

Comprehensive Annual Financial Report

OF THE
City Of
South Miami, Florida
Fiscal Year Ended
September 30, 2009



Prepared by the
Finance Department

City of South Miami, Florida

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I. INTRODUCTORY SECTION



City of South Miami

August 26, 2010

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, 2009 is hereby 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 is reported in a manner designed to present fairly the financial position and results of operations for all funds under the direct operating control of the City.

All necessary disclosures have been included to enable the reader to gain maximum understanding of the City's financial activities for the year. Accordingly this report consists of three sections; 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 can be found immediately following the report of independent certified public accountants.



THE REPORTING ENTITY AND ITS SERVICES

The City of South Miami was incorporated in 1927 and is a political subdivision of the State of Florida. The City is a full service city providing its citizens with a full complement of municipal services, specifically, Public Safety, General Government, Parks, Culture and Recreation, 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 bus 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's downtown business district continues to experience significant private development investment as well as improvements to the City infrastructure within the area. 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 has leased space to several new national chain retail stores, restaurants and nightclubs.

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.



City of South Miami

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 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area.

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

MAJOR INDUSTRIES AND/OR SERVICE CENTERS

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

INDUSTRY	No. of Establishments
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 mang and remediation srvs	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
Total for all sectors	1546

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



City of South Miami

ACCOUNTING SYSTEM, INTERNAL AND BUDGETARY CONTROL

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

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

The firm of Rodriguez, Trueba & Company, licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of South Miami for the fiscal year ended September 30, 2009, 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, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. As part of their audit, Rodriguez, Trueba & Company gained an understanding and performed tests of controls on the City's comprehensive framework of controls as required by U.S. generally accepted auditing standards. Comments and recommendations resulting from the assessment of the controls are currently being evaluated by management. These recommendations will be implemented to the extent that the additional control objectives are cost beneficial to the City.

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

CASH MANAGEMENT

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



City of South Miami

DEBT ADMINISTRATION

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

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

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

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

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

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

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

On November 13, 2006, the City purchased six police vehicles financed through the issuance of a note payable to a local bank totaling \$144,300. The note calls for annual payments of principal and interest of \$31,461 at an annual interest rate of 4.51%. The note matures on November 22, 2010.

On December 2, 2008, the City purchased one street sweeper, one Ford F-250, one Side Loader & Dump Truck, four police vehicles financed through the issuance of a note payable to a local bank totaling \$538,493. The note calls for annual payments of principal and interest of \$117,269.17 at an annual interest rate of 4.25%. The note matures on February 23, 2013.

On May 4, 2010, the City purchased nine police vehicles, of which eight were financed through the issuance of a note payable to a local bank totaling \$228,060. The note calls for annual payments of principal and



City of South Miami

interest of \$31,461 at an annual interest rate of 3.08%. The note matures on July 7, 2015.

In November 2006, the City through its Community Redevelopment Agency (“CRA”) issued \$2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area. The revenue bonds are secured by CRA Tax

Increment Financing revenues from the County and the City. The bonds carry an interest rate of 5.99%. Principal and interest payments are due quarterly up to May 1, 2020, the maturity date of the bonds.

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

On October 11th, 2007 the Mayor and City Commission approved Resolution no. 169-07-12554 authorizing the City Manager to pay \$300,000 from its Undesignated Fund Contingency Cash Reserve; and on March 4th, 2008 the Mayor and City Commission approved Ordinance no. 07-08-1942 authorizing the City Manager to obtain a bridge loan from Bank of America in the amount of \$1,000,000. The Mayor and City Commission authorized that \$ 300,000 of the loan' proceeds be used to reimburse the undesignated contingency and the remaining \$ 700,000 to be used for completion of the parking garage.

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

On April 7, 2009 the City closed on the bridge loan with Bank of America for \$1,000,000; which the term of the bridge loan was twelve months and secured a permanent loan for purposes of repaying the bridge loan prior to the expiration of the term of the bridge loan on April 7, 2009 with SunTrust Banks, Inc. at an interest rate of 4.23% for a term of ten years.

