

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**OF THE**  
**CITY OF SOUTH MIAMI, FLORIDA**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2010**



**Prepared by the**  
**The Finance Department**  
**Alfredo Riverol, C.P.A., Cr.FA, Chief Financial Officer**

CITY OF SOUTH MIAMI, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
September 30, 2010

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# INTRODUCTORY SECTION



**CITY OF SOUTH MIAMI**  
6130 Sunset Drive  
South Miami, FL 33143  
Tel. (305) 663-6343 Fax (305) 663-6348



May 26, 2011

To the 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, for the fiscal year ended September 30, 2010, is submitted for your review. Responsibility for 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 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 were 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; Introductory, Financial, and Statistical.

The contents of the report are influenced by compliance with Government Accounting Standards Board (GASB) pronouncements, including Statement 34, et al., that requires 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 (MD&A). The MD&A is found immediately after 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, Solid Waste 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 transit Metrobus system servicing the City, the Metro-Rail system also passes through the City with a station located off 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 of South Miami owns a multi-use public parking garage facility, which was completed in November 2007. In the past years, the Shops of Sunset leased space to several new national chain retail stores and restaurants.

The major mixed-use development entitled Red Road Commons, adjacent to the South Miami Metro Rail Station, is complete and provides over 400 new residential units and affordable housing units.

**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, issued \$ 2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 to acquire various properties located within the boundaries of the South Miami Community Redevelopment Area.

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

**MAJOR INDUSTRIES AND/OR SERVICE CENTERS**

The City's economy is greatly influenced 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 shop operators being the main employers. Below is the breakdown of businesses within the City by category.

<b><u>INDUSTRY</u></b>	<b><u>No. of Establishments</u></b>
Construction	79
Manufacturing	18
Wholesale trade	66
Retail trade	192
Transportation and warehousing	10
Information	28
Finance and insurance	82
Real estate and rental and leasing	120

Professional, scientific, and technical services	298
Management of companies and enterprises	2
Administrative and support and waste management and remediation services	58
Educational services	24
Health care and social assistance	322
Arts, entertainment, and recreation	17
Accommodation and food services	80
Other services (except public administration)	148
Industries not classified	2
	<hr/>
<b>Total for all sectors</b>	<b><u><u>1,546</u></u></b>

Source: U.S. Census Bureau 2007 Industry Code Summary

### **ACCOUNTING SYSTEM, INTERNAL AND BUDGETARY CONTROL**

In the design and direction of the City's accounting system, we 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 was 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 Keefe, McCullough & Co., LLP, licensed certified public accountants, audited the City's basic 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, 2010, 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, 2010, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report. As part of their audit, Keefe, McCullough & Co., LLP considered the City's internal controls as a basis for designing their audit procedures. 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 State of Florida, Miami-Dade County and the City of South Miami 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 reserved fund balance.

## **RELEVANT FINANCIAL POLICIES**

The City of South Miami's budgetary and financial policies provide the basic framework for the overall fiscal management of the City. The main policies consist of the revenue, cash management and investments, debt, and fund balance policies. These policies are used in the development of current activities and planning for future programs.

### **Revenue Policy:**

The City will attempt to maintain a diversified and stable revenue system to avoid reliance on any one revenue source and will attempt to minimize the dependence on property taxes. Charges for services are used to recover partial or full cost of providing services that benefit individual users. Additionally, it is the City's policy that new ongoing operating costs are funded with permanent, ongoing revenue sources. One time operating costs are tied to one-time revenue sources to ensure fund balance integrity.

### **Cash Management and Investments Policy:**

The City follows its adopted investment policy when handling public funds. The intent of this policy is to 1) ensure the preservation of principal, 2) maintain sufficient cash flow to enable the City to meet its obligations, and 3) maximize the return on assets with an acceptably low exposure to risk. The investment policy meets the requirements of Florida Statutes, section 218.415. Cash temporarily idle during the year was primarily invested in repurchase accounts and the City's bank deposit accounts. The City's pension plans have separate investment policies.

### **Debt Policy:**

The City seeks to maintain the highest bond rating to minimize borrowing costs. Debt is issued when necessary to finance capital projects, but is never used for current operations. The City reviews and evaluates its existing obligations and future borrowing needs regularly.

### **Fund Balance Policy:**

The City has not yet considered or adopted a formal fund balance policy for the City's governmental funds; however, the City Commission has placed contingent funds for unexpected events. A formal written policy is being developed by the Administration to address areas such as: sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, help offset significant economic downturns or revenue shortfalls and provide funds for unforeseen expenditures related to emergencies.

### **Governmental Accounting Standards Board ("GASB"):**

Standards implemented during the current fiscal year that had a significant impact on the City's financial statements are as follows: GASB No. 60 - *Accounting and Financial Reporting for Service Concession Arrangements* and GASB No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The reader should refer to Notes 6 and 11 of the basic financial statements for additional information.

## RETIREMENT BENEFITS

The City of South Miami sponsors two defined benefit pension plans, the 1) General Employees and 2) Police Officers Pension Plan. 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 Police Officers Retirement Trust Fund - Section 185 Plan accounts for State of Florida contributions to the City's plan.

The City also provides a defined contribution Section 457 deferred compensation plan for all its employees and a 401(a) money purchase plan for certain employees of upper management.

## 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, 2009. 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.

The Government Finance Officers Association of the United States and Canada (GFOA) presented a **Distinguished Budget Presentation Award** to City of South Miami, Florida for its annual budget for the fiscal year beginning October 1, 2010. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

## 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.

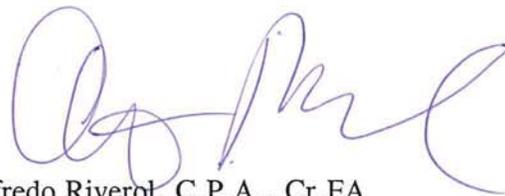
We express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report, and to the various Departments who contributed the necessary statistical data. Our thanks and appreciation is also extended to the accounting firm of Keefe, McCullough & Co., LLP 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,

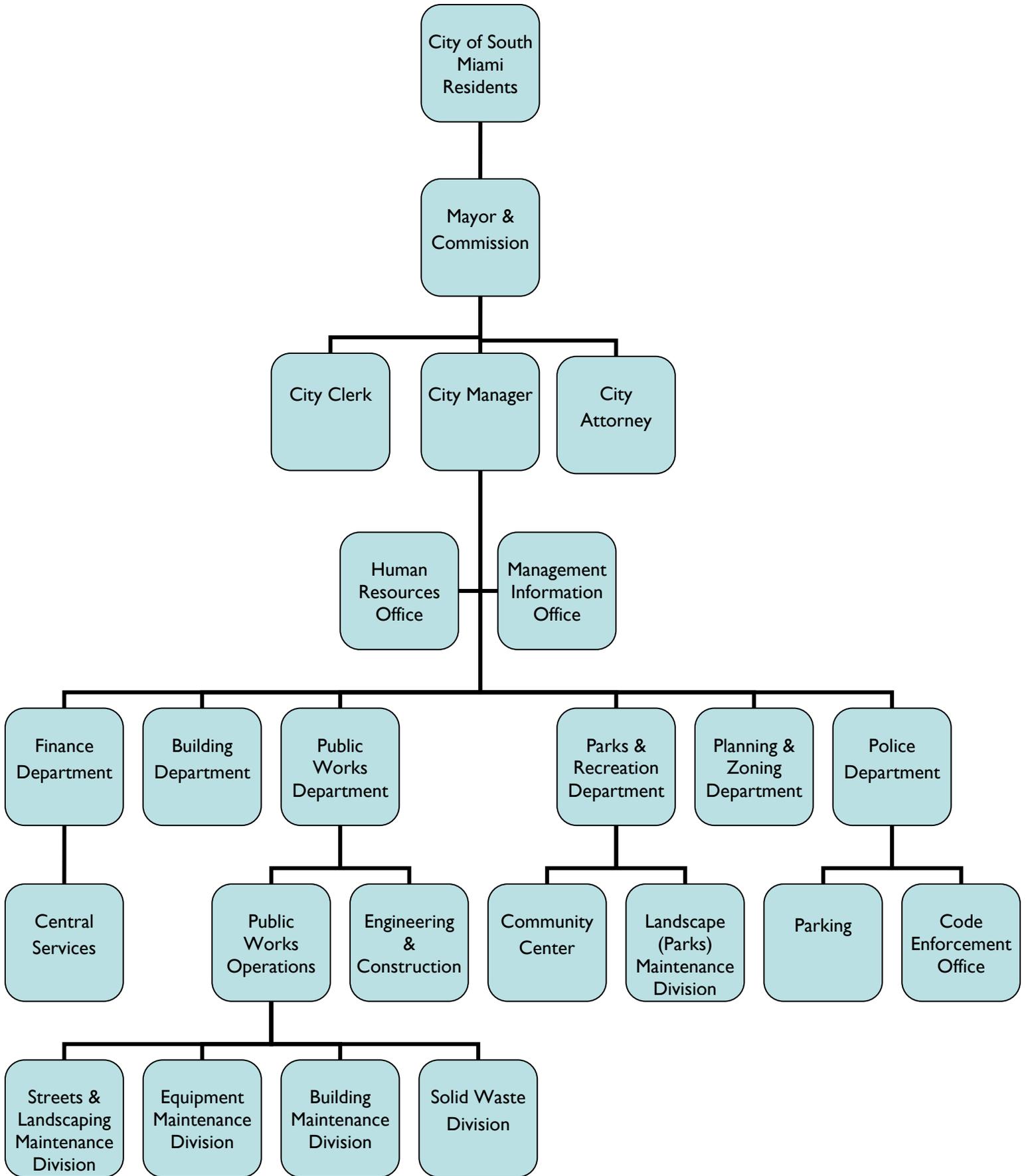


Hector Mirabile, Ph.D  
City Manager



Alfredo Riverol, C.P.A., Cr.FA  
Chief Financial Officer

# CITY OF SOUTH MIAMI ORGANIZATIONAL CHART



**CITY OF SOUTH MIAMI  
COMMISSION – MANAGER FORM OF GOVERNMENT  
LIST OF PRINCIPAL OFFICIALS**

**ELECTED OFFICIALS**



Mayor  
Philip Stoddard, PhD



Vice Mayor  
Valerie Newman



Commissioner  
Velma Palmer, PhD



Commissioner  
Brian Beasley



Commissioner  
Walter Harris

**APPOINTED OFFICIALS**

**CITY CLERK**

Maria M. Menendez  
(Appointed 2000)

**CITY MANAGER**

Hector Mirabile, PhD  
(Appointed 2010)

**CITY ATTORNEY**

Thomas Pepe, Esq.  
(Appointed 2009)

**MANAGEMENT TEAM**

**CHIEF FINANCIAL OFFICER**

Alfredo Riverol, CPA Cr.FA (2010)

**POLICE CHIEF**

Orlando Martinez De Castro (2010)

**CHIEF SUPERINTENDENT**

Position Vacant

**PARKS & RECREATION DIRECTOR**

Maria Stout-Tate (2010)

**HUMAN RESOURCES DIRECTOR**

Latasha Nickle, Esq. (2011)

**BUILDING DIRECTOR**

Victor Citarella (2008)

**PLANNING AND ZONING DIRECTOR**

Christopher Brimo (2011)

**CERTIFIED PUBLIC ACCOUNTANTS**

Keefe, McCullough & Co., LLP

# 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, 2009

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.



President

Executive Director

# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of the City Commission,  
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, 2010, 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 Police Officers Retirement Trust Fund - Section 185 Plan, which represent 3%, 2%, and 5%, respectively, of the assets, net assets and total additions of the Fiduciary Funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Police Officers Retirement Trust Fund - Section 185 Plan, is based on the report 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 the 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 as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment health care benefits schedules of funding progress on pages 3 through 12 and pages 51 through 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 26, 2011

**CITY OF SOUTH MIAMI, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2010

The management of the City of South Miami 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, 2010. 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, 2010:

- The assets of the City of South Miami exceeded its liabilities at the close of the most recent fiscal year by \$ 35,097,376 (net assets). Of this amount, \$ 7,537,012 is unrestricted.
- The City's \$ 20,007,874 in revenues from governmental activities exceeded the \$ 19,312,512 in expenses, providing a \$ 695,362 increase in net assets.
- At the end of the current year, fund balance for the General Fund was \$ 8,484,707, or 51% of total general fund revenues. Of this amount \$ 2,159,511 is reserved for encumbrances, debt service and contingencies. The current year's unreserved, undesignated fund balance for the General Fund is \$ 6,325,196, or 38% of total general fund revenues.
- The General Fund's fund balance decreased by \$ 450,758 for the year ended September 30, 2010.
- The City's total debt, excluding compensated absences, and before current year payment reductions, increased by \$ 602,300.

### **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.

CITY OF SOUTH MIAMI, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2010

- 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 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.

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 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 intergovernmental revenues, OPEB obligation, 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 public safety, public works, culture and recreation, code compliance, planning and zoning, economic development and general administration services. There are no business-type activities.

Additionally, the City has two separate single-employer defined benefit pension plans (general employees and police officers), Police Officers Retirement Trust Fund-Section 185 Plan, a 401(a) Money Purchase Plan for certain employees of upper management, and a voluntary Section 457 deferred compensation plan for all interested employees. The defined benefit pension plans and the Section 185 Trust Fund 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 were segregated for specific activities or objectives. The City, 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 can be divided into two categories: governmental funds and fiduciary funds.

CITY OF SOUTH MIAMI, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2010

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 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 and those major funds. Data from the other governmental funds is 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. Governmental fund statements (general and major funds) are found on pages 15 and 17. Combining nonmajor governmental fund statements are found on pages 54 and 55.

Budgetary comparison schedules are provided for the General Fund and all funds with a legally adopted budget to demonstrate compliance with the budgetary basis. Budgetary comparison schedules can be found on pages 46 through 50 and 56 through 57.

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 and 20 of this report. Individual fund data for the Fiduciary Funds is provided in the form of combining statements on pages 58 and 59.

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 through 45 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, other post employment health care benefits, and budgetary comparison schedules for the General Fund and major funds.

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 on pages 54 and 55 of this report.

CITY OF SOUTH MIAMI, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2010

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 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 typically not change the invested in capital assets, net of related 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 related 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 related debt.
- 6) **Reduction of capital assets through depreciation** will reduce capital assets and invested in capital asset, net of related debt.

The City's net assets were \$ 35,097,376 in fiscal year 2010 (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, net of related debt, amounted to 79% of total net assets. The largest portion of the net assets (67%) is invested in capital assets (land, buildings, streets, sidewalks, equipment, etc.).

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%) is restricted for debt service, contingencies, or capital projects/transportation. The remaining balance of unrestricted net assets (\$ 7,537,012) may be used to meet government's ongoing obligations to citizens and creditors.

CITY OF SOUTH MIAMI, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2010

Table 1  
City of South Miami  
Net Assets

	Governmental Activities	
	2010	2009
Current and other assets	\$ 28,087,149	\$ 28,390,207
Capital assets (net)	40,318,320	40,151,588
Total assets	68,405,469	68,541,795
Current and other liabilities	17,488,670	16,176,268
Long term liabilities	15,819,423	17,963,513
Total liabilities	33,308,093	34,139,781
Net assets:		
Invested in capital assets, net of related debt	23,497,173	22,520,587
Restricted	4,063,191	4,692,135
Unrestricted	7,537,012	7,189,292
Total net assets	\$ 35,097,376	\$ 34,402,014

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 decreased in 2010 by \$ 628,944, while the unrestricted governmental activities net assets increased by \$ 347,720. 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 financing and existing financing/compensated absences estimated due within one year.

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.

CITY OF SOUTH MIAMI, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
September 30, 2010

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.

