUS:**

No change. The City has accrued a payable to FEMA for these charges that remains on the books until resolved.