RETIREMENT BENEFITS

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

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

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



City of South Miami

Financial Report for the fiscal year ended September 30, 2008. In order to be awarded a Certificate of Achievement; a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

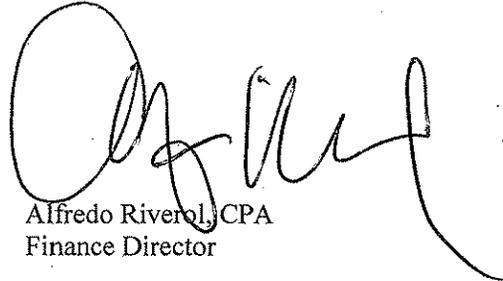
We express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report, and to the various Departments who contributed the necessary statistical data. Our thanks and appreciation is also extended to the accounting firm of Rodriguez, Trueba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

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

Respectfully submitted,



Hector Mirabile, Ph D
City Manager

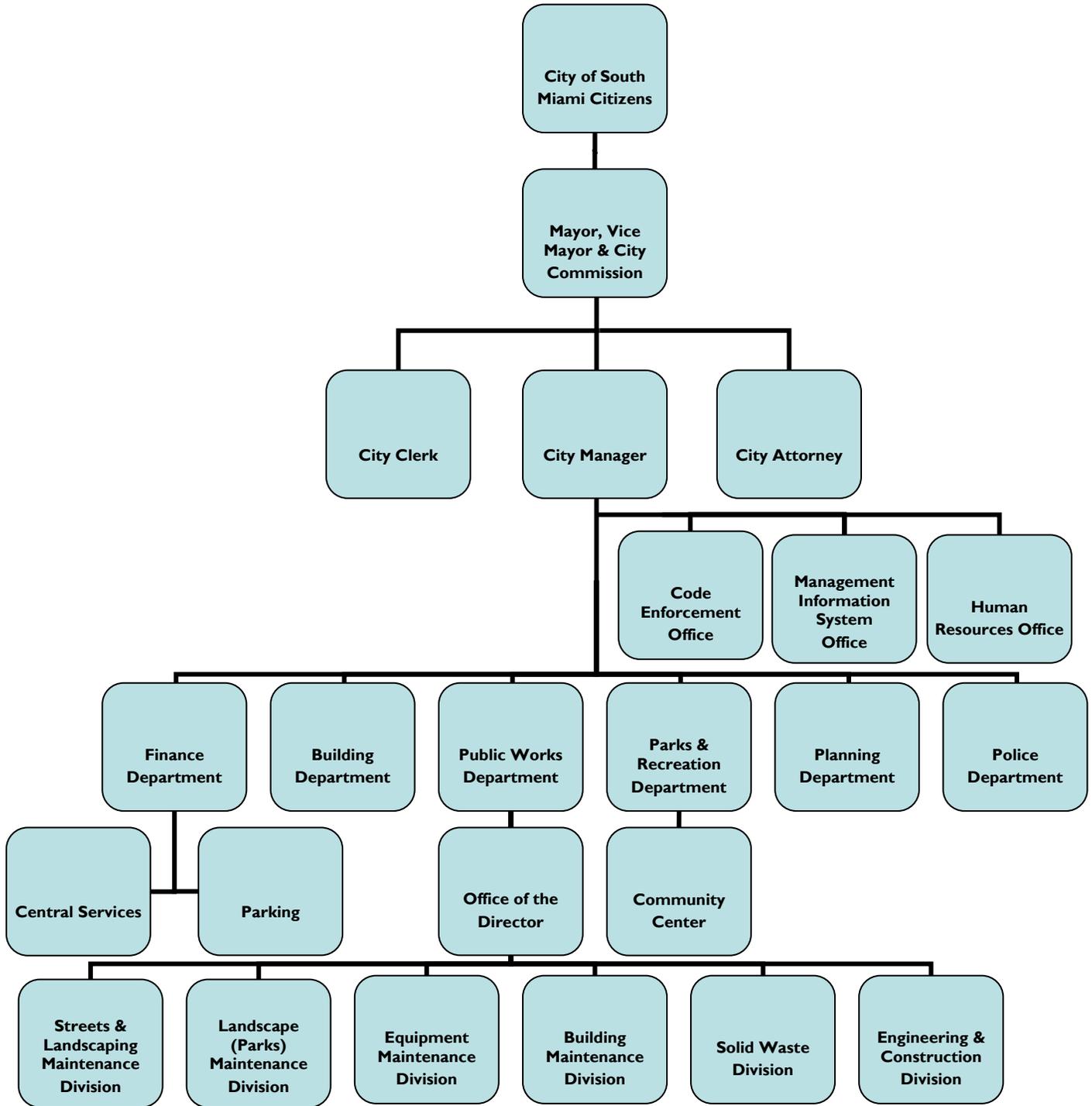


Alfredo Riverol, CPA
Finance Director



City of South Miami

City of South Miami, Florida Organizational Chart



CITY OF SOUTH MIAMI, FLORIDA

COMMISSION - MANAGER FORM OF GOVERNMENT

LIST OF PRINCIPAL OFFICIALS

As of September 30, 2009

CITY COMMISSION

HORACE G. FELIU

Mayor

BRIAN D. BEASLEY

Vice Mayor

Group I

VELMA PALMER

Commissioner

Group II

LEW SELLARS

Commissioner

Group III

VALERIE NEWMAN

Commissioner

Group IV

MANAGEMENT TEAM

ACTING CITY MANAGER

W. Ajibola Balogun

CITY ATTORNEY

Laurence Feingold

CITY CLERK

Maria M. Menendez

FINANCE DIRECTOR

Matilde G. Menendez

ACTING POLICE CHIEF

Robert Richardson

PUBLIC WORKS DIRECTOR

Jose Olivo

PARKS & RECREATION DIRECTOR

Cesar Garcia

PLANNING & ZONING DIRECTOR

Thomas Vageline

BUILDING DIRECTOR

Victor Citarelle

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF SOUTH MIAMI, FLORIDA

COMMISSION - MANAGER FORM OF GOVERNMENT

LIST OF PRINCIPAL OFFICIALS

As of August 26, 2010

CITY COMMISSION

PHILIP K. STODDARD

Mayor

VALERIE NEWMAN

Vice Mayor

Group I

BRIAN D. BEASLEY

Commissioner

Group II

VELMA PALMER

Commissioner

Group III

WALTER A. HARRIS

Commissioner

Group IV

MANAGEMENT TEAM