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 2010 compared to 2009 with the resulting change in net assets:

Table 2  
City of South Miami  
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 5,072,487	\$ 4,370,841
Operating grants and contributions	322,888	768,257
Capital grants and contributions	394,774	1,497,268
General revenues:		
Property taxes	7,684,998	9,051,363
Franchise fees	1,100,993	1,197,171
Utility taxes	2,086,683	2,091,674
Business taxes	629,962	580,583
Service concession arrangement	335,072	382,713
Interest income (unrestricted)	218,532	226,350
Intergovernmental (unrestricted)	2,051,111	1,199,717
Miscellaneous	110,374	138,939
Total revenues	\$ 20,007,874	\$ 21,504,876

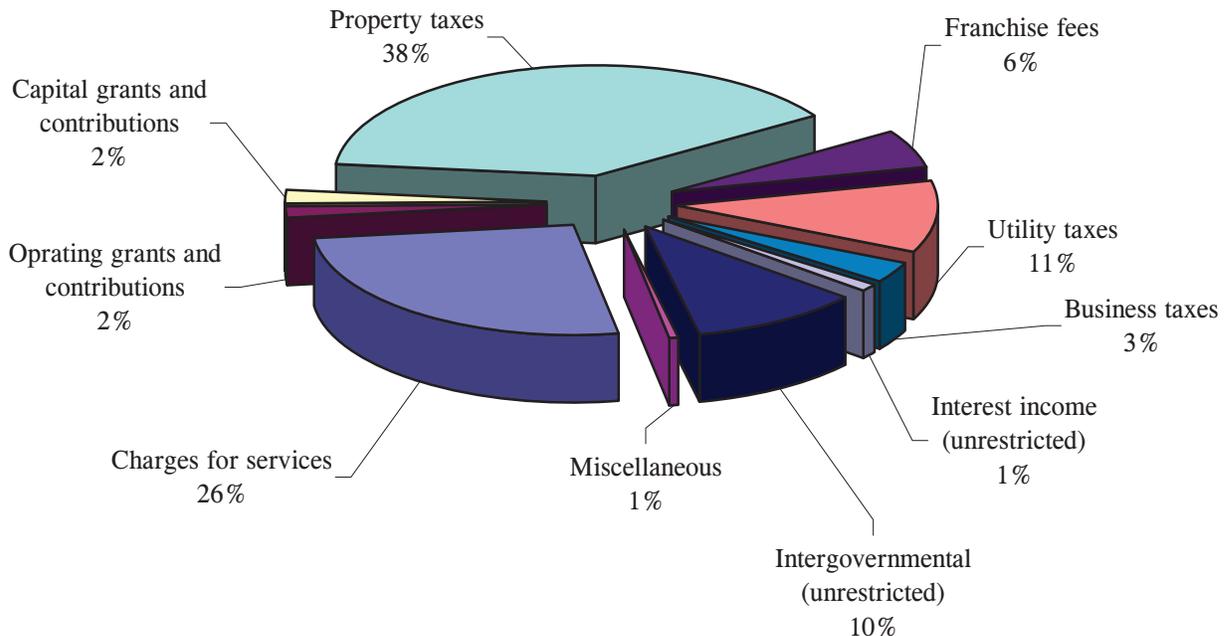
**CITY OF SOUTH MIAMI, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 September 30, 2010

Table 2  
 City of South Miami  
 Changes in Net Assets  
 (continued)

	Governmental Activities	
	2010	2009
Expenses:		
General government	7,788,333	8,413,747
Public safety	4,717,130	4,523,166
Public works	4,682,687	4,341,469
Culture and recreation	1,069,359	1,036,857
Interest on long-term debt	1,055,003	959,771
Total expenses	<u>19,312,512</u>	<u>19,275,010</u>
Increase in net assets	695,362	2,229,866
Net assets, October 1	<u>34,402,014</u>	<u>32,172,148</u>
Net assets, September 30	<u>\$ 35,097,376</u>	<u>\$ 34,402,014</u>

The City's total revenues decreased by 7%, to \$ 20,007,874 (see Table 2), mainly due to a reduction in grants/contributions and property tax revenues. Nearly 38% of the City's revenues come from property taxes, another 14% comes from intergovernmental and grants, and 26% from charges for services (see chart that follows). The City's management took major actions in 2010 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  
 Program Revenues

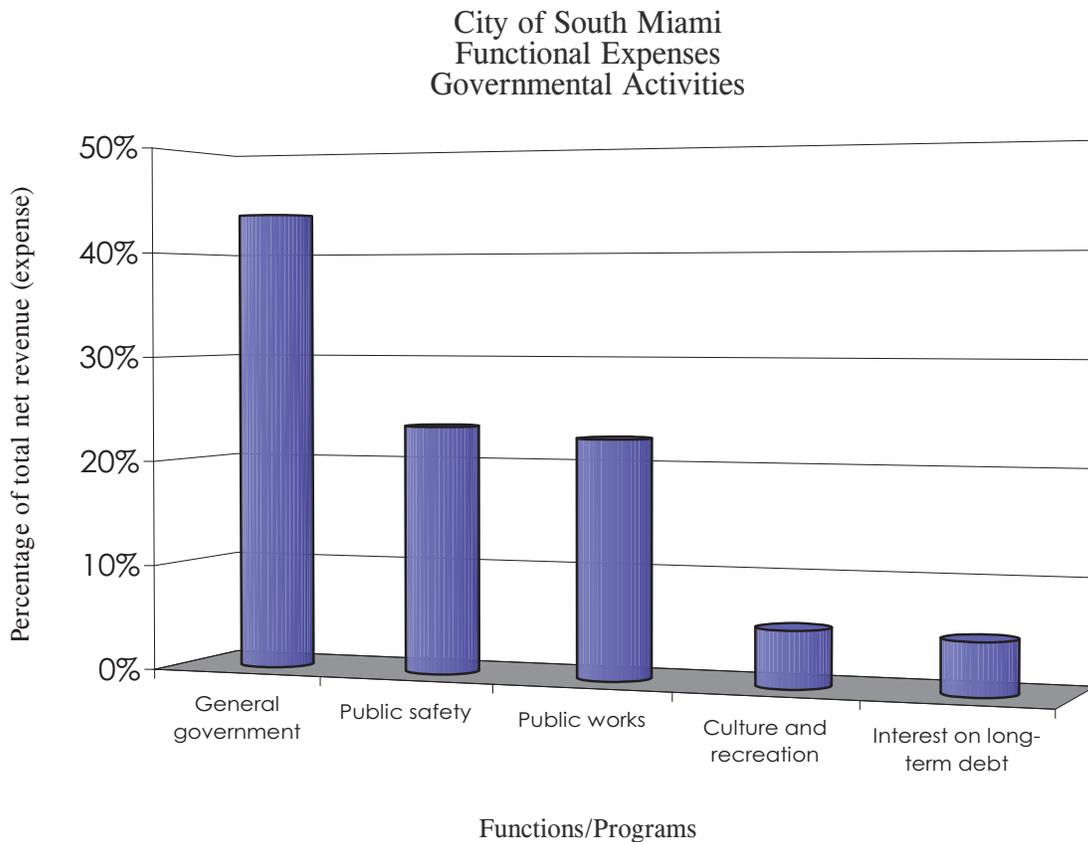


**CITY OF SOUTH MIAMI, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 September 30, 2010

The total cost of all programs and services increased by \$ 37,502 or 2% (see Table 2). The City's expenses cover a range of services. As shown in Table 2, governmental expenses are largely weighted in three functions, namely the public safety, general government, and public works. At \$ 4,717,130, public safety expenditures represent 24% of the statement of activities' total expenses for the City in 2010. General Government category expenditures total for 2010 was \$ 7,788,333, or 40% of total expenses. The General Government category includes all other City departments except public safety, culture and recreation and public works. Lastly, public works expended \$ 4,682,687, or 24% of expenses. The City had no business-type activities for the current year.

The chart below presents the net 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 taxpayers by each of these services:



The cost of all governmental activities this year, including \$ 1,055,003 in interest expense on long-term debt, was \$ 19,312,512. Some of that cost was financed by:

- Those who directly benefited from the programs through charges for services (\$ 5,072,487), or
- Other governments and organizations that subsidized certain programs from grants and contributions (\$ 717,662).

The City financed the remaining \$ 13,522,363 "public benefit" portion of governmental activities from property taxes, utility taxes and with other revenues, such as interest and unrestricted intergovernmental revenue.

**CITY OF SOUTH MIAMI, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2010

**GOVERNMENTAL FUNDS' FINANCIAL ANALYSIS**

As the City completed the year, its governmental funds reported combined fund balances of \$ 12,775,138, with the general fund representing \$ 8,484,707. Of the total fund balances; \$ 2,373,947 is reserved and \$ 10,401,191 is unreserved undesignated fund balance.

The General Fund's fund balance decreased by \$ 450,758 after transfers of \$ 485,662 and debt proceeds from issuance of capital leases of \$ 228,060. There were \$ 428,885 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 2010 and 2009. Please refer to the General Fund Budget Highlights section below for further information.

During the current year the Grants Fund's balance decreased by \$ 317,661. There were \$ 444,665 in capital outlay expenditures, which were funded through intergovernmental revenues. The Community Redevelopment Agency fund balance decreased by \$ 244,992. Total fund expenditures of \$ 1,252,887 were financed with ad valorem taxes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended the General Fund budget. 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 of unforeseen expenditures, personnel changes and for prior year encumbrances.

The base revenue budget of \$ 15,817,845 decreased to \$ 15,681,345. The difference between the final estimated revenues and the actual revenues in the General Fund was \$ 1,148,654 for fiscal year 2010.

Actual revenues, at \$ 16,829,999 came in higher than the final budget of \$ 15,681,345.

Comparing the original budget to the final budget of the fiscal year 2010; the original expenditure budget of \$ 18,127,288 was increased by \$ 451,651 for prior year encumbrances, debt service and capital improvements. Actual expenditures were \$ 17,745,787 and were below the final amended budget by \$ 833,152. Capital leases of police vehicles amounted to \$ 228,060. All other expenditures were in line with the projected expectations. Please refer to page 46 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, 2010, is detailed below:

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Land	\$ 14,614,799	\$ 14,614,799	0.0%
Building and improvements	16,033,406	15,922,716	0.7%
Machinery and equipment	2,226,257	2,420,849	-8.0%
Land improvements	323,155	360,355	-10.3%
Infrastructure	7,120,703	6,832,869	4.2%
	<u>\$ 40,318,320</u>	<u>\$ 40,151,588</u>	

**CITY OF SOUTH MIAMI, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2010

For fiscal year 2010 the City spent \$ 1,283,355 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, and storm-water improvements. Additional information on the City's capital assets can be found in Note 7 on pages 32 and 33 of this report.

Debt Administration:

At year-end, the City had \$ 16,821,147 in outstanding debt, as noted below:

	Governmental Activities		Total Percentage Change
	2010	2009	
Florida Municipal Loan			
Council Bonds	\$ 12,685,000	\$ 12,970,000	-2.2%
CRA Bond Series 2006	2,162,493	2,333,105	-7.3%
Notes payable	1,657,785	2,115,666	-21.6%
Capital leases	315,869	212,230	48.8%
	<u>\$ 16,821,147</u>	<u>\$ 17,631,001</u>	

The City acquired police vehicles through capital leases during 2010.

**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, business 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.

Estimated revenues and other financing sources in fiscal year 2011 General Fund budget are \$ 17,894,088, an increase of \$ 350,367 from actual revenues of \$ 17,543,721 for fiscal year 2010. With these revenues the City will be able to fund current services and any expected impact of inflation on fuel, salaries and benefits. Fiscal year 2011 expenditures are expected to be \$ 17,653,224, or 2%, lower than fiscal year 2010 total actual expenditures of \$ 17,994,479 if estimates are realized. The City's budgetary General Fund balance is expected to increase modestly by the close of 2011.

**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 Alfredo Riverol, CPA, Chief Financial Officer, City of South Miami, 6130 Sunset Drive Miami, Florida 33143.

CITY OF SOUTH MIAMI, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 11,487,401
Receivables, net of allowance for uncollectibles	1,156,903
Prepaid expenses	4,324
Accrued interest receivable	224,044
Notes receivable	9,724,312
Guaranteed rent receivable	3,330,478
Net pension asset	53,041
Restricted assets:	
Cash and cash equivalents	2,106,646
Capital assets:	
Capital assets, not being depreciated	14,614,799
Capital assets, net of accumulated depreciation	<u>25,703,521</u>
Total assets	<u>68,405,469</u>
 <b>LIABILITIES:</b>	
Accounts payable	640,484
Accrued liabilities	320,426
Other liabilities	485,558
Unearned revenue	393,536
Accrued interest payable	167,510
Deferred revenue from service concession arrangement	13,054,790
Due within one year:	
Compensated absences payable	509,705
Debt, including bonds, notes payable and capital leases	1,916,661
Due in more than one year:	
Compensated absences payable	887,937
Debt, including bonds, notes payable and capital leases	14,904,486
Net OPEB obligation	<u>27,000</u>
Total liabilities	<u>33,308,093</u>
 <b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	23,497,173
Restricted for:	
Contingencies	1,856,646
Debt service	250,000
Capital projects/transportation	1,956,545
Unrestricted	<u>7,537,012</u>
Total net assets	<u>\$ 35,097,376</u>

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 Year Ended September 30, 2010

FUNCTIONS/PROGRAMS:	Program Revenues				Net Revenue (Expense) and Change in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 7,788,333	\$ 3,453,025	\$ 165,153	\$ -	\$ (4,170,155)
Public safety	4,717,130	476,016	157,735	-	(4,083,379)
Public works	4,682,687	408,497	-	394,774	(3,879,416)
Culture and recreation	1,069,359	241,919	-	-	(827,440)
Interest on long-term debt	<u>1,055,003</u>	<u>493,030</u>	<u>-</u>	<u>-</u>	<u>(561,973)</u>
 Total primary government	 <u>\$ 19,312,512</u>	 <u>\$ 5,072,487</u>	 <u>\$ 322,888</u>	 <u>\$ 394,774</u>	 <u>(13,522,363)</u>
General revenues:					
Property taxes					7,684,998
Utility taxes					2,086,683
Business taxes					629,962
Franchise fees					1,100,993
Service concession arrangement					335,072
Interest income (unrestricted)					218,532
Intergovernmental (unrestricted)					2,051,111
Other					<u>110,374</u>
Total general revenues					<u>14,217,725</u>
Change in net assets					695,362
Net assets at beginning of year, as restated (Note 15)					<u>34,402,014</u>
Net assets at end of year					<u>\$ 35,097,376</u>

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, 2010

	Major Funds					Total Governmental Funds
	General Fund	Grants Fund	Stormwater Drain Trust Fund	Community Redevelopment Agency Fund	Other Nonmajor Governmental Funds	
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 4,638,055	\$ 929,872	\$ 1,799,861	\$ 3,263,453	\$ 856,160	\$ 11,487,401
Receivables, net of allowance for uncollectibles	713,751	88,664	103,876	-	110,480	1,016,771
Due from other funds	4,736,821	1,022,240	151,809	-	986,559	6,897,429
Prepaid expenditures	-	-	-	4,324	-	4,324
Restricted assets:						
Cash and cash equivalents	2,106,646	-	-	-	-	2,106,646
Total assets	<u>\$ 12,195,273</u>	<u>\$ 2,040,776</u>	<u>\$ 2,055,546</u>	<u>\$ 3,267,777</u>	<u>\$ 1,953,199</u>	<u>\$ 21,512,571</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts payable	\$ 567,151	\$ -	\$ 23,005	\$ 25,352	\$ 24,976	\$ 640,484
Accrued liabilities	320,426	-	-	-	-	320,426
Due to other funds	2,007,355	2,089,418	1,632,858	854,818	312,980	6,897,429
Deferred revenue	335,155	-	33,381	-	25,000	393,536
Other liabilities	480,479	-	-	5,079	-	485,558
Total liabilities	<u>3,710,566</u>	<u>2,089,418</u>	<u>1,689,244</u>	<u>885,249</u>	<u>362,956</u>	<u>8,737,433</u>
Fund balances:						
Reserved for:						
Prepaid expenditures	-	-	-	4,324	-	4,324
Encumbrances	52,865	38,591	-	150,001	21,520	262,977
Debt service	250,000	-	-	-	-	250,000
Contingencies	1,856,646	-	-	-	-	1,856,646
Unreserved:						
Undesignated, reported in:						
General fund	6,325,196	-	-	-	-	6,325,196
Special revenue funds (deficit)	-	(87,233)	366,302	2,228,203	1,568,723	4,075,995
Total fund balances (deficit)	<u>8,484,707</u>	<u>(48,642)</u>	<u>366,302</u>	<u>2,382,528</u>	<u>1,590,243</u>	<u>12,775,138</u>
Total liabilities and fund balances	<u>\$ 12,195,273</u>	<u>\$ 2,040,776</u>	<u>\$ 2,055,546</u>	<u>\$ 3,267,777</u>	<u>\$ 1,953,199</u>	<u>\$ 21,512,571</u>