ACTING CITY MANAGER

Buford R (Randy) Witt

CITY ATTORNEY

Laurence Feingold

CITY CLERK

Maria M. Menendez

FINANCE DIRECTOR

Alfredo Riverol

ACTING POLICE CHIEF

Lisa Morton

PUBLIC WORKS DIRECTOR

Fritz Armand

PARKS & RECREATION DIRECTOR

Maria Stout-Tate

PUBLIC & ZONNING DIRECTOR

Thomas Vageline

BUILDING DIRECTOR

Victor Citarelle

CERTIFIED PUBLIC ACCOUNTANTS



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Miami
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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

II. FINANCIAL SECTION



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the "City"), as of and for the year ended September 30, 2009, 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 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of South Miami, Florida, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on our compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 3 through 12, the schedules of funding progress and employee contributions– Retirement System, on pages 48-50 and the budgetary comparison information for the general fund, and the South Miami Community Redevelopment Agency Fund on pages 45 through 48 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Rodriguez Trueba & Company

Doral, Florida
August 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

The management of the City of South Miami has included this section in the Comprehensive Annual Financial Report (CAFR) in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34, et al. It is intended to provide readers of this report the narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2009. 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, 2009:

The assets of the City of South Miami exceeded its liabilities at the close of the most recent fiscal year by \$37.5 million (net assets). Of this amount, \$8.9 million is unrestricted.

The City's \$21.5 million in revenues for governmental activities exceeded the \$19.2 million in expenses, providing a \$2.23 million increase in net assets.