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

CITY OF SOUTH MIAMI, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
September 30, 2010

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 15 \$ 12,775,138

Amounts reported for governmental activities in the statement of net assets are different because:

Certain assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Note receivable	9,724,312
Guaranteed rent receivable	3,330,478
Accrued interest receivable	224,044
Net pension asset	53,041

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

Governmental capital assets	48,423,303
Less accumulated depreciation	(8,104,983)

Receivables and related liabilities in governmental funds are susceptible to full accrual on the government-wide statements:

Intergovernmental revenue	140,132
Deferred revenue from service concession arrangement	(13,054,790)

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

Bonds payable	(14,847,493)
Notes payable	(1,657,785)
Capital leases payable	(315,869)
Accrued interest payable	(167,510)
OPEB Liability	(27,000)
Compensated absences payable *	<u>(1,397,642)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 13 \$ 35,097,376

\* Not created in connection with terminated employees

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 Year Ended September 30, 2010

	Major Funds					Total Governmental Funds
	General Fund	Grants Fund	Stormwater Drain Trust Fund	Community Redevelopment Agency Fund	Other Nonmajor Governmental Funds	
<b>REVENUES:</b>						
Taxes:						
Ad valorem	\$ 6,486,921	\$ -	\$ -	\$ 1,198,077	\$ -	\$ 7,684,998
Utility taxes	2,068,857	-	17,826	-	-	2,086,683
Business taxes	629,962	-	-	-	-	629,962
Franchise fees	1,100,993	-	-	-	-	1,100,993
Licenses and permits	470,001	-	-	-	-	470,001
Intergovernmental	1,172,632	394,774	378,719	-	524,781	2,470,906
Charges for services	3,174,960	-	-	-	-	3,174,960
Fines and forfeitures	217,599	-	-	-	197,025	414,624
Interest income	193,884	6,076	11,831	2,835	3,906	218,532
Rents and royalties	1,086,795	-	-	42,645	-	1,129,440
Other	227,395	-	-	-	40,714	268,109
	<u>16,829,999</u>	<u>400,850</u>	<u>408,376</u>	<u>1,243,557</u>	<u>766,426</u>	<u>19,649,208</u>
Total revenues						
<b>EXPENDITURES</b>						
Current:						
General government	6,433,809	273,846	-	484,230	1,070	7,192,955
Public safety	4,518,065	-	-	-	53,846	4,571,911
Public works	4,038,933	-	79,399	-	210,414	4,328,746
Culture and recreation	1,008,271	-	-	-	26,143	1,034,414
Debt service:						
Principal	814,131	-	53,171	170,612	-	1,037,914
Interest	752,385	-	7,947	127,161	-	887,493
Capital outlay	428,885	444,665	-	470,884	68,002	1,412,436
	<u>17,994,479</u>	<u>718,511</u>	<u>140,517</u>	<u>1,252,887</u>	<u>359,475</u>	<u>20,465,869</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>(1,164,480)</u>	<u>(317,661)</u>	<u>267,859</u>	<u>(9,330)</u>	<u>406,951</u>	<u>(816,661)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers	485,662	-	(250,000)	(235,662)	-	-
Proceeds from issuance of capital leases	228,060	-	-	-	-	228,060
	<u>713,722</u>	<u>-</u>	<u>(250,000)</u>	<u>(235,662)</u>	<u>-</u>	<u>228,060</u>
Total other financing sources (uses)						
Net change in fund balances	(450,758)	(317,661)	17,859	(244,992)	406,951	(588,601)
FUND BALANCES, beginning, as restated (Note 15)	<u>8,935,465</u>	<u>269,019</u>	<u>348,443</u>	<u>2,627,520</u>	<u>1,183,292</u>	<u>13,363,739</u>
FUND BALANCES (DEFICIT), ending	<u>\$ 8,484,707</u>	<u>\$ (48,642)</u>	<u>\$ 366,302</u>	<u>\$ 2,382,528</u>	<u>\$ 1,590,243</u>	<u>\$ 12,775,138</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 ACTIVITIES  
For the Year Ended September 30, 2010

NET CHANGE IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS, PAGE 17 \$ (588,601)

Amounts reported for governmental activities in the statement  
of activities are different because:

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

Expenditures for capital assets	1,283,355
Less current year provision for depreciation	(1,116,623)

Principal payments received on notes receivable are reported  
as revenue in the governmental funds because they provide current  
current financial resources, but are reported as a reduction of  
assets in the statement of net assets (335,072)

Certain revenues do not provide current financial resources and  
and therefore are not reported in the governmental funds:

Intergovernmental revenues	140,132
Net revenues from service concession arrangement	335,072
Accrued interest on notes receivable	224,044

Principal payments on long-term debt are reported as an expenditure  
in governmental funds, but as a reduction of long-term liabilities/  
debt in the statement of net assets. 1,037,914

The issuance of long-term debt (e.g. bonds, loans and capital leases)  
provides current financial resources to governmental funds,  
however, it has no effect on net assets. (228,060)

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

Change in net OPEB obligation	(27,000)
Change in net pension obligation (asset)	79,458
Change in compensated absences payable	58,253
Change in accrued interest payable	<u>(167,510)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 14 \$ 695,362

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

CITY OF SOUTH MIAMI, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2010

	<u>Employee Retirement Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 687,498
Investments, at fair value:	
U.S. Government securities	4,912,567
Corporate obligations	3,295,950
Common stocks	7,520,693
International equity	609,832
Mutual funds	<u>4,919,405</u>
Total cash, cash equivalents and investments	<u>21,945,945</u>
Receivables:	263,115
Employer contribution	88,518
Dividends and interest	194,131
Section 185 contribution	<u>117,189</u>
Other	
Total receivables	<u>662,953</u>
Total assets	<u>22,608,898</u>
<b>LIABILITIES:</b>	
Accounts payable	86,061
Section 185 contribution	113,340
Reserve for future benefits	52,579
Accrued expenses	<u>55,653</u>
Total payables	<u>307,633</u>
<b>NET ASSETS:</b>	
Held in trust for employees' pension benefits	\$ <u><u>22,301,265</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 FUNDS  
For the Year Ended September 30, 2010

	<u>Employee Retirement Funds</u>
ADDITIONS:	
Contributions:	
Employer	\$ 1,257,246
Employees	847,723
Section 185 contributions	<u>239,000</u>
Total contributions	<u>2,343,969</u>
Investment income:	
Net appreciation in fair value of investments	1,396,423
Interest and dividends	<u>550,504</u>
Total investment income	1,946,927
Less investment expenses	<u>175,245</u>
Net investment income	<u>1,771,682</u>
Other income	<u>115,000</u>
Total additions	<u>4,230,651</u>
DEDUCTIONS:	
Benefits paid	811,309
Refunds of contributions	81,945
Administrative expenses	93,509
Minimum benefit funding payments	37,780
Other expenses	<u>55,653</u>
Total deductions	<u>1,080,196</u>
Changes in net assets	3,150,455
NET ASSETS, beginning of year	<u>19,150,810</u>
NET ASSETS, end of year	<u>\$ 22,301,265</u>

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

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 1 - GENERAL DESCRIPTION OF THE CITY

The City of South Miami, Florida (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. It is located approximately 3 miles south of the City of Miami and borders the University of Miami's main campus and the cities of Coral Gables and The Village of Pinecrest. The City is approximately 2.5 square miles in area and has a population of approximately 12,000 residents. 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, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity:

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As defined by GASB, the financial reporting entity is required to include (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported; in a separate column in the statement of net assets to emphasize they are legally separate from the government.

*Blended Component Unit:*

The South Miami Community Redevelopment Agency (the "CRA") is deemed to be a separate, distinct and independent legal entity controlled by a board of seven members, which include five members of the City's elected Commission and is determined to be a component of the City. The CRA falls under the requirements of Chapter 163 Part III of the Florida Statutes. Consequently, this component unit is reported in the primary government using the blended method.

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

*Discretely Presented Component Units:*

There are no discretely presented component units for the City.

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. The effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Property taxes and charges for services are considered available when collected in the current year or within sixty days subsequent to year end; provided that amounts received pertain to billings through the fiscal year just ended. Intergovernmental revenues, franchise fees and utility service taxes are recorded in accordance with their legal or contractual requirements if collected in the current period or within sixty days after year end. Revenues derived from rents and royalties and investment income are recorded when earned. Permits, fines and forfeitures, and other revenue are recorded as revenue when received in cash because they are generally not measurable until actually received. Business license revenue collected in advance of periods to which they relate is recorded as deferred revenue.

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, pension, other post-employment benefits and claims and judgments, are recorded when due.

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. Revenue within this fund is recognized when the related expenditures are incurred and meet the respective grant requirements.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Stormwater Drain Trust Fund is one of the government's special revenue funds. It accounts mainly for the revenues associated with an interlocal agreement with the Miami- Dade County, Water and Sewer Department related to stormwater charges. The revenues are used for the management and maintenance of existing catch basins, stormwater drains and canal system, and future construction of the City's system.

The Community Redevelopment Agency ("CRA") Fund, which is the City's sole blended component unit, accounts for the revenues and expenditures dedicated to the redevelopment and recreational programs within certain areas of the City. The CRA's primary source of revenue is tax-increment funds from Miami Dade County and the City.

Additionally, the government reports the following fiduciary fund type:

The fiduciary funds account for the activities of the *General Employees and Police Officers Pension Plan* and the *Police Officers Retirement Trust Fund – Section 185 Plan* that accumulate resources for pension benefit payments to qualified general and public safety employees.

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

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.

Cash, Cash Equivalents 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 purchase.

Investments for the government, as well as its component unit and fiduciary funds, are carried at fair value. Unrealized gains and losses in fair value are recognized.

Receivables:

Accounts receivable balances consist of amounts due for charges for services, fees, property taxes, intergovernmental revenues and grants. The City has provided an allowance of \$ 273,846 related to grant receivables for which the ultimate collectability is uncertain.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Ad Valorem 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 in the fiscal year ended September 30, 2010.

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, who 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, 2010 was 4.9526 mills (\$ 4.9526 per \$ 1,000 of taxable assessed valuation).

Prepaid Expenses/Expenditures:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets:

Capital assets, which include land, construction in progress, buildings and improvements, machinery and equipment, land improvements 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 \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings and improvements	50 years
Machinery and equipment	5-15 years
Land improvements	20 years
Infrastructure	40-50 years

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenue/Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is classified as unearned revenue. Unearned revenues at the government-wide level arise only when the City receives resources before it has a legal claim to them.

Compensated Absences:

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

*Annual leave:*

Effective October 1995, the City's annual leave policy requires that earned vacation must be taken within one year of the employee's anniversary date, as there is no carryover from one period to another. Unused accrued vacation pay, if any, is paid at employee's termination or retirement.

*Sick leave:*

Effective October 1995, employees may accumulate sick leave without a maximum cap, but will not be paid upon termination or retirement. Employees hired on or before October 1995, may accumulate unused sick leave to a maximum of 600 hours. Upon termination or retirement sick leave is paid to those employees, hired on or before October 1995, on a pro rata formula based upon years of service.

The City reports the liability for compensated absences in the governmental activities of the government-wide financial statements when earned. The current portion is the amount estimated to be used in the following fiscal year. Expenditures for compensated absences are recorded in the governmental funds only for employees who had terminated their employment as of the end of the fiscal year. The General Fund has typically been used to liquidate such amounts.

Long-Term Obligations:

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as debt issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Long-term debt is reported net of the applicable premium or discount.

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

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications:

*Government-wide financial statements:*

Net assets in the government-wide financial statements are displayed in three categories: 1) invested in capital assets, net of related debt, 2) restricted, or 3) unrestricted. Net assets invested in capital assets, net of related debt consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets, excluding unexpended proceeds. Net assets are reported as restricted when constraints are placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation. All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt," are reported as unrestricted.

*Fund financial statements:*

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

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Some of these estimates include assessing the collectability of receivables, the realization of pension obligations/assets 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 could ultimately differ from actual results.

Internal Balances:

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans). These amounts reported in the fund financial statements as due/to other funds are eliminated in the government-wide governmental columns of the statement of net assets.

New Accounting Pronouncements:

*GASB Statement No. 45:*

During the year, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). Reporting and disclosure requirements applicable to the City's OPEB plan are discussed in Note 11.

*GASB Statement No. 60:*

During the year, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Reporting and disclosure requirements applicable to the City's service concession arrangement are discussed in Note 6.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*GASB Statement No. 54:*

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds and clarifies the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The City is required to implement this Statement in its fiscal year beginning October 1, 2010.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City, for accounting and investment purposes, maintains various accounts for use by all City funds.

Deposits - City:

Florida Statutes authorize the deposit of City funds in demand deposits or time deposits of financial institutions approved by the State Treasurer. These are defined as public deposits. All City public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act." Under the act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. The City's bank balances were insured either by the Federal Depository Insurance Corporation or collateralized in the bank's participation in the Florida Security for Public Deposits Act.

As of September 30, 2010, the carrying amount of the City's book balance for deposits held with financial institutions totaled \$ 9,389,870 and the bank balance was \$ 9,585,630.

Investments - City:

During the year, the City revised its comprehensive investment policy established in accordance with Section 218.415, Florida Statutes. The investment policy applies to all investments held or controlled by the City with the exception of the City-sponsored employee pension plans and its debt issuances where there are other existing policies or indentures in effect for the investment of related funds.

Allowable investments include United States government securities, United States government agencies and sponsored agencies repurchase agreements, commercial paper, state and local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations, certificates of deposit, and other investments authorized by City Commission from time to time. The City manages its risk by establishing strict guidelines related to interest rates, credit worthiness, concentration and custodial credit.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

As of September 30, 2010, the City had the following investments:

Investment Type	Fair Value	Maturity Less than 1 Year
Repurchase agreement	\$ 4,204,177	\$ 4,204,177
Total fair value	\$ 4,204,177	

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

By Category:	
Deposits	\$ 9,389,870
Investments	4,204,177
	\$ 13,594,047
Statement of Net Assets:	
Cash and cash equivalents	\$ 11,487,401
Restricted cash and cash equivalents	2,106,646
	\$ 13,594,047

Investments - Pension Plan:

The General Employees and Police Officers Pension Plan (the "Plan") and the Police Officers Retirement Trust Fund-Section 185 Plan (the "Fund") investments are held separately from those of other City funds and are shown in a separate fiduciary fund. As prescribed by the Plan and Fund investment policies, they are authorized to invest among several institutionally acceptable asset classes including bonds, debentures and other corporate obligations, equity securities and domestic real estate. The City's Plan and Fund investment policies are determined by their respective Board of Trustees.

The Plan and Fund have investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risk, 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 and Fund, through its investment advisors, monitors the Plan and Fund's investments and the risks associated with them on a regular basis, which is believed to minimize these risks.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

*Credit Risk:*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City has an investment policy that limits investments to the safest types of securities. This policy requires a diversified portfolio to minimize the potential loss on individual securities. The Plan and Fund's investment policy utilizes portfolio diversification in order to control the risk. The Plan and Fund fixed income investments had the following ratings at September 30, 2010 from nationally recognized rating agencies:

<u>Credit Rating</u>	<u>General Employees and Police Officers Pension Plan</u>	<u>Police Officers Retirement Trust Fund Section 185</u>	<u>Total</u>
AAA	\$ 3,260,711	\$ 141,823	\$ 3,402,534
AA	484,866	9,175	494,041
A	2,192,012	14,538	2,206,550
BAA	-	44,666	44,666
BBB	119,017	-	119,017
Not Rated	<u>1,941,709</u>	<u>-</u>	<u>1,941,709</u>
	<u>\$ 7,998,315</u>	<u>\$ 210,202</u>	<u>\$ 8,208,517</u>

*Interest Rate Risk:*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. The Plan and Fund's investments in fixed income securities had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>
U.S. Government and government sponsored entity bonds	\$ 4,912,567	\$ 13,838	\$ 1,955,878	\$ 1,144,748	\$ 1,798,103
Corporate obligations	<u>3,295,950</u>	<u>11,925</u>	<u>1,551,500</u>	<u>499,344</u>	<u>1,233,181</u>
Totals	<u>\$ 8,208,517</u>	<u>\$ 25,763</u>	<u>\$ 3,507,378</u>	<u>\$ 1,644,092</u>	<u>\$ 3,031,284</u>

*Concentration of Credit Risk:*

The investment policy of the Plan and Fund contains limitations on the amount that can be invested in any one issuer as well as portfolio allocation percentages. GASB Statement No. 40 requires disclosure when the percentage is 5% or more in any one issuer. As of September 30, 2010, the Plan and Fund had no individual investments that represent 5% or more in any one issuer of the Plan and Fund's total net assets.

**CITY OF SOUTH MIAMI, FLORIDA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

*Custodial Credit Risk:*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty the Plan and Fund will not be able to recover their investments or collateral securities that are in possession of an outside party. At September 30, 2010 and consistent with their investment policy, the Plan and Fund's securities were registered in their name, nominee registration.

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2010 were as follows:

	Major Funds				Total
	General Fund	Grants Fund	Stormwater Drain Trust Fund	Other Nonmajor Governmental Funds	
Receivable type:					
Accounts	\$ 386,462	\$ -	\$ -	\$ -	\$ 386,462
Taxes	214,005	-	-	-	214,005
Intergovernmental	113,284	362,510	103,876	110,480	690,150
Gross receivables	713,751	362,510	103,876	110,480	1,290,617
Less allowance for uncollectible	-	273,846	-	-	273,846
Net receivables	\$ 713,751	\$ 88,664	\$ 103,876	\$ 110,480	\$ 1,016,771

As of September 30, 2010, additional intergovernmental receivables amounting to \$ 140,132 were recorded under the government-wide financial statements.

**NOTE 5 - INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2010 and the amount of interfund transfers for the fiscal ended September 30, 2010 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 4,736,821	\$ 2,007,355	\$ 485,662	\$ -
Grants Fund	1,022,240	2,089,418	-	-
Community Redevelopment Agency Fund	-	854,818	-	235,662
Stormwater Drain Trust Fund	151,809	1,632,858	-	250,000
Nonmajor Governmental Funds	986,559	312,980	-	-
Total governmental activities	\$ 6,897,429	\$ 6,897,429	\$ 485,662	\$ 485,662

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 5 - INTERFUND BALANCES AND TRANSFERS (continued)

The 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. All of the above amounts are expected to be repaid shortly after year end from available current assets.

During the year, \$ 250,000 was transferred from the Stormwater Drain Trust Fund to the General Fund to pay for the pro rata salary and benefits for those employees working on stormwater related activities in the City. Also, \$ 235,662 was transferred from the Community Redevelopment Agency Fund to the General Fund to pay for salary and benefits of one code enforcement officer and two police officers primarily assigned to the CRA area.

NOTE 6 - SERVICE CONCESSION ARRANGEMENT AND NOTE RECEIVABLE

The City previously entered into an agreement with Mark Richman Properties, Inc. (“MRP”) for the construction and operation of a municipal parking garage (the “Garage”). Under the agreement, the City was responsible to finance the construction while retaining all rights and ownership of the Garage. The City borrowed funds from the Series 2002A and Series 2006A Bonds and a \$ 1 million promissory note to finance the construction of the Garage. MRP was responsible for the completion of the Garage with the use of the funds provided by the City. The Garage started operations in January 2008.

The City also executed a lease agreement (the “Lease”) with MRP to operate and maintain the Garage for a term of 50 years. In accordance with the Lease, the City approves all services and fees charged to customers. In addition, the City retains no contractual obligations for the garage until the end of the Lease at which time the operation and management of the Garage reverts to the City. Installment payments due the City under the Lease are as follows:

- (i) Repayment of principal on certain amounts used in the construction of the Garage. These amounts owed to the City by MRP are shown as notes receivable in the statement of net assets in the amount of \$ 9,724,312.
- (ii) Guaranteed rent payments equal to \$ 76,000 per year. The present value of these payments is reflected in the statement of net assets using a discount rate of 7.25% in the amount of \$ 3,330,478.

The City has determined that the Lease meets the requirements of GASB Statement No. 60; *Accounting and Financial Reporting for Service Concession Arrangements*, effective for financial statements for periods beginning after December 15, 2011. The City has early implemented the provisions of this GASB pronouncement.

In accordance with GASB Statement No. 60, the City has retroactively adjusted capital assets to include the Garage at a fair value of \$ 12,480,000. Additionally, a liability of \$ 13,054,790 was recorded in the government-wide financial statements (statement of net assets) representing the deferred inflow of resources to be received over the term of the Lease, at their net present value. The deferred inflow of resources will be recognized annually over the term of the Lease.

The notes receivable mainly require semi-annual payments including interest at rates ranging from 3.25% to 5.50% through October 1, 2036. The notes receivable are collateralized by the Garage, a mortgage on certain land owned by MRP and by a personal guarantee from Mark Richman. A portion of the notes receivable (original amount of \$ 700,000) require quarterly payments including interest at 4.23% through April 2019.

**CITY OF SOUTH MIAMI, FLORIDA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 6 - SERVICE CONCESSION ARRANGEMENT AND NOTE RECEIVABLE (continued)**

Future principal and interest payments due the City under the notes receivable as of September 30, 2010 are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 266,839	\$ 323,883
2012	279,950	450,261
2013	291,003	438,313
2014	306,340	424,920
2015	321,799	410,113
2016-2020	1,516,930	1,368,846
2021-2025	2,662,356	1,518,070
2026-2030	2,012,431	1,029,802
2031-2035	1,524,824	482,445
2036-2040	<u>541,840</u>	<u>51,553</u>
	<u>\$ 9,724,312</u>	<u>\$ 6,498,206</u>

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance October 1, 2009 (as restated)	Increases	Decreases	Balance September 30, 2010
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,614,799	\$ -	\$ -	\$ 14,614,799
Capital assets, being depreciated:				
Buildings and improvements	17,539,779	470,884	-	18,010,663
Machinery and equipment	5,419,883	306,800	-	5,726,683
Land improvements	844,800	-	-	844,800
Infrastructure	<u>8,720,687</u>	<u>505,671</u>	<u>-</u>	<u>9,226,358</u>
Total capital assets, being depreciated	<u>32,525,149</u>	<u>1,283,355</u>	<u>-</u>	<u>33,808,504</u>
Less accumulated depreciation for:				
Buildings and improvements	1,617,063	360,194	-	1,977,257
Machinery and equipment	2,999,034	501,392	-	3,500,426
Land improvements	484,445	37,200	-	521,645
Infrastructure	<u>1,887,818</u>	<u>217,837</u>	<u>-</u>	<u>2,105,655</u>
Total accumulated depreciation	<u>6,988,360</u>	<u>1,116,623</u>	<u>-</u>	<u>8,104,983</u>
Total capital assets being depreciated, net	<u>25,536,789</u>	<u>166,732</u>	<u>-</u>	<u>25,703,521</u>
Governmental activities capital assets, net	<u>\$ 40,151,588</u>	<u>\$ 166,732</u>	<u>\$ -</u>	<u>\$ 40,318,320</u>

**CITY OF SOUTH MIAMI, FLORIDA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 7 - CAPITAL ASSETS (continued)**

Provision for depreciation was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 574,939
Public safety	182,738
Public works	306,472
Culture and recreation	<u>52,474</u>
Total depreciation expense - governmental activities	<u>\$ 1,116,623</u>

**NOTE 8 - RESTRICTED ASSETS**

Restricted assets and the related reservations of fund balance for governmental funds consist of the following:

- Restricted cash and cash equivalents - \$ 250,000 of deposits are reserved to meet a financial covenant requirement of the \$ 1,000,000 original note with a lender. Additionally, \$ 1,856,646 representing 10% of the City's budget is held in a separate account, reserved for unscheduled emergencies in accordance with City Ordinance No. 23-08-1958.
- Fund balances of the special revenue funds are reserved for expenditures specifically related to those funds and their respective purpose. As of September 30, 2010 total restricted fund balances for these special revenue funds totaled \$ 1,956,545.

**NOTE 9 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES**

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2010:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Florida Municipal Loan					
Council Bonds	\$ 12,970,000	\$ -	\$ 285,000	\$ 12,685,000	\$ 300,000
CRA Bond Series 2006	2,333,105	-	170,612	2,162,493	1,049,410
Notes payable	2,115,666		457,881	1,657,785	478,787
Capital leases	212,230	228,060	124,421	315,869	88,464
Compensated absences	<u>1,455,895</u>	<u>374,240</u>	<u>432,493</u>	<u>1,397,642</u>	<u>509,705</u>
Totals	<u>\$ 19,086,896</u>	<u>\$ 602,300</u>	<u>\$ 1,470,407</u>	<u>\$ 18,218,789</u>	<u>\$ 2,426,366</u>

**CITY OF SOUTH MIAMI, FLORIDA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 9 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)**

Bonds Payable:

The City previously borrowed \$ 2,200,000 from the Florida Municipal Loan Council's ("FMLC") debt issue of \$ 90,210,000 Revenue Bonds, Series 2001A to repay existing borrowings and finance the construction of a multi-purpose activities center. The bonds bear varying interest rates ranging from 3.25% to 5.25% and are secured by non-ad valorem revenues from the City.

The City previously borrowed \$ 6,500,000 from the FMLC's debt issue of \$ 49,775,000 Revenue Bonds, Series 2002A to finance the construction and improvements of a municipal parking garage used for public parking. The bonds bear varying interest rates ranging from 3.25% to 5.50% and are secured by non-ad valorem revenues from the City. Payments received from MRP in conjunction with the notes receivable (Note 6), future Garage revenues, and non-ad valorem revenues of the City are used to repay the bonds as the payments become due.

The City previously borrowed \$ 5,625,000 from the FMLC's debt issue of \$ 22,365,000 Revenue Bonds, Series 2006 to finance the construction and improvements of a municipal parking garage used for public parking. The bonds bear varying interest rates ranging from 4.00% to 5.00% and are secured by non-ad valorem revenues from the City. Payments received from MRP in conjunction with the notes receivable (Note 6), future Garage revenues, and non-ad valorem revenues are used to repay the bonds as the payments become due.

Annual debt service requirements to maturity for the FMLC revenue bonds are as follows:

	Series 2001A		Series 2002A (Note 10)		Series 2006 (Note 10)		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 50,000	\$ 94,362	\$ 140,000	\$ 285,225	\$ 110,000	\$ 232,181	\$ 911,768
2012	50,000	91,862	150,000	279,450	115,000	227,781	914,093
2013	55,000	89,363	155,000	271,950	120,000	223,181	914,494
2014	55,000	86,613	165,000	263,425	125,000	218,381	913,419
2015	60,000	83,725	175,000	254,350	720,000	992,406	2,285,481
2016-2020	345,000	368,750	1,010,000	1,118,850	905,000	817,088	4,564,688
2021-2025	440,000	273,375	1,305,000	827,250	1,115,000	611,419	4,572,044
2026-2030	560,000	153,500	1,665,000	464,725	1,390,000	339,525	4,572,750
2031-2035	265,000	20,000	790,000	61,244	650,000	44,100	1,830,344
	<u>\$ 1,880,000</u>	<u>\$ 1,261,549</u>	<u>\$ 5,555,000</u>	<u>\$ 3,826,469</u>	<u>\$ 5,250,000</u>	<u>\$ 3,706,063</u>	<u>\$ 21,479,080</u>

The City, through its Community Redevelopment Agency, ("CRA") previously issued \$ 2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 (the "CRA Bond") 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 bear interest at 5.99%. Principal and interest payments are due quarterly through May 1, 2020, the maturity date of the bonds.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 9 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

Annual debt service requirements to maturity for the CRA Bond are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,049,410	\$ 100,011	\$ 1,149,421
2012	236,343	61,430	297,773
2013	250,821	46,952	297,773
2014	266,186	31,587	297,773
2015	282,492	15,281	297,773
2016-2020	77,241	1,216	78,457
	<u>\$ 2,162,493</u>	<u>\$ 256,477</u>	<u>\$ 2,418,970</u>

Notes Payable:

The City previously purchased property located at 7800 S.W. 59th Avenue for approximately \$ 574,000 financed through the issuance of a mortgage note payable, Series 2005 with a financial institution. The note requires quarterly payments of principal of \$ 20,477 and interest at an annual interest rate of 3.95% through April 2012. The City has pledged non-ad valorem revenues. As of September 30, 2010, the balance outstanding was \$ 99,928.

The City previously entered into a promissory note payable, Series 2005-B with a financial institution for \$ 500,000 in order to fund a portion of the purchase of property from a local youth organization. The note requires quarterly principal payments of \$ 25,000 and interest payments at an annual interest rate of 4.26% maturing on November 2010. The City has pledged the lease revenues on the property that was purchased to cover the debt service requirements. Should the collected lease payments not be sufficient to cover the debt service on the loan, the City has pledged to budget and appropriate from non-ad valorem revenues sufficient funds to cover the required debt service. As of September 30, 2010, the balance outstanding was \$ 25,000.

The City previously entered into a \$ 1,000,000 Capital Improvement Promissory Note, Series 2009 with a financial institution to finance expenditures incurred in accordance with the construction of the municipal parking garage (Notes 6 and 10). Principal on the note shall be due and payable on February 1, May 1, August 1 and November 1 of each year, through April 2019. Interest at the rate of 4.23% per annum shall be due and payable on each payment date until maturity. The City has pledged non-ad valorem revenues (parking garage). As of September 30, 2010, the balance outstanding was \$ 899,619.

The City previously entered into Inter-Local agreements with Miami Dade County for the purchase of police radios and for a stormwater drainage project. The cost for the radios and project was approximately \$ 247,000 and \$ 270,000, respectively, and are payable in ten years. As of September 30, 2010, the total balance outstanding was \$ 317,330.

The City previously entered into a promissory note agreement with a financial institution to finance the purchase of law enforcement and other City vehicles totaling approximately \$ 538,000. The note requires annual principal payments of \$ 116,974, including interest at 4.25% per annum expiring April 2012. As of September 30, 2010, the balance outstanding was \$ 315,908.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 9 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

Annual debt service requirements to maturity for notes payable are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 478,787	\$ 54,100	\$ 532,887
2012	242,911	43,674	286,585
2013	226,740	34,337	261,077
2014	125,523	25,379	150,902
2015	129,815	21,087	150,902
2016-2020	454,009	38,418	492,427
	<u>\$ 1,657,785</u>	<u>\$ 216,995</u>	<u>\$ 1,874,780</u>

Capital Leases:

The City has entered into various capital lease arrangements for law enforcement and other City vehicles totaling approximately \$ 750,243. The leases expire at varying intervals through fiscal year 2015.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010 are as follows:

<u>Year Ending September 30,</u>	
2011	\$ 98,659
2012	93,274
2013	49,515
2014	49,515
2015	49,515
	<u>340,478</u>
Total minimum lease payments	340,478
Less amount representing interest	<u>(24,609)</u>
Present value of minimum lease payments	<u>\$ 315,869</u>

Conduit Debt Obligation:

From time to time, the City has issued Healthcare Facilities Revenue Bonds to provide financial assistance to the City's private-sector hospitals for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans.

In 2007, the Baptist Health South Florida ("BHSF") issued through the City of South Miami Health Facilities Authority, \$ 800,000,000 of its Hospital Revenue Bonds, Series 2007 ("2007 Bonds"). The proceeds from the bonds were used to acquire, construct, equip and rehabilitate certain health care facilities of BHSF. The 2007 Bonds bear interest at rates ranging from 4.62% to 5.00%, payable semiannually each May 15 and August 15, and mature beginning August 15, 2008 through August 15, 2042. As of September 30, 2010, the outstanding principal amount payable was \$ 771,915,000.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 9 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

The City acts solely as a lawful conduit in the issuance of the bonds and is not obligated in any manner for their repayment. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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.