At the end of the current year, fund balance for the General Fund was \$10.7 million, or 60% of total general fund operating revenues. Of this amount \$4.46 million is reserved for prepaid costs, encumbrances, public safety, note receivable and contingencies and \$.26 million is designated. The current year's unreserved, undesignated fund balance for the General Fund is \$5.99 million, or 34% of total general fund operating revenues.

The General Fund's fund balance increased by \$714,551 for the year ended September 30, 2009.

The City's total debt, excluding compensated absences and before payment reductions, increased by \$538,493.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South Miami, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Miami can be divided into two categories: governmental funds and fiduciary funds.

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

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

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

The City of South Miami maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget. The basic governmental funds financial statements can be found on pages 15 to 18 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of South Miami's progress in funding its obligation to provide pension benefits to its employees, and budgetary comparison schedules for the General Fund.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements can be found beginning on page 50 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

- 6) **Reduction of capital assets through depreciation** will reduce capital assets and invested in capital asset, net of debt.

The City's net assets were \$37.5 million in fiscal year 2009—(see Table 1). This amount came solely from Governmental activities because the City has no Business-Type activities. Restricted net assets and net assets invested in capital assets amounted to 77% of total net assets. The largest portion of the net assets (64 percent) is invested in capital assets (land, buildings, streets, sidewalks, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The respective fraction of net assets (13 percent) is restricted for debt service, public safety or capital projects. The remaining balance of unrestricted net assets (\$8.93 million) may be used to meet government's ongoing obligations to citizens and creditors.

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

	Governmental Activities		Total Percentage Change
	2008	2009	2008-2009
Current and other assets	17.6	17.0	-3.4%
Capital assets	40.2	41.4	3.0%
Total assets	57.8	58.4	1.0%
Long-term debt outstanding	16	16.2	1.3%
Other Liabilities	6.5	4.7	-28.0%
Total Liabilities	22.5	20.9	-7.1%
Net assets			
Invested in capital assets net of related debt	21.9	23.9	9.1%
Restricted	4.1	4.7	14.6%
Un-restricted	9.3	8.9	-4.30%
Total net assets	35.3	37.5	6.2%

At the end of the current fiscal year, the City of South Miami is able to report positive balances in all three categories of net assets. The restricted net assets increased in 2009 by \$610 thousand, while the unrestricted governmental activities net assets decreased by \$404 thousand. Capital assets increased during the current year due to additions purchased through grants or debt financing. The increase in other liabilities is mainly due to new notes payables.

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

Summary of Changes in Net Assets:

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

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

Some other basic impacts on expenses are reflected below:

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

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 2009 compared to 2008 with the resulting change in net assets:

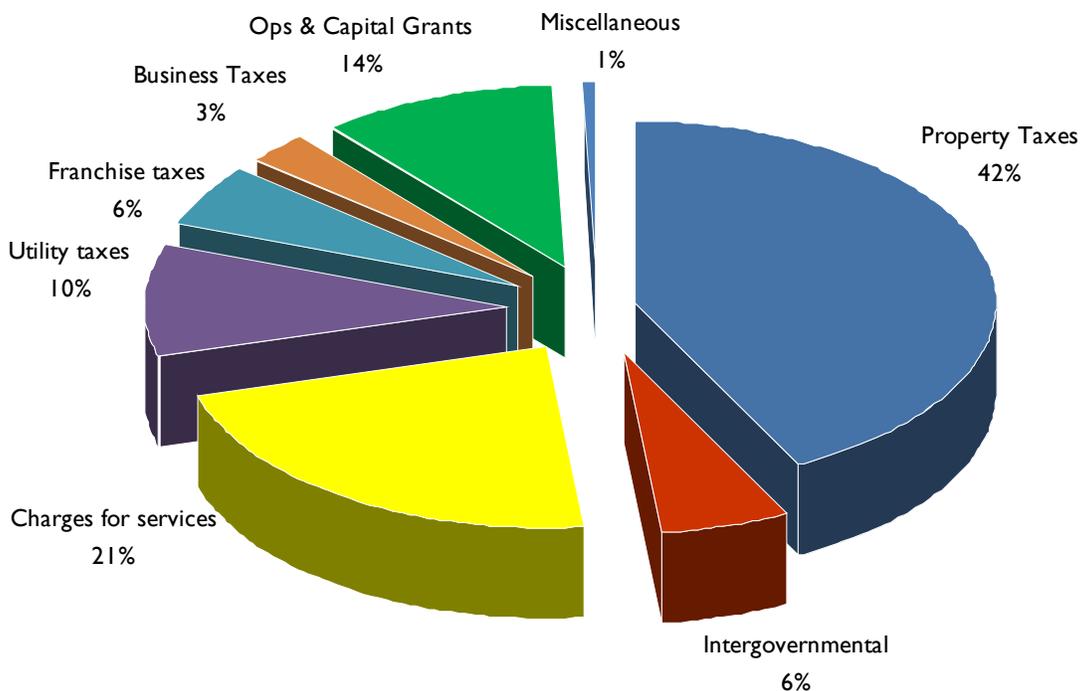
City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