Litigation - General Matters:

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. 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.

Securities and Exchange Commission and Internal Revenue Service Investigations:

In June 2010, the City received communication from the United States Securities and Exchange Commission, Southeast Regional Office ("SEC"), seeking documents pertaining to certain bonds issued in 2002 and 2006 by the Florida Municipal Loan Council ("FLMC"), the proceeds of which were used in connection with the construction and improvements of a City parking garage project (Notes 6 and 9). Subsequently, in July 2010, the SEC opened a formal non-public investigation; including a subpoena of records in October 2010. The SEC is investigating whether the parking garage project is properly treated as a tax exempt project and related matters. The City has cooperated fully with the SEC investigation.

The City notified the Internal Revenue Service ("IRS") and the Florida League of Cities, as dissemination agent with respect to the bonds, of the ongoing SEC investigation. Subsequently, the City entered into the IRS' Tax Exempt Bonds Voluntary Compliance Program in an effort to resolve issues which could affect the tax exempt status of the bonds. Management has received preliminary communication/determination from the IRS which includes the refinancing and renegotiation of the subject bonds; and fines/penalties estimated at approximately \$ 300,000. No formal charges and claims have been asserted against the City by either the SEC or the IRS.

In addition, the Miami-Dade County Property Appraiser's Office, at this time, has not informed or suggested to the City that they will be pursuing the City for prior year taxes; however, the subject property was reassessed in 2010.

The City anticipates incurring additional costs related to attorney fees for bond counsel, financial advisor fees and refinancing closing fees. Other fees may be required but are unknown to the City at this time. The City is currently pursuing insurance claims and professional malpractice lawsuits to limit the ultimate financial loss to the City.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

During the year, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (“OPEB”). This statement established accounting standards for post-retirement benefits other than pensions. The standard does not require funding of OPEB expense, but any difference between the annual required contribution (“ARC”) and the amount funded during the year is required to be recorded in the City’s Statement of Net Assets as an increase (or decrease) in the OPEB obligation. Since the requirement to implement GASB 45 for the City is in the current fiscal year, the City obtained an actuarial valuation in accordance with the standards of the Statement.

Plan Description and Funding Policy:

Employees who retire from the City and their dependents are eligible to continue to participate (“single employer plan”) in the City’s health insurance, dental and vision plans currently offered through the City at the “blended” employee group rate, which is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. As of September 30, 2010, there are four participating retirees in the group health program.

The City provides no funding for any portion of the premiums after retirement. However, the City recognizes that there is an “implicit subsidy” arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. It is the City’s current policy to fund the plan on a “pay-as-you-go” basis from the General Fund.

Funded Status:

The funded status of the Plan as of September 30, 2010, the most recent valuation date, was as follows:

		Development of the Annual Required Contribution (ARC)	
Actuarial Accrued Liability		\$	191,000
Actuarial Value of Assets		\$	-
Development of the ARC:			
Employer Normal Cost	\$	16,000	
Amortization of Accrued Liability		22,000	
Total ARC for fiscal year September 30, 2010		38,000	
Employer contributions*		(11,000)	
Increase in net OPEB obligation		27,000	
Net OPEB obligation, beginning of year		-	
Net OPEB obligation, end of year	\$	27,000	

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Funded ratio		0%
Covered payroll	\$	8,447,000
Unfunded actuarial accrued liability as a percentage of covered payroll		2.3%

\* Reflects a contribution credit for the implied subsidy

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress (only one year available), presented as Required Supplementary Information, is designed to provide multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits are based on the substantive plan and include the types of benefits in force at the time of valuation date and the pattern of sharing benefits between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the valuation are as follows:

Measurement date	October 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar payment
Amortization period	10-year open period
 Actuarial assumptions:	
Investment rate of return	4.00% (includes inflation at 2.75% per annum)
Healthcare cost trend rates:	
Select rates	14.00% for 2010/11 graded to 6.00% for 2016/17, and 5.00% for 2017/18 and later
Ultimate rate	5.00% per annum

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Plan Description:

The City sponsors and maintains the General Employees and Police Officers Pension Plan (the "Plan"), a single-employer defined benefit pension plan established by Ordinance No. 528 dated December 7, 1965, effective October 1, 1965. The most recent amendment to the Plan occurred on June 8, 2010 to comply with current City policy and State law. The Plan covers police officers and other full-time general 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.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

The City has issued stand-alone financial statements for the Plan, which may be obtained from the City's Finance Department.

Summary of Significant Accounting Policies:

The City's defined benefit pension plan (the "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 the 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 and international equity, mutual funds, corporate obligations and U.S. government securities are valued at quoted fair market prices determined by last reported sales 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.

Eligibility:

The Plan provides for all regular full-time employees of the City to become participants upon the completion of six months of credited service and attainment of age 20. Police officers are eligible to participate in the Plan as of the date of employment.

As of September 30, 2010, the Plan membership consisted of:

	General Employees	Police
Active Plan members	83	45
Receiving benefits	18	15
Terminated vested	3	6
	104	66

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 2.5% to 2.75% of their final monthly compensation ("FMC"), 1/36th of the final 36 consecutive months of compensation, based on the 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 retirement benefits ranging from 2.0% to 3.0% of their FMC, not less than 1/5th of the highest 5 years out of the last 10 years of compensation, based on the years of credited service. A cost of living supplemental benefit based upon the consumer price index is provided upon retirement. The annual increase is limited to 3%.

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

*Early retirement:*

Police officers may elect early retirement at age 50 after 15 years of credited service. Benefits shall be based upon FMC and credited service as of early retirement date, reduced by 3% for each year that the benefit commencement date precedes normal retirement.

*Disability retirement:*

Members who become totally and permanently disabled for a six month period while actively employed are eligible. Benefits for disability retirement will be based upon the FMC and credited service as of the date of disability, actuarially reduced 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 City's annual required contribution is determined annually by an independent third party actuary, and is together with earnings and employee contributions, sufficient to fund the benefits described above. For the year ended September 30, 2010, the aggregate contribution requirement for the City and Plan participants was determined at 25.2% (including 9.5% for participants) and 29.9% (including 12.2% for participants) for general employees and police officers, respectively. In accordance with a City ordinance, should the aggregate participants and City's annual contribution be actuarially determined to exceed 14% and 15%, for general employees and police officers, respectively, both participants and the City shall share equally in such excess percentage.

The Police Officers Pension Plan also receives contributions from the State of Florida. The City received \$ 157,735 from the State that was generated from the insurance premium tax as part of the required funding for the Police Pension Plan and recorded revenues and expenditures in the General Fund, as appropriate.

Effective October 1, 2009 and for one fiscal year thereafter, participant contributions for general employees and police officers were reduced by 2% in lieu of cost of living allowance ("COLA") and merit increases.

Annual Pension Cost and Net Pension Obligation:

The actuarial assumptions, as of the valuation dated October 1, 2009 and effective for the current fiscal year, included: (a) 7.5% investment rate of return; (b) projected salary increases ranging between 4.0% - 7.5% per year including an inflation component of 4%; and (c) amortization method used is, level percent of pay closed, with a blended remaining amortization period of 27 years. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using five year smoothed market.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

The City's annual pension cost and net pension obligation (asset) for the current year were as follows:

	General Employees	Police Officers	Total
Annual required contribution (ARC)	\$ 694,702	\$ 562,544	\$ 1,257,246
Interest on net pension obligation (asset)	(2,459)	(1,473)	(3,932)
Adjustment to ARC	2,153	1,164	3,317
Annual pension cost	694,396	562,235	1,256,631
Contributions made	(694,702)	(562,544)	(1,257,246)
Increase (decrease) in net pension obligation (asset)	(306)	(309)	(615)
Net pension obligation (asset), beginning of year	(32,780)	(19,646)	(52,426)
Net pension obligation(asset), end of year	\$ (33,086)	\$ (19,955)	\$ (53,041)

Trend Information:

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the year ended September 30, 2010 and the two previous years is as follows:

Years Ending September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General Employees			
2010	\$ 694,396	100%	\$ (33,086)
2009	\$ 389,095	100%	\$ (32,780)
2008	\$ 349,871	100%	\$ (32,363)
Police Officers			
2010	\$ 562,235	100%	\$ (19,955)
2009	\$ 453,858 *	100%	\$ (19,646)
2008	\$ 418,476	100%	\$ (19,285)

\*The City's contribution amount for Police Officers reflects an adjustment in the amount of \$ 3,285 due to the interest charge for a late payment due to a delay in receipt of State funds.

**CITY OF SOUTH MIAMI, FLORIDA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)**

Schedule of Funding Progress:

The schedule of funding progress, presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The funded status of the Plan as of October 1, 2010, the most recent valuation date, is as follows:

	Actuarial Value of Assets (a)	Actuarial Liability At Entry Age (AAL) (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
General Employees	\$ 10,852,137	\$ 15,521,998	\$ 4,669,861	69.9%	\$ 3,763,350	124.1%
Police Officers	\$ 12,444,607	\$ 18,330,874	\$ 5,886,267	67.9%	\$ 3,067,558	191.8%

Litigation

In November 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 improper activities by Merrill Lynch. The case was settled in March 2010. The Plan will receive proceeds of \$ 59,347, net of litigation and attorney fees of \$ 55,653. The settlement has been recorded as other income/expense in the accompanying Statement of Fiduciary Net Assets.

**NOTE 13 - DEFINED CONTRIBUTION PLANS**

Police Officers Retirement Trust Fund - Section 185 Plan:

The City sponsors and maintains the Police Officers Retirement Trust Fund - Section 185 Plan (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 participating members do not contribute to the Fund.

A Board of Trustees administers this account, which includes a 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 Fund. The City has issued stand-alone financial statements for the Fund, which may be obtained from the City’s Finance Department.

401(a) Money Purchase Plan:

The City of South Miami 401(a) Money Purchase Plan (the “401(a) Plan”) is an optional defined contribution plan established by the City to provide benefits at retirement for certain employees of upper management. Members who elect to participate in the 401(a) Plan have chosen not to participate in the City’s defined benefit plan (Note 12).

CITY OF SOUTH MIAMI, FLORIDA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2010

NOTE 13 - DEFINED CONTRIBUTION PLANS (continued)

Employees who elect to participate in the 401(a) Plan are required to make minimum contributions of 3% of their gross salary. The City Commission executed a resolution allowing matching contributions of up to 7% of participating members' earnings into the 401(a) Plan. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Commission from time to time. At September 30, 2010, there were no active participants in the 401(a) Plan. Contributions from the City were approximately \$ 4,000 during the fiscal year ended September 30, 2010.

The 401(a) Plan assets are administered by ICMA Retirement Corporation. The City does not exercise any control nor have fiduciary responsibility over the 401(a) Plan assets. Therefore, the assets, liabilities and transactions are not included in the City's financial statements.

Employees 457 Deferred Compensation Plan:

The City of South Miami 457 Deferred Compensation Plan (the "457 Plan") is an optional defined compensation plan established by the City to provide benefits at retirement for all employees who have elected not to participate in the City's defined benefit plan. No contributions are required by the City on behalf of employees. Under the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans*, all assets and liabilities of the 457 Plan are held in trust for the exclusive benefit of the participants. Accordingly, the assets and liabilities of the 457 Plan are not included in the City's financial statements.

The plan assets are administered by ICMA Retirement Corporation. The City does not exercise any control nor have fiduciary responsibility over the plan assets. During the current fiscal year, the City provided additional compensation to several employees totaling approximately \$ 15,000 in the aggregate. This additional compensation was then contributed into the 457 Plan by these employees. On September 30, 2010, there were four active participants in the 457 Plan.

NOTE 14 - 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.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

Governmental Funds:

During 2010, the City recognized prior period adjustments totaling \$ 1,741,425 in its governmental funds. The net effect of these adjustments included an increase to current assets of \$ 233,841 and a decrease to current liabilities of \$ 205,711. In addition, notes receivable amounting to \$ 2,180,977 were reclassified and now reported as assets at the government-wide level in the accompanying Statement of Net Assets, in accordance with the City's service concession arrangement as discussed in Note 6.

CITY OF SOUTH MIAMI, FLORIDA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 September 30, 2010

NOTE 15 - PRIOR PERIOD ADJUSTMENTS (continued)

The net effect of these prior period adjustments in the governmental funds are as follows:

	General Fund	Nonmajor Governmental Funds
Fund balance, October 1, 2009, as previously reported	\$ 10,713,285	\$ 1,146,897
Effect of prior period adjustments	(1,777,820)	36,395
Fund balance, October 1, 2009, as restated	\$ 8,935,465	\$ 1,183,292

Government-Wide Statement of Net Assets:

During 2010, the City recognized prior period adjustments totaling \$ 3,114,727 at the government-wide level. The net effect of these adjustments included the net decrease to governmental funds discussed above of \$ 1,741,425, an increase to long-term liabilities of \$ 84,266 and a decrease to capital assets based on third party inventory procedures conducted during the year of \$ 1,289,036.

The net effect of these prior period adjustments in the government-wide Statement of Net Assets is as follows:

	Governmental Activities
Net assets, October 1, 2009, as previously reported	\$ 37,516,741
Effect of prior period adjustments	(3,114,727)
Net assets, October 1, 2009, as restated	\$ 34,402,014

NOTE 16 - SUBSEQUENT EVENTS

Long-Term Debt:

Subsequent to year end, the City entered into two capital lease arrangements totaling approximately \$ 576,200 to finance the acquisition of parking meters and public safety vehicles. These five-year arrangements are payable in aggregate monthly installments of \$ 10,202, including interest at the rate of 2.35% and 2.55%.

Community Redevelopment Agency ("CRA"):

Subsequent to year end, the CRA Board of Directors authorized a partial prepayment of principal, amounting to approximately \$ 851,600, in connection with its Taxable Redevelopment Revenue Bonds - Series 2006 (Note 9). A 1.00% prepayment penalty fee was assessed and paid. As a result of the prepayment, the original maturity of the indebtedness was changed from May 2020 to February 2016. The prepayment amount is included in the 2011 debt service requirement discussed in Note 9.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF SOUTH MIAMI, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Ad valorem	\$ 6,620,786	\$ 6,620,786	\$ 6,486,921	\$ (133,865)
Utility taxes	1,870,700	1,870,700	2,068,857	198,157
Business taxes	491,500	491,500	629,962	138,462
Franchise fees	1,005,000	1,005,000	1,100,993	95,993
Licenses and permits	420,000	420,000	470,001	50,001
Intergovernmental	1,093,458	1,093,458	1,172,632	79,174
Charges for services	2,869,800	2,869,800	3,174,960	305,160
Fines and forfeitures	188,000	188,000	217,599	29,599
Rents and royalties	1,045,746	895,746	1,086,795	191,049
Interest income	175,250	175,250	193,884	18,634
Other	37,605	51,105	227,395	176,290
	<u>15,817,845</u>	<u>15,681,345</u>	<u>16,829,999</u>	<u>1,148,654</u>
Total revenues				
<b>EXPENDITURES:</b>				
Current:				
General government:				
City commission	95,643	95,997	90,136	5,861
City manager	1,876,705	1,813,801	1,735,169	78,632
City clerk	209,753	218,294	213,097	5,197
Legal	258,000	480,500	465,732	14,768
Finance	1,596,521	1,327,499	1,304,267	23,232
Building, zoning and community development	878,105	868,220	815,980	52,240
	<u>4,914,727</u>	<u>4,804,311</u>	<u>4,624,381</u>	<u>179,930</u>
Total general government				
Public safety:				
Police	4,403,105	4,730,059	4,785,575	(55,516)
Public works	4,523,130	4,572,099	3,942,559	629,540
Culture and recreation	1,162,017	1,172,630	1,040,374	132,256
Nondepartmental	3,124,309	3,299,840	3,352,898	(53,058)
	<u>18,127,288</u>	<u>18,578,939</u>	<u>17,745,787</u>	<u>833,152</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures				
	<u>(2,309,443)</u>	<u>(2,897,594)</u>	<u>(915,788)</u>	<u>1,981,806</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	460,451	460,451	485,662	25,211
Proceeds from issuance of capital leases	-	-	228,060	228,060
	<u>460,451</u>	<u>460,451</u>	<u>713,722</u>	<u>253,271</u>
Total other financing sources				
Net change in fund balance				
	<u>\$ (1,848,992)</u>	<u>\$ (2,437,143)</u>	<u>\$ (202,066)</u>	<u>\$ 2,235,077</u>

CITY OF SOUTH MIAMI, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - STORMWATER DRAIN TRUST FUND  
 For the Year Ended September 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>			
Taxes:			
Utility taxes	\$ 28,000	\$ 17,826	\$ (10,174)
Intergovernmental	250,000	378,719	128,719
Interest income	<u>10,000</u>	<u>11,831</u>	<u>1,831</u>
Total revenues	<u>288,000</u>	<u>408,376</u>	<u>120,376</u>
<b>EXPENDITURES:</b>			
Current:			
Public works	120,584	48,481	72,103
Nondepartmental	<u>71,402</u>	<u>61,118</u>	<u>10,284</u>
Total expenditures	<u>191,986</u>	<u>109,599</u>	<u>82,387</u>
Excess of revenues over expenditures	<u>96,014</u>	<u>298,777</u>	<u>202,763</u>
<b>OTHER FINANCING USES:</b>			
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (153,986)</u></u>	<u><u>\$ 48,777</u></u>	<u><u>\$ 202,763</u></u>

CITY OF SOUTH MIAMI, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY REDEVELOPMENT AGENCY FUND  
 For the Year Ended September 30, 2010

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>			
Ad valorem taxes	\$ 1,198,077	\$ 1,198,077	\$ -
Rents and royalties	90,000	42,645	(47,355)
Interest income	<u>11,000</u>	<u>2,835</u>	<u>(8,165)</u>
Total revenues	<u>1,299,077</u>	<u>1,243,557</u>	<u>(55,520)</u>
 <b>EXPENDITURES:</b>			
Current:			
General government:			
Community redevelopment	1,019,220	554,729	464,491
Capital outlay	1,060,149	470,884	589,265
Debt service:			
Principal	170,612	170,612	-
Interest	<u>127,161</u>	<u>127,161</u>	<u>-</u>
Total expenditures	<u>2,377,142</u>	<u>1,323,386</u>	<u>1,053,756</u>
Excess (deficiency) of revenues over expenditures	<u>(1,078,065)</u>	<u>(79,829)</u>	<u>998,236</u>
 <b>OTHER FINANCING USES:</b>			
Transfers out	<u>(240,645)</u>	<u>(235,662)</u>	<u>4,983</u>
Net change in fund balance	<u>\$ (1,318,710)</u>	<u>\$ (315,491)</u>	<u>\$ 1,003,219</u>

CITY OF SOUTH MIAMI, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
September 30, 2010

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted on a basis of accounting other than GAAP. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. All governmental funds adopted a budget with the exception of the following funds: Grants Fund, Revolving Trust Fund, Community Development Block Grant Fund, and Sylvia Martin Fund.

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) 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. All budget fund transfers require a resolution from the City Commission. 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.
- 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.

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.

**CITY OF SOUTH MIAMI, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
September 30, 2010

**NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2010, expenditures exceeded appropriations in the police department and non-departmental categories, the legal level of budgetary control, in the General Fund by \$ 55,516 and \$ 53,058, respectively. These over expenditures were caused by a 2.0% increase in the City contribution to the pension plan on behalf of employees in lieu of merit increases and Section 185 contribution received from the State of Florida and expensed by the City when remitted to the pension plan. The expenditures were approved by the Commissioners but a formal budget amendment was never made.

**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:

	<u>General Fund</u>	<u>Stormwater Drain Trust Fund</u>	<u>Community Redevelopment Agency Fund</u>	<u>Peoples Transportation Tax Fund (Non-major Fund)</u>	<u>Federal Forfeiture Fund (Non-major Fund)</u>
Net change in fund balance - amounts as reported on the budgetary comparison schedule	(1) \$ (202,066)	(2) \$ 48,777	(3) \$ (315,491)	(4) \$ 274,430	(4) \$ 172,393
Encumbrances outstanding September 30, 2009	(301,557)	(30,918)	(79,502)	(118,201)	(4,149)
Encumbrances outstanding September 30, 2010	<u>52,865</u>	<u>-</u>	<u>150,001</u>	<u>21,520</u>	<u>-</u>
Net change in encumbrances	<u>(248,692)</u>	<u>(30,918)</u>	<u>70,499</u>	<u>(96,681)</u>	<u>(4,149)</u>
Net change in fund balance - as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	(5) \$ <u>(450,758)</u>	(5) \$ <u>17,859</u>	(5) \$ <u>(244,992)</u>	(6) \$ <u>177,749</u>	(6) \$ <u>168,244</u>

(1) see page 46  
(2) see page 47  
(3) see page 48

(4) see page 57  
(5) see page 17  
(6) see page 55

**CITY OF SOUTH MIAMI, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**GENERAL EMPLOYEES PENSION TRUST FUND**  
For the Last Six Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability at Entry Age (AAL) (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2005	\$ 6,862,355	\$ 8,623,741	\$ 1,761,386	79.6%	\$ 2,602,280	67.7%
October 1, 2006	\$ 7,498,093	\$ 1,019,348	\$ 2,521,255	74.8%	\$ 3,027,386	83.3%
October 1, 2007	\$ 8,534,387	\$ 10,652,651	\$ 2,118,264	80.1%	\$ 3,192,696	66.3%
October 1, 2008	\$ 9,237,641	\$ 11,331,288	\$ 2,093,647	81.5%	\$ 3,346,534	62.6%
October 1, 2009	\$ 9,957,659	\$ 13,727,750	\$ 3,770,091	72.5%	\$ 4,436,444	85.0%
October 1, 2010	\$ 10,852,137	\$ 15,521,998	\$ 4,669,861	69.9%	\$ 3,763,350	124.1%

Year Ended September 30,	Annual Required Contribution (ARC)	Percentage Contributed
2005	\$ 415,027	100.0%
2006	\$ 307,422	100.0%
2007	\$ 365,630	100.0%
2008	\$ 350,334	100.0%
2009	\$ 389,512	100.0%
2010	\$ 694,702	100.0%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information relating to the most recent actuarial valuation follows:

Valuation date	October 1, 2010
Contribution rates:	
City	16.6%
Plan members	13.7%
State	0.0%
Actuarial cost method	Entry Age
Amortization method	Level percent of pay, closed
Remaining amortization method	22 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7%
Projected salary increases*	4.5% - 7.5%
Cost of living adjustments	3.0%

\* Includes inflation rate estimated at 4.0%

**CITY OF SOUTH MIAMI, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**POLICE OFFICERS PENSION TRUST FUND**  
For the Last Six Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability at Entry Age (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2005	\$ 8,087,213	\$ 10,416,669	\$ 2,329,456	77.6%	\$ 2,470,775	94.3%
October 1, 2006	\$ 8,884,898	\$ 12,446,060	\$ 3,561,162	71.4%	\$ 3,011,503	118.3%
October 1, 2007	\$ 10,206,758	\$ 13,475,809	\$ 3,269,051	75.7%	\$ 3,172,573	103.0%
October 1, 2008	\$ 11,047,956	\$ 14,524,122	\$ 3,476,166	76.1%	\$ 2,857,555	121.6%
October 1, 2009	\$ 11,648,372	\$ 16,050,973	\$ 4,402,601	72.6%	\$ 3,183,318	138.3%
October 1, 2010	\$ 12,444,607	\$ 18,330,874	\$ 5,886,267	67.9%	\$ 3,067,558	191.8%

Year Ended September 30,	Annual Required Contribution (ARC)	Percentage Contributed
2005	\$ 502,203	100.0%
2006	\$ 324,613	100.0%
2007	\$ 428,438	100.0%
2008	\$ 418,852	100.0%
2009	\$ 454,219 *	100.0%
2010	\$ 562,544	100.0%

\* The City contribution amount for Police Officers reflects an adjustment in the amount of \$ 3,285 due to the interest charge for a late payment due to a delay in receipt of state funds.

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information relating to the most recent actuarial valuation follows:

Valuation date	October 1, 2010
Contribution rates:	
City	19.7%
Plan members	15.6%
State	1.2%
Actuarial cost method	Entry Age
Amortization method	Level percent of pay, closed
Remaining amortization method	26 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7%
Projected salary increases*	4.0% - 7.0%
Cost of living adjustments	3.0%

\* Includes inflation rate estimated at 4.0%

**CITY OF SOUTH MIAMI, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**PAY-AS-YOU-GO APPROACH**  
**OTHER POST-EMPLOYMENT HEALTH CARE BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
*October 1, 2010	\$ -	\$ 191,000	\$ 191,000	0.0%	\$ 8,447,000	2.3%

\* Year of GASB Statement No. 45 implementation. No prior information is available.

# OTHER FINANCIAL INFORMATION

## NON MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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 proceeds 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.

Local Option Gas Tax - 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 primarily to account for funding received from Miami-Dade County as a part of the 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 the 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, 2010**

	Special Revenue Funds										Total Nonmajor Governmental Funds
	Revolving Trust	Sylva Martin Trust	Hurricane	Local Option Gas Tax	Community Development Block Grant	Peoples Transportation Tax	Federal Forfeiture	State Forfeiture			
<b>ASSETS:</b>											
Cash and cash equivalents	\$ 2,391	\$ 14,029	\$ 313,283	\$ 133,047	\$ -	\$ 85,921	\$ 225,332	\$ 82,157	\$ 856,160		
Accounts receivable, net	-	24	-	-	36,895	73,561	-	-	110,480		
Due from other funds	-	-	21,370	188,772	119,238	517,601	139,578	-	986,559		
Total assets	<u>\$ 2,391</u>	<u>\$ 14,053</u>	<u>\$ 334,653</u>	<u>\$ 321,819</u>	<u>\$ 156,133</u>	<u>\$ 677,083</u>	<u>\$ 364,910</u>	<u>\$ 82,157</u>	<u>\$ 1,953,199</u>		
<b>LIABILITIES:</b>											
Accounts payable	-	-	-	14,257	4,963	-	2,454	3,302	24,976		
Due to other funds	-	83	151,928	-	133,100	-	-	27,869	312,980		
Deferred revenue	-	-	-	-	-	25,000	-	-	25,000		
Total liabilities	<u>-</u>	<u>83</u>	<u>151,928</u>	<u>14,257</u>	<u>138,063</u>	<u>25,000</u>	<u>2,454</u>	<u>31,171</u>	<u>362,956</u>		
<b>FUND BALANCES:</b>											
Reserved for:											
Encumbrances	-	-	-	-	-	21,520	-	-	21,520		
Unreserved, undesignated	<u>2,391</u>	<u>13,970</u>	<u>182,725</u>	<u>307,562</u>	<u>18,070</u>	<u>630,563</u>	<u>362,456</u>	<u>50,986</u>	<u>1,568,723</u>		
Total fund balances	<u>2,391</u>	<u>13,970</u>	<u>182,725</u>	<u>307,562</u>	<u>18,070</u>	<u>652,083</u>	<u>362,456</u>	<u>50,986</u>	<u>1,590,243</u>		
Total liabilities and fund balances	<u>\$ 2,391</u>	<u>\$ 14,053</u>	<u>\$ 334,653</u>	<u>\$ 321,819</u>	<u>\$ 156,133</u>	<u>\$ 677,083</u>	<u>\$ 364,910</u>	<u>\$ 82,157</u>	<u>\$ 1,953,199</u>		

**CITY OF SOUTH MIAMI, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2010**

	Special Revenue Funds										Total Nonmajor Governmental Funds
	Revolving Trust	Sylva Martin Trust	Hurricane	Local Option Gas Tax	Community Development Block Grant	Peoples Transportation Tax	Federal Forfeiture	State Forfeiture			
<b>REVENUES:</b>											
Intergovernmental	\$ -	\$ -	\$ -	\$ 62,340	\$ 165,153	\$ 297,288	\$ -	\$ -	\$ -	\$ -	\$ 524,781
Fines and forfeitures	-	-	-	-	-	-	177,764	19,261	-	-	197,025
Interest income	-	7	2,358	1,001	-	60	90	390	-	-	3,906
Other	-	-	-	-	-	-	40,714	-	-	-	40,714
<b>Total revenues</b>	<b>-</b>	<b>7</b>	<b>2,358</b>	<b>63,341</b>	<b>165,153</b>	<b>297,348</b>	<b>218,568</b>	<b>19,651</b>	<b>-</b>	<b>-</b>	<b>766,426</b>
<b>EXPENDITURES:</b>											
Current:											
General government	-	-	1,070	-	-	-	-	-	-	-	1,070
Culture and recreation	-	-	-	-	26,143	-	-	-	-	-	26,143
Public safety	-	-	-	-	-	-	50,324	3,522	-	-	53,846
Public works	-	-	-	14,259	144,558	51,597	-	-	-	-	210,414
Capital outlay	-	-	-	-	-	68,002	-	-	-	-	68,002
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>1,070</b>	<b>14,259</b>	<b>170,701</b>	<b>119,599</b>	<b>50,324</b>	<b>3,522</b>	<b>-</b>	<b>-</b>	<b>359,475</b>
Excess (deficiency) of revenues over expenditures	-	7	1,288	49,082	(5,548)	177,749	168,244	16,129	-	-	406,951
Net change in fund balances	-	7	1,288	49,082	(5,548)	177,749	168,244	16,129	-	-	406,951
<b>FUND BALANCES, beginning, as restated</b>	<b>2,391</b>	<b>13,963</b>	<b>181,437</b>	<b>258,480</b>	<b>23,618</b>	<b>474,334</b>	<b>194,212</b>	<b>34,857</b>	<b>-</b>	<b>-</b>	<b>1,183,292</b>
<b>FUND BALANCES, ending</b>	<b>\$ 2,391</b>	<b>\$ 13,970</b>	<b>\$ 182,725</b>	<b>\$ 307,562</b>	<b>\$ 18,070</b>	<b>\$ 652,083</b>	<b>\$ 362,456</b>	<b>\$ 50,986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,590,243</b>

CITY OF SOUTH MIAMI, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2010

	Hurricane Fund		Local Option Gas Tax Fund			
	Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>						
Intergovernmental Interest income	\$ - 4,000	\$ - 2,358	\$ - (1,642)	\$ 59,547 2,000	\$ 62,340 1,001	\$ 2,793 (999)
Total revenues	4,000	2,358	(1,642)	61,547	63,341	1,794
<b>EXPENDITURES:</b>						
Current:						
General government	72,447	1,070	71,377	-	-	-
Public works	-	-	-	80,000	14,259	65,741
Capital outlay	-	-	-	18,489	-	18,489
Total expenditures	72,447	1,070	71,377	98,489	14,259	84,230
Excess (deficiency) of revenues over expenditures	(68,447)	1,288	69,735	(36,942)	49,082	86,024
Net change in fund balance	\$ (68,447)	\$ 1,288	\$ 69,735	\$ (36,942)	\$ 49,082	\$ 86,024

**CITY OF SOUTH MIAMI, FLORIDA**  
**SCHEDULES OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

For the Year Ended September 30, 2010

	Peoples Transportation Tax Fund			Federal Forfeiture Fund			State Forfeiture Fund			
	Original and Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES:</b>										
Intergovernmental	\$ 345,000	\$ 297,288	\$ (47,712)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	177,764	177,764	177,764	-	19,261	19,261
Interest income	6,000	60	(5,940)	200	90	90	(110)	500	390	(110)
Other	-	-	-	-	40,714	40,714	40,714	-	-	-
Total revenues	351,000	297,348	(53,652)	200	218,568	218,568	218,368	500	19,651	19,151
<b>EXPENDITURES:</b>										
Current:										
Public works	596,173	22,918	573,255	-	-	-	-	-	-	-
Public safety	-	-	-	35,444	50,322	46,175	4,147	6,000	3,522	2,478
Total expenditures	596,173	22,918	573,255	35,444	50,322	46,175	4,147	6,000	3,522	2,478
Excess (deficiency) of revenues over expenditures	(245,173)	274,430	519,603	(35,244)	(50,122)	172,393	222,515	(5,500)	16,129	21,629
Net change in fund balance	\$ (245,173)	\$ 274,430	\$ 519,603	\$ (35,244)	\$ (50,122)	\$ 172,393	\$ 222,515	\$ (5,500)	\$ 16,129	\$ 21,629

## 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 Funds**

General Employees Pension Plan - This fund is used to account for the accumulation of resources for pension benefit payments to qualified City employees.