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

	Governmental Activities		Total Percentage Change
	2008	2009	2008-2009
Revenues:			
Program revenues			
Charges for services	6.04	4.75	-21.4%
Operating grants/contributions	0.59	0.77	30.5%
Capital grants/contributions	2.69	1.50	-44.2%
General Revenues			
Property taxes	8.10	9.05	11.7%
Franchise taxes	1.12	1.20	7.1%
Utility taxes	1.97	2.09	6.1%
Business taxes	0.55	0.58	5.5%
Investment Income	0.40	0.22	-45.0%
Intergovernmental	1.28	1.19	-7.0%
Miscellaneous	0.34	0.13	-61.8%
Total revenues	23.08	21.48	-6.9%
Expenses:			
General government	8.16	8.41	3.1%
Public Safety	4.41	4.52	2.5%
Public Works	4.53	4.34	-4.2%
Culture and Recreation	1.02	1.04	2.0%
Interest on long-term debt	0.68	0.95	39.7%
Total expenses	18.80	19.26	2.4%
Increase in net assets	4.28	2.22	-48.1%

The City's total revenues decreased by 6.9 percent to \$21.48 million (see Table 2), due mainly to the reduction in program revenues and investment income. Nearly 42 percent of the City's revenues come from property taxes, another 6 percent comes from intergovernmental and grants and 21 percent from charges for services (See chart that follows). The City's management took major actions in 2009 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.