Police Officers Pension Plan - This fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety employees.

Section 185 Police Officers Pension Trust Fund - This fund is used to account for the accumulation of resources, under Chapter 185 of the Florida Statutes, for pension benefit payments to qualified public safety employees.

**CITY OF SOUTH MIAMI, FLORIDA**  
**COMBINING STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
September 30, 2010

	General Employees Pension Plan	Police Officers Pension Plan	Section 185 Police Officers Pension Trust Fund	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 316,605	\$ 359,242	\$ 11,651	\$ 687,498
Investments, at fair value:				
U.S. Government securities	2,239,101	2,540,632	132,834	4,912,567
Corporate obligations	1,507,768	1,710,814	77,368	3,295,950
Common stocks	3,365,284	3,818,475	336,934	7,520,693
International equity	285,680	324,152	-	609,832
Mutual funds	2,304,533	2,614,872	-	4,919,405
	<u>10,018,971</u>	<u>11,368,187</u>	<u>558,787</u>	<u>21,945,945</u>
Total cash, cash equivalents and investments				
Receivables:				
Employer contribution	136,739	126,376	-	263,115
Dividends and interest	41,467	47,051	-	88,518
Section 185 contribution	-	113,340	80,791	194,131
Other	52,749	64,440	-	117,189
	<u>230,955</u>	<u>351,207</u>	<u>80,791</u>	<u>662,953</u>
Total receivables				
Total assets	<u>10,249,926</u>	<u>11,719,394</u>	<u>639,578</u>	<u>22,608,898</u>
<b>LIABILITIES:</b>				
Accounts payable	40,308	45,753	-	86,061
Chapter 185 contribution	-	-	113,340	113,340
Reserve for future benefits	-	-	52,579	52,579
Accrued expenses	25,965	29,688	-	55,653
	<u>66,273</u>	<u>75,441</u>	<u>165,919</u>	<u>307,633</u>
Total liabilities				
<b>NET ASSETS:</b>				
Held in trust for employees' pension benefits	\$ <u>10,183,653</u>	\$ <u>11,643,953</u>	\$ <u>473,659</u>	\$ <u>22,301,265</u>

**CITY OF SOUTH MIAMI, FLORIDA**  
**COMBINING STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
For the Year Ended September 30, 2010

	General Employees Pension Plan	Police Officers Pension Plan	Section 185 Police Officers Pension Trust Fund	Total
<b>ADDITIONS:</b>				
Contributions:				
Employer	\$ 694,702	\$ 562,544	\$ -	\$ 1,257,246
Employees	443,158	404,565	-	847,723
Section 185 contributions	-	75,560	163,440	239,000
Total contributions	1,137,860	1,042,669	163,440	2,343,969
Investment income:				
Net appreciation in fair value of investments	619,657	715,001	61,765	1,396,423
Interest and dividends	250,920	289,529	10,055	550,504
Total investment income	870,577	1,004,530	71,820	1,946,927
Less investment expenses	74,038	85,431	15,776	175,245
Net investment income	796,539	919,099	56,044	1,771,682
Other income	51,732	63,268	-	115,000
Total additions	1,986,131	2,025,036	219,484	4,230,651
<b>DEDUCTIONS:</b>				
Benefits paid	388,412	417,845	5,052	811,309
Refunds of contributions	81,945	-	-	81,945
Administrative expenses	35,069	40,465	17,975	93,509
Minimum benefit funding payments	-	-	37,780	37,780
Other expenses	25,965	29,688	-	55,653
Total deductions	531,391	487,998	60,807	1,080,196
Changes in net assets	1,454,740	1,537,038	158,677	3,150,455
NET ASSETS, beginning of year	8,728,913	10,106,915	314,982	19,150,810
NET ASSETS, end of year	\$ 10,183,653	\$ 11,643,953	\$ 473,659	\$ 22,301,265

## 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.	60-63
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	64-67
<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.	68-71
<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.	72-73
<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.	74-76

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

Table 1

**CITY OF SOUTH MIAMI, FLORIDA**  
**NET ASSETS BY COMPONENT**  
**LAST EIGHT FISCAL YEARS \***  
**(ACCRUAL BASIS OF ACCOUNTING)**  
(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>GOVERNMENTAL ACTIVITIES:</b>								
Invested in capital assets, net of related debt	\$ 6,983	\$ 9,139	\$ 10,604	\$ 14,302	\$ 16,694	\$ 21,871	\$ 22,520	\$ 23,497
Restricted	7,817	6,849	6,255	4,165	4,304	4,249	4,692	4,063
Unrestricted	2,081	4,117	5,492	7,661	10,003	9,167	7,190	7,537
<b>Total governmental activities net assets</b>	<b>\$ 16,881</b>	<b>\$ 20,105</b>	<b>\$ 22,351</b>	<b>\$ 26,128</b>	<b>\$ 31,001</b>	<b>\$ 35,287</b>	<b>\$ 34,402</b>	<b>\$ 35,097</b>

\* Net assets by component information is not available for fiscal years preceding the implementation of GASB 34.

**CITY OF SOUTH MIAMI, FLORIDA**  
**CHANGES IN NET ASSETS**  
**LAST EIGHT FISCAL YEARS \***  
**(ACCRUAL BASIS OF ACCOUNTING)**  
(amounts expressed in thousands)

Table 2

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>EXPENSES:</b>								
Governmental activities:								
General government	\$ 4,847	\$ 4,919	\$ 5,828	\$ 5,868	\$ 6,970	\$ 8,155	\$ 8,413	\$ 7,788
Public safety	4,990	4,446	4,386	4,280	4,554	4,410	4,523	4,717
Public works	2,821	3,541	5,258	5,909	5,014	4,535	4,342	4,683
Culture and recreation	1,399	1,222	1,231	1,366	861	1,021	1,037	1,069
Interest on long-term debt	380	416	531	613	487	676	960	1,055
Total governmental activities expenses	14,437	14,544	17,234	18,036	17,886	18,797	19,275	19,312
<b>PROGRAM REVENUES:</b>								
Governmental activities:								
Charges for services:								
General government	1,831	3,312	3,336	3,036	2,200	3,952	3,584	3,453
Public safety	2,513	404	304	748	457	459	407	476
Public works	346	372	326	316	343	399	466	408
Culture and recreation	105	272	279	161	182	1,229	296	242
Interest on long-term debt	-	-	-	-	-	-	-	493
Operating and capital grants and contributions	4,194	1,856	3,931	4,526	4,458	3,288	2,266	718
Total governmental activities program revenues	8,989	6,216	8,176	8,787	7,640	9,327	7,019	5,790
Net (expense)/revenue: Governmental activities	(5,448)	(8,328)	(9,058)	(9,249)	(10,246)	(9,470)	(12,256)	(13,522)
<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	9,051	7,685
Utility taxes	1,718	1,645	1,633	1,776	1,829	1,965	2,092	2,087
Business taxes	-	-	-	-	553	552	581	630
Franchise fees	730	815	813	1,008	1,116	1,116	1,197	1,101
Service concession arrangement	-	-	-	-	-	-	-	335
Intergovernmental (unrestricted)	2,427	1,992	1,245	1,310	1,297	1,282	1,200	2,051
Interest income (unrestricted)	158	249	375	594	809	396	226	218
Other	-	-	-	168	524	341	139	110
Total governmental activities	9,850	11,333	11,304	13,026	15,004	13,756	14,486	14,217
<b>CHANGES IN NET ASSETS:</b>								
Governmental activities	\$ 4,402	\$ 3,005	\$ 2,246	\$ 3,777	\$ 4,758	\$ 4,286	\$ 2,230	\$ 695

\* Changes in net assets information is not available for fiscal years preceding the implementation of GASB 34.

**CITY OF SOUTH MIAMI, FLORIDA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**  
(amounts expressed in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:										
Reserved	\$ 452	\$ 1,884	\$ 6,558	\$ 6,258	\$ 6,288	\$ 5,130	\$ 5,720	\$ 6,476	\$ 4,462	\$ 2,160
Unreserved	2,608	1,920	3,088	3,825	4,319	4,796	5,268	3,523	4,473	6,325
Total General Fund	\$ 3,060	\$ 3,804	\$ 9,646	\$ 10,083	\$ 10,607	\$ 9,926	\$ 10,988	\$ 9,999	\$ 8,935	\$ 8,485
All other governmental funds:										
Reserved	\$ 639	\$ 344	\$ 1,358	\$ 1,494	\$ 1,705	\$ 1,854	\$ 1,986	\$ 2,313	\$ 1,921	\$ 215
Unreserved, reported in: Special Revenue Funds	364	460	130	607	579	750	2,612	2,460	2,507	4,075
Total all other governmental funds	\$ 1,003	\$ 804	\$ 1,488	\$ 2,101	\$ 2,284	\$ 2,604	\$ 4,598	\$ 4,773	\$ 4,428	\$ 4,290

**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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>REVENUES:</b>										
Taxes and franchise fees	\$ 4,981	\$ 5,277	\$ 5,547	\$ 7,423	\$ 8,050	\$ 9,178	\$ 9,992	\$ 9,772	\$ 10,829	\$ 9,416
Charges for services	1,618	1,819	2,276	2,332	2,352	2,532	2,197	2,818	3,063	3,175
Utility taxes	2,131	2,510	1,718	1,669	1,634	1,776	1,829	1,965	2,092	2,087
Intergovernmental	1,462	3,856	2,427	1,992	5,176	5,686	5,593	4,419	3,315	2,471
Licenses and permits	646	695	1,163	1,285	1,101	1,202	1,102	1,137	495	470
Fines and forfeitures	539	282	763	355	304	442	349	330	326	415
Interest income	277	160	158	248	375	594	809	396	226	219
Rents and royalties	-	-	-	-	-	-	-	-	-	1,129
Grants	-	-	3,964	1,856	-	-	-	-	-	-
Other	643	437	824	389	488	403	774	2,246	1,159	268
<b>Total revenues</b>	<b>12,297</b>	<b>15,036</b>	<b>18,840</b>	<b>17,549</b>	<b>19,480</b>	<b>21,813</b>	<b>22,645</b>	<b>23,083</b>	<b>21,505</b>	<b>19,650</b>
<b>EXPENDITURES:</b>										
General government	5,064	5,190	4,768	3,598	5,648	5,745	6,660	7,238	6,759	7,193
Public safety	4,812	4,872	4,877	4,281	4,270	4,194	4,253	4,332	4,358	4,572
Public works	1,564	1,604	2,490	3,116	4,660	5,409	5,109	5,284	5,100	4,329
Program expenditures	175	1,226	-	-	-	-	-	-	-	-
Culture and recreation	858	940	1,297	1,176	1,199	1,339	837	977	979	1,035
Nondepartmental	-	-	-	1,138	-	-	-	-	-	-
Debt service:										
Principal	168	800	326	533	391	612	2,183	2,444	1,284	1,038
Interest and fiscal charges	62	149	382	418	538	614	614	920	909	887
Capital outlay	1,146	1,759	4,965	2,363	3,032	7,538	8,827	4,654	2,320	1,412
<b>Total expenditures</b>	<b>13,849</b>	<b>16,540</b>	<b>19,105</b>	<b>16,623</b>	<b>19,738</b>	<b>25,451</b>	<b>28,483</b>	<b>25,849</b>	<b>21,709</b>	<b>20,466</b>
Excess (deficiency) of revenues over expenditures	<u>(1,552)</u>	<u>(1,504)</u>	<u>(265)</u>	<u>926</u>	<u>(258)</u>	<u>(3,638)</u>	<u>(5,838)</u>	<u>(2,766)</u>	<u>(204)</u>	<u>(816)</u>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	856	327	6,858	-	-	-	-	-	641	485
Transfers out	(856)	(337)	(419)	-	-	-	-	-	(641)	(485)
Proceeds from notes payable and contingencies	650	2,200	-	-	-	-	8,360	1,000	-	-
Proceeds from capital leases	912	-	20	547	233	314	319	953	538	228
Proceeds from bonds	-	-	-	-	728	2,963	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,562</b>	<b>2,190</b>	<b>6,459</b>	<b>547</b>	<b>961</b>	<b>3,277</b>	<b>8,679</b>	<b>1,953</b>	<b>538</b>	<b>228</b>
<b>Net change in fund balances</b>	<b>\$ 10</b>	<b>\$ 686</b>	<b>\$ 6,194</b>	<b>\$ 1,473</b>	<b>\$ 703</b>	<b>\$ (361)</b>	<b>\$ 2,841</b>	<b>\$ (813)</b>	<b>\$ 334</b>	<b>\$ (588)</b>
Debt service as a percentage of noncapital expenditures	1.8%	6.4%	5.0%	6.7%	5.6%	6.8%	14.2%	15.9%	11.8%	10.0%

**CITY OF SOUTH MIAMI, FLORIDA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(amounts expressed in thousands)

Table 5

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)
2001	\$ 723,957	\$ 90,942	\$ 814,899	6.3730	\$ 814,899	100.00%
2002	\$ 733,156	\$ 85,367	\$ 818,523	6.3730	\$ 818,523	100.00%
2003	\$ 798,292	\$ 81,734	\$ 880,026	7.3730	\$ 880,026	100.00%
2004	\$ 919,791	\$ 83,712	\$ 1,003,503	7.2130	\$ 1,003,503	100.00%
2005	\$ 1,125,391	\$ 86,708	\$ 1,212,099	6.6810	\$ 1,212,099	100.00%
2006	\$ 1,363,371	\$ 82,658	\$ 1,446,029	5.8810	\$ 1,446,029	100.00%
2007	\$ 1,578,948	\$ 86,150	\$ 1,665,098	4.8180	\$ 1,665,098	100.00%
2008	\$ 1,621,815	\$ 69,137	\$ 1,690,952	5.2790	\$ 1,690,952	100.00%
2009	\$ 1,455,867	\$ 78,411	\$ 1,534,278	4.9526	\$ 1,534,278	100.00%
2010	\$ 1,350,917	\$ 71,712	\$ 1,422,629	4.9526	\$ 1,422,629	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.

Source: Miami-Dade County Department of Property Appraisal - DR-420.

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

Table 6

Fiscal Year	Overlapping Rates (1)				Total City-Wide
	Total City Operations	Miami-Dade County Operations	Miami-Dade County Schools	Other (2)	
2001	6.3730	9.4680	9.3760	0.7355	25.9525
2002	6.3730	9.4260	9.2520	0.7355	25.7865
2003	7.3730	9.9010	9.1000	0.7355	27.1095
2004	7.2130	9.8112	8.6870	0.7355	26.4467
2005	6.6810	9.6958	8.4380	0.7355	25.5503
2006	5.8810	9.4593	8.1050	0.7355	24.1808
2007	4.8180	7.9198	7.9480	0.6585	21.3443
2008	5.2790	8.1534	7.7970	0.6585	21.8879
2009	4.9526	8.2322	7.9950	0.6585	21.8383
2010	4.9526	9.2518	8.2490	0.6585	23.1119

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

(2) Includes the South Florida Water Management District.

Additional information:

Property tax rates are assessed per \$ 1,000 of taxable assessed valuation.

*Property tax rates above (all inclusive) do not have a debt service millage component.*

Tax rate limits:

City            10.000 mills  
County        10.000 mills  
SFWMD\*      10.000 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 TEN YEARS AGO**  
(amounts expressed in thousands)

Table 7

	2010			2000			Percentage Total Assessed Valuation
	Assessed Valuation	Rank	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Rank	
Bakery Associates, Ltd.	\$ 92,000	1	6.47%	Bakery Associates, Ltd.	\$ 120,000	1	15.4%
South Miami Corp.	22,113	2	1.55%	Advance Dev. Corp.	10,230	2	1.3%
S. Miami Hospital Dev Fund Inc.	18,800	3	1.32%	America's Capital Partners	7,500	3	1.0%
J.W. Advance Development Corp.	17,764	4	1.25%	Sunset Associates, Ltd.	5,880	4	0.8%
Kimco South Miami 634, Inc.	15,677	5	1.10%	KIMCO South Miami	5,300	5	0.7%
Valencia South Miami LLC	15,066	6	1.06%	A. Grover Matheny	4,151	6	0.5%
Capitstone Capital Trust, Inc.	13,750	7	0.97%	South Miami Corp.	3,788	7	0.5%
Promed Sunset, LLC	12,862	8	0.90%	Doctors Hospital	3,519	8	0.5%
5850 SW 73 Street, LLC	11,321	9	0.80%	Larkin Community Hospital, Inc.	3,519	9	0.5%
Markel Properties, LTD	11,077	10	0.78%	John Hancock-Gannon Joint Venture	2,225	10	0.3%
	<u>\$ 230,430</u>		<u>16.20%</u>		<u>\$ 166,112</u>		<u>21.5%</u>

Source: Miami-Dade County Tax Assessors' Office 2010 Tax Roll

**CITY OF SOUTH MIAMI, FLORIDA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
(amounts expressed in thousands)

Table 8

Fiscal Year Ended September 30,	Total Taxes Levied For Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2009	\$ 8,616	\$ 7,535	87.5%	\$ 54	\$ 7,589	88.1%
2010	\$ 7,119	\$ 6,763	95.0%	\$ 45	\$ 6,808	95.6%

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)

Table 9

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Notes Payable	Capital Leases			
2001	\$ -	\$ 797	\$ 595	\$ 1,392	2.40%	\$ 0.1323
2002	\$ 8,751	\$ 148	\$ 487	\$ 9,386	15.54%	\$ 0.8738
2003	\$ 8,555	\$ 99	\$ 319	\$ 8,973	14.32%	\$ 0.8354
2004	\$ 8,415	\$ 139	\$ 503	\$ 9,057	13.98%	\$ 0.8418
2005	\$ 8,270	\$ 863	\$ 511	\$ 9,644	13.68%	\$ 0.8956
2006	\$ 8,115	\$ 3,432	\$ 608	\$ 12,155	16.31%	\$ 1.1161
2007	\$ 16,133	\$ 1,850	\$ 645	\$ 18,628	23.25%	\$ 1.7694
2008	\$ 15,727	\$ 2,039	\$ 526	\$ 18,292	21.27%	\$ 1.6357
2009	\$ 15,303	\$ 2,116	\$ 212	\$ 17,631	20.51%	\$ 1.6512
2010	\$ 14,847	\$ 1,658	\$ 316	\$ 16,821	18.91%	\$ 1.5753

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

(1) See Table 13 - Demographic and Economic Statistics.

**CITY OF SOUTH MIAMI, FLORIDA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
(amounts expressed in thousands)

Table 10

Fiscal Year	Revenue Bonds	Less: Amounts Available in Debt Service Reserves	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2001	\$ -	\$ -	\$ -	-	-
2002	\$ 8,751	\$ -	\$ 8,751	1.07%	\$ 0.815
2003	\$ 8,555	\$ 140	\$ 8,415	0.96%	\$ 0.783
2004	\$ 8,415	\$ 150	\$ 8,265	0.82%	\$ 0.768
2005	\$ 8,270	\$ 155	\$ 8,115	0.67%	\$ 0.754
2006	\$ 8,115	\$ 160	\$ 7,955	0.55%	\$ 0.730
2007	\$ 16,133	\$ 165	\$ 15,968	0.96%	\$ 1.517
2008	\$ 15,727	\$ 275	\$ 15,452	0.91%	\$ 1.382
2009	\$ 15,303	\$ 229	\$ 15,074	0.98%	\$ 1.412
2010	\$ 14,847	\$ 250	\$ 14,597	1.03%	\$ 1.367

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 Table 5 - Assessed Value and Estimated Actual Value of Taxable Property.

(2) See Table 13 - Demographic and Economic Statistics.

**CITY OF SOUTH MIAMI, FLORIDA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2010

Table 11

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Amount Applicable to South Miami</u>
Miami-Dade County Schools (2)	\$ 348,100	2.31%	\$ 8,041
Miami-Dade County (3)	<u>839,096</u>	2.31%	<u>19,383</u>
Subtotal overlapping debt	1,187,196		27,424
City of South Miami direct debt	<u>16,821</u>	100.00%	<u>16,821</u>
Total direct and overlapping debt	<u><u>\$ 1,204,017</u></u>		<u><u>\$ 44,245</u></u>

- 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 and Special Obligation Bonds.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 132,004	\$ 136,522	\$ 150,526	\$ 181,814	\$ 216,904	\$ 249,765	\$ 253,643	\$ 229,116	\$ 213,394
Total net debt applicable to limit (1)	<u>8,751</u>	<u>8,555</u>	<u>8,415</u>	<u>8,270</u>	<u>8,115</u>	<u>16,133</u>	<u>15,727</u>	<u>15,303</u>	<u>14,847</u>
Legal debt margin	<u>\$ 123,253</u>	<u>\$ 127,967</u>	<u>\$ 142,111</u>	<u>\$ 173,544</u>	<u>\$ 208,789</u>	<u>\$ 233,632</u>	<u>\$ 237,916</u>	<u>\$ 213,813</u>	<u>\$ 198,547</u>
Total net debt applicable to the limit as a percentage of debt limit	6.63%	6.27%	5.59%	4.55%	3.74%	6.46%	6.20%	6.68%	6.96%

(1) Revenue Bonds were issued in fiscal year 2002 and 2007. In November 2006, the City through its Community Development Agency issued \$ 2,730,000 of Taxable Redevelopment Revenue Bonds.

Note: Information prior to fiscal year 2002 is not available.

**Legal Debt Margin Calculation for Fiscal Year 2010**

Assessed valuation of taxable real and personal property	<u>\$ 1,422,629</u>
Bonded debt limit - 15% of assessed value	\$ 213,394
Total ad valorem debt - Revenue Bonds	<u>\$ 14,847</u>
Amount of debt applicable	<u>14,847</u>
Legal debt margin	<u>\$ 198,547</u>

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

Table 13

Fiscal Year	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (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
2009	10,678	\$ 85,979	\$ 29,689	40.7	5,701	11.8
2010	10,678	\$ 88,955	\$ 29,689	40.7	3,500	12.1

Source: (1) [Bestplaces.net/city/South\\_Miami](http://Bestplaces.net/city/South_Miami).  
(2) U.S. Department of Commerce, Bureau of Economic Analysis and [Bestplaces.net/city/South\\_Miami](http://Bestplaces.net/city/South_Miami).  
(3) Miami-Dade County Public Schools Registrar's Office (does not include private schools).

**CITY OF SOUTH MIAMI, FLORIDA**  
**PRINCIPAL EMPLOYERS - MIAMI-DADE COUNTY, FLORIDA**  
**CURRENT YEAR AND FOUR YEARS AGO**

Table 14

Employer	2010		Percentage of Total County Employment	2006		Percentage of Total County Employment
	Employees	Rank		Employees	Rank	
Miami-Dade County Public Schools	50,000	1	4.27%	54,387	1	4.81%
Miami-Dade County, Florida	32,000	2	2.73%	32,265	2	2.86%
Federal government	20,400	3	1.74%	20,100	3	1.78%
Florida State government	17,000	4	1.45%	18,900	4	1.67%
Publix Super Markets	11,000	5	0.94%	-	-	-
Baptist Health South Florida	10,826	6	0.92%	10,300	5	0.91%
Jackson Health System	10,500	7	0.90%	11,700	6	1.04%
University of Miami	9,874	8	0.84%	9,367	7	0.83%
American Airlines	9,000	9	0.77%	9,000	8	0.80%
Miami Dade College	6,500	10	0.55%	-	-	-
United Parcel Service	-	-	-	5,000	9	0.44%
Bellsouth	-	-	-	4,800	10	0.42%
	<u>177,100</u>		<u>15.11%</u>	<u>175,819</u>		<u>15.56%</u>

Source: The Beacon Council.

Note: Information prior to 2006 is not available.

**CITY OF SOUTH MIAMI, FLORIDA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>FUNCTION:</b>										
General government	16	17	17	17	17	20	27	29	30	28
Public safety:										
Police:										
Officers	64	56	51	46	49	49	51	45	49	49
Civilians	13	13	12	7	9	6	7	8	8	7
Building and zoning	12	13	13	12	13	18	17	16	18	16
Public works	17	14	16	21	19	24	26	25	24	26
Recreation and social services	22	23	26	32	32	25	9	15	14	13
Sanitation	14	14	12	12	12	10	10	10	10	9
<b>Total</b>	<b>158</b>	<b>150</b>	<b>147</b>	<b>147</b>	<b>151</b>	<b>152</b>	<b>147</b>	<b>148</b>	<b>153</b>	<b>148</b>

Source: City of South Miami Finance Department

**CITY OF SOUTH MIAMI, FLORIDA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

Table 16

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>FUNCTION/PROGRAM:</b>										
Public safety:										
Police:										
Number of calls answered	12,828	12,631	11,185	10,973	11,005	11,526	11,136	10,655	11,274	10,893
Number of arrests	1,822	2,172	1,134	1,485	1,484	2,530	650	551	765	616
Number of uniformed officers	64	56	51	46	49	49	51	45	49	49
Building and zoning:										
Number of building permits issued	1,388	1,317	1,294	1,742	1,754	1,927	1,629	1,350	1,158	1,141
License/permit revenue generated	\$ 646,189	\$ 694,426	\$ 1,162,733	\$ 1,285,200	\$ 1,101,120	\$ 1,201,948	\$ 1,102,083	\$ 1,689,241	\$ 1,075,710	\$ 1,099,963
Occupational licenses issued	N/A	N/A	N/A	N/A	2,902	3,024	3,112	3,076	3,132	3,450
Culture and recreation:										
Number of senior meals served	22,430	25,500	26,880	28,700	32,730	42,949	38,522	30,712	35,776	28,420
Recreation revenues collected	\$ 54,743	\$ 53,139	\$ 55,965	\$ 71,379	\$ 79,209	\$ 76,129	\$ 94,176	\$ 138,456	\$ 184,196	\$ 241,919
Sanitation:										
Refuse collected (tons per month)	N/A	N/A	N/A	845	1,114	1,348	808	839	777	722

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**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>FUNCTION/PROGRAM:</b>										
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	79	74	83	86	76	69	62	62	67	62
Public works:										
Streets (miles-paved)	47.41	47.41	47.41	47.41	47.41	47.41	47.41	47.41	46.80	46.80
Culture and recreation:										
Parks	1	9	8	8	8	10	10	10	10	12
Tennis courts	N/A	N/A	N/A	N/A	N/A	10	10	10	10	10
Baseball/football fields	N/A	N/A	N/A	N/A	N/A	6	7	7	7	7
Sanitation:										
Number of collection trucks	12	14	15	19	15	18	15	14	14	14

Sources: Various City departments

Note: Indicators are not available for the general government function

N/A: Information not available for these years.

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# COMPLIANCE SECTION



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

To the Honorable Mayor, Members of the City Commission 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 year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 2011. Our report includes a reference to 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. Other auditors audited the financial statements of the *Police Officers Retirement Trust Fund – Section 185 Plan*, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinions on the 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. We considered items number 2007-1, 2009-1 and 2010-1 to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

City of South Miami, Florida

Compliance and Other Matters

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings 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 City management, members of the City Commission, the State of Florida Office of the Auditor General, Federal and State awarding agencies and other grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 26, 2011



## INDEPENDENT AUDITORS' REPORT TO CITY MANAGEMENT

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

We have audited the basic financial statements of the City of South Miami, Florida (the "City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 26, 2011.

We conducted our audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, and Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated May 26, 2011, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule.

Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The findings and recommendations made in the preceding annual financial audit report are addressed in the accompanying schedule of findings and responses.

Section 10.554 (l)(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. In connection with our audit, our recommendations to improve financial management are included in the accompanying schedule of findings and responses.

Section 10.554 (1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

City of South Miami, Florida

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, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556 (7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 and use of City management, members of the City Commission, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 26, 2011

CITY OF SOUTH MIAMI, FLORIDA  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For the Year Ended September 30, 2010

**PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS:**

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2005-1: Budgeting – Special Revenue Funds		X
2005-4: Inventory of Capital Assets		X
2006-1: Audited Financial Statements	X	
2006-6: Compliance with the City’s Charter – Performance Based Audit		X
2007-1: Adjusting Journal Entries	X	
2008-1: Definition of regular, full-time, permanent employee – Pension Plan		X
2008-1: 1995 Opt Out Option – Pension Plan		X
2008-3: Include Hazardous Duty Pay – Pension Plan		X
2009-1: General Grant Administration and Controls	X	

**2006-1: Audited Financial Statements**

As previously noted, the City should continue to improve on the timeliness of the preparation and release of its annual audit report. During the September 30, 2010 audit, we noted that the City has made a concerted effort to improve on the timeliness of its Comprehensive Annual Financial Report (“CAFR”) considering the implementation of newly released GASB Standards and personnel changes. The 2010 final report was issued approximately four months earlier than the 2009 report. As discussed with the Finance staff, the City expects to issue the September 30, 2011 CAFR by March 2012, with no extensions, as required by the Government Finance Officers Association under their award program for the Certificate of Achievement for Excellence in Financial Reporting.

**Management's Response:**

The City already implemented the proper financial closing procedures which will prevent any future delays in the preparation and release of our Comprehensive Annual Financial Report.

CITY OF SOUTH MIAMI, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended September 30, 2010

**PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS (continued):**

**2007-1: Adjusting Journal Entries:**

The City's financial audit required numerous material adjusting journal entries in order to prepare financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") and related standards. The financial statements are required to be a product of an internal financial reporting system that offers reasonable assurance that management is able to produce financial statements in accordance with GAAP. We recommend that the City reviews interim financial data to ensure that the time necessary to research the composition of year-end general ledger balances is minimal.

**Management's Response:**

The City has implemented a variety of new accounting procedures which resulted in journal entries being recorded on a monthly basis. The direct impact of these new procedures will eliminate the recording of material journal entries at the end of the fiscal year. The formal quarterly closing procedures will also prevent this situation from being repeated.

**2009-1: General Grant Administration and Controls:**

As previously noted, the City could not provide on a timely basis a schedule of expenditures of Federal awards and state financial assistance reconciled to the general ledger. In addition, certain grant reimbursement packages were not submitted in a timely manner.

We recommend that individuals administering these grants develop a control system related to its grant expenditures. All files should be consolidated to include copies, by grant, of executed agreements, reimbursement requests, cash receipts, and any other supporting documents relevant to the grant, such as information regarding matching funds, source and general ledger reconciliations. These added controls of centralized information can be used by the City to evaluate and monitor the status of each project, timely funding and applicable compliance.

**Management's Response:**

The City has taken all the corrective actions, including the hiring of a grants specialist who has already established new operating procedures. Furthermore, as part of the newly established procedures, the City's Finance Department is working closely and seeking reimbursements on a monthly basis. This will improve grant administration and address this outstanding issue.

CITY OF SOUTH MIAMI, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended September 30, 2010

**CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS:**

**2010-1: Implement Formal Monthly Closing Procedures:**

As discussed in item 2007-1, we recommended numerous adjusting journal entries during our audit. In addition, we experienced delays in obtaining complete and accurate trial balances. We are cognizant of the multiple administrative changes implemented by the City near the conclusion of its 2010 fiscal year and the related challenges; however, we believe that the City would benefit from developing a formal monthly closing process. We believe that the year end closing could proceed more quickly by developing a 1) closing schedule that indicates who will perform each procedure, 2) when completion is due and 3) *designate an individual responsible for monitoring and overseeing the procedures and general ledger maintenance*. The procedures should include but are not limited to ensuring that:

- Subsidiary ledgers (accounts payable and receivables) are reconciled and agreed to the trial balance.
- Debt service expenditures are properly identified between principal and interest.
- Proper identification of capital outlay and related in-progress projects.
- Ensure proper revenue recognition and cutoff.
- Settlement of monthly due to/from balances.

This process will also assist in the timely preparation of financial statements as discussed in item 2006-1.

**Management's Response:**

The City has presently implemented formal quarterly closing procedures. The newly established procedures include trial balances being generated and reconciled on a monthly basis.