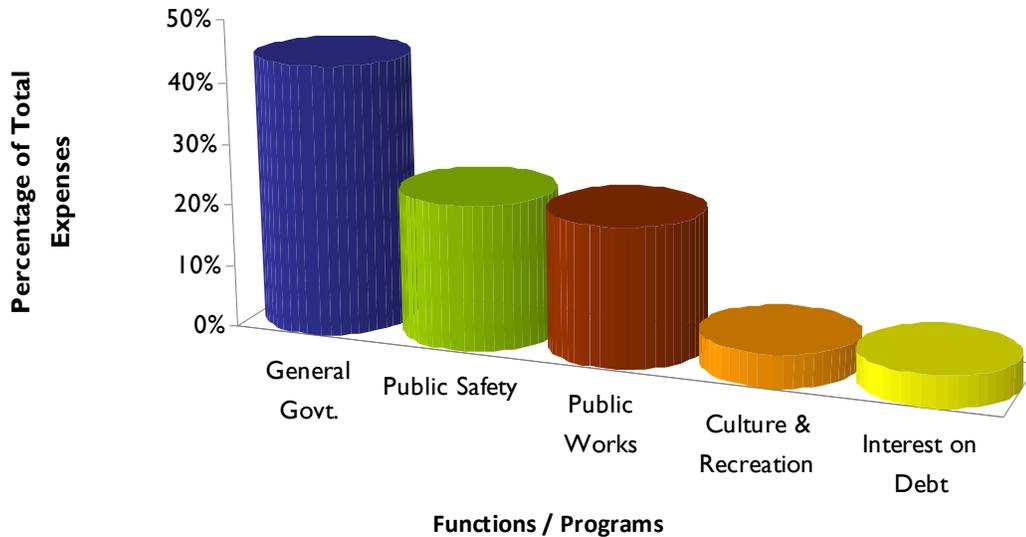
Program Revenues



The total cost of all programs and services increased by \$.46 million or 2.4 percent (see Table 2). The City's expenses cover a range of services, with about 24 percent related to public safety. As shown in Chart 2, governmental expenses are largely weighted in three functions, namely the public safety, general government, and public works. At \$4.52 million, public safety expenditures represent 24% of the statement of activities' total expenses for the City in 2009. General Government category expenditures total for 2009 was \$8.41 million, or 44 percent of total expenses. The General Government category includes all other City departments except public safety, culture and recreation, public works, and non-departmental. Lastly, public works expended \$4.34 million, or 23% of expenses. No business-type activities for the current year.

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

Functional Expenses Governmental Activities



The cost of all *governmental* activities this year, including approximately \$.95 million in interest expense on long-term debt, was \$19.26 million. Some of that cost was financed by:

- Those who directly benefited from the programs through charges for services (\$4.75 million), or
- Other governments and organizations that subsidized certain programs from grants and contributions (\$2.27 million).

The City financed the remaining \$12.24 million "public benefit" portion of governmental activities from property taxes, utility taxes and with other revenues, such as interest and unrestricted intergovernmental revenue.

GOVERNMENTAL FUNDS' FINANCIAL ANALYSIS

As the City completed the year, its governmental funds reported combined fund balances of \$15.1 million, with the general fund representing \$10.7 million. Of the \$15.1 million; \$4.4 million is reserved and \$259 thousand is designated, leaving \$5.99 million in unreserved undesignated fund balance.

The General Fund's fund balance increased by \$714 thousand after transfers of \$641 thousand and debt proceeds of \$538 thousand. There were approximately \$.96 million in capital outlay expenditures for the general fund, which were financed mostly through debt proceeds and restricted funds. General fund revenues were fairly consistent for the years ended 2009 and 2008. Please refer to the General Fund Budget Highlights section below for further information.

During the current year the Grants Fund's fund balance increased by \$39 thousand. There were approximately \$415 thousand in capital outlay expenditures, which were funded through intergovernmental revenues. The Community Redevelopment Agency fund balance decreased by \$424 thousand. Total fund expenditures of \$1.6 million were financed with Ad Valorem taxes.

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

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 for unforeseen expenditures, personnel changes and for prior year encumbrances.

The base revenue budget of \$17.39 million decreased to \$16.12 million. The decrease was for prior year encumbrances, loan proceeds and a recreation concurrency fee. The difference between the estimated revenues and the actual revenues in the General Fund was \$1.6 million for fiscal year 2009. Actual revenues, at \$17.73 million came in slightly higher than the final budget of 16.1 million.

Comparing the original budget to the final budget, the fiscal year 2009; the original expenditure budget of \$19.2 million was increased by 3.25 million for prior year encumbrances, debt service and capital improvements. Actual expenditures were \$17.8 million and were below the final amended budget by \$795 thousand. The largest capital expenditures were for the completion of the public parking garage construction, which amounted to \$1.2 million, capital leases of public works vehicles amounting to approximately \$203 thousand and the lease purchase agreement for the acquisition of the Dison property for \$750 thousand. All other expenditures were in line with the projected expectations. Please refer to page 44-47 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, 2009 is detailed below

Table 3

	Governmental Activities		Total Percent Change
	2008	2009	2007-2008
Land	11.3	11.9	5.3%
Construction in progress	0	0	0.0%
Buildings	16.3	16.5	1.2%
Furniture & Fixtures	6.7	7.4	10.4%
Infrastructure	20.8	22.5	8.2%
TOTAL	55.1	58.3	5.8%

For fiscal year 2009 the City spent \$3.1 million on capital programs primarily in the acquisition of real estate properties, the purchase of vehicles, equipment, furniture and infrastructure for traffic calming projects, street improvements, storm-water improvements and for the completion of the public parking garage construction. Additional information on the City's capital assets can be found in Note III-C on pages 30 of this report.

Debt Administration:

At year-end, the City had approximately \$18.96 million in outstanding debt, as noted below:

City of South Miami Florida
Management's Discussion and Analysis
Fiscal Year Ended September 30, 2009

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

	2008	2009	Total Percent Change 2007-2008
Loans Payable	15.73	15.3	-2.7%
Notes Payable	1.88	1.3	-30.9%
Due to Miami-Dade County	0.16	0.16	0.0%
Compensated Absences	1.38	1.46	5.8%
Capital Lease Payable	0.53	0.74	39.6%
Total	19.68	18.96	-3.7%

During the 2009 fiscal year, the City obtained an interim loan. The loan was for completion of the construction of the parking facility and certain road improvements. The City Compensated Absences balance represents the amount expected to be paid by the City as payoff to its employees, based on current City policy, in the event of termination of employment of our employees. The City also purchased public works vehicles through capital leases and entered into a lease purchased agreement for the Dison property. More detailed information about the City's long-term liabilities is presented in Note III-F, beginning on page 31 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATIOS

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

Revenues in fiscal year 2010 General Fund budget are \$16.2 million, a decrease of 1.5 million from actual revenues of \$17.7 million for fiscal year 2009. With these revenues the City will be able to fund current services and any expected impact of inflation on salaries and benefits.

Fiscal year 2010 budgeted expenditures and transfers are expected to be \$18.1 million, or 3 percent, lower than fiscal year 2009 total final budgeted expenditures of \$18.5 million if estimates are realized, the City's budgetary General Fund balance is expected to decrease modestly by the close of 2010.

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, Finance Director, City of South Miami, 6130 Sunset Drive Miami, Florida 33143.

City of South Miami, Florida

Statement of Net Assets

September 30, 2009

	Governmental Activities
ASSETS	
Cash and investments	\$ 10,328,246
Accounts receivable - net	2,150,948
Prepays	162,793
Temporarily restricted assets:	
Cash and cash equivalents	2,091,737
Note receivable	2,180,977
Net pension asset	32,780
Capital assets:	
Capital assets, not being depreciated	12,036,806
Capital assets, being depreciated	46,297,990
Total capital assets	<u>58,334,796</u>
Less accumulated depreciation	(16,894,172)
Total capital assets, net	<u>41,440,624</u>
Total Assets	<u>\$ 58,388,105</u>
LIABILITIES	
Accounts payable	\$ 557,991
Accrued liabilities	405,564
Due to other governments	144
Other liabilities	558,368
Deferred revenues	287,470
Noncurrent liabilities:	
Net pension obligation	59,199
Due within one year	1,182,580
Due in more than one year	17,820,048
Total Liabilities	<u>20,871,364</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,893,891
Restricted for:	
Debt service	2,180,977
Public Safety	191,739
Capital projects/ transportation	2,319,419
Unrestricted	8,930,715
Total Net Assets	<u>\$ 37,516,741</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 Fiscal Year Ended September 30, 2009

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government					
Governmental activities:					
General government	\$ 8,413,747	\$ 3,584,040	\$ -	\$ -	\$ (4,829,707)
Public safety	4,523,166	407,137	-	-	(4,116,029)
Public works	4,341,469	466,135	129,754	1,497,268	(2,248,312)
Culture and recreation	1,036,857	296,242	638,503	-	(102,112)
Interest on long-term debt	959,771	-	-	-	(959,771)
Total primary government	<u>\$ 19,275,010</u>	<u>\$ 4,753,554</u>	<u>\$ 768,257</u>	<u>\$ 1,497,268</u>	<u>(12,255,931)</u>
GENERAL REVENUES:					
					9,051,363
					1,197,171
					2,091,674
					580,583
					226,350
					1,199,717
					138,939
					<u>14,485,797</u>
					2,229,866
					35,286,875
					<u>\$ 37,516,741</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, 2009

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Grants Fund	Community Redevelopment Agency Fund		
ASSETS					
Cash and investments	\$ 4,224,832	\$ 795,545	\$ 3,217,685	2,090,184	\$ 10,328,246
Accounts receivable	770,863	1,201,899	-	178,186	2,150,948
Due from other funds	4,494,900	862,078	-	804,293	6,161,271
Prepaid	158,469	-	4,324	-	162,793
Temporarily restricted assets:					
Cash and cash equivalents	2,091,737	-	-	-	2,091,737
Note receivable	2,180,977	-	-	-	2,180,977
Total Assets	\$ 13,921,778	\$ 2,859,522	\$ 3,222,009	3,072,663	\$ 23,075,972
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 448,909	\$ 44,846	\$ 11,121	53,115	\$ 557,991
Due to other funds	1,513,117	2,545,657	578,289	1,524,208	6,161,271
Due to other governments	144	-	-	-	144
Accrued liabilities	405,564	-	-	-	405,564
Other liabilities	553,289	-	5,079	-	558,368
Deferred revenues	287,470	-	-	-	287,470
Total liabilities	\$ 3,208,493	\$ 2,590,503	\$ 594,489	1,577,323	\$ 7,970,808
Fund balances:					
Reserved for:					
Prepays	162,793	-	-	-	162,793
Encumbrances	301,557	241,315	79,502	160,762	783,136
Public safety	6,403	-	-	224,922	231,325
Capital projects/Transportation	-	-	100,000	1,114,185	1,214,185
Parks and recreation	-	-	-	-	-
Note receivable	2,180,977	-	-	-	2,180,977
Contingencies	1,810,579	-	-	-	1,810,579
Unreserved, designated	259,466	-	-	-	259,466
Unreserved, undesignated	5,991,510	27,704	2,448,018	-	8,467,232
Unreserved, undesignated - Special Revenue	-	-	-	(4,529)	(4,529)
Total fund balances	10,713,285	269,019	2,627,520	1,495,340	15,105,164
Total Liabilities and Fund Balances	\$ 13,921,778	\$ 2,859,522	\$ 3,222,009	3,072,663	\$ 23,075,972

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 to the Statement of Net Assets

Governmental Funds

September 30, 2009

Fund balances - total governmental funds (page 15) \$ 15,105,164

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

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

Governmental capital assets	58,334,798
Less accumulated depreciation	(16,894,172)
Net pension asset	32,780

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

Net pension obligation		(59,199)
Loans payable	(12,970,002)	
Bond payable	(2,333,105)	
Trust for Public Land payable	-	
Note payable	(1,344,417)	
Due to Miami Dade County	(155,115)	
Capital leases payable	(744,096)	
		(17,546,735)
Compensated absences		<u>(1,455,895)</u>

Net assets of governmental activities (page 13) \$ 37,516,741

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

City of South Miami, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2009

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Grants Fund	Community Redevelopment Agency Fund		
REVENUES:					
Taxes:					
Ad Valorem	\$ 7,534,743	\$ -	\$ 1,516,620	\$ -	\$ 9,051,363
Utility taxes	2,091,674	-	-	-	2,091,674
Business taxes	580,583	-	-	-	580,583
Franchise fees	1,197,171	-	-	-	1,197,171
Licenses and permits	495,127	-	-	-	495,127
Intergovernmental	1,266,286	1,049,919	-	999,037	3,315,242
Charges for services	3,063,079	-	-	-	3,063,079
Fines and forfeitures	206,637	-	-	118,893	325,530
Investment earnings	193,148	7,351	8,429	17,422	226,350
Other	1,110,540	-	44,893	3,324	1,158,757
Total Revenues	<u>17,738,988</u>	<u>1,057,270</u>	<u>1,569,942</u>	<u>1,138,676</u>	<u>21,504,876</u>
EXPENDITURES:					
Current:					
General government	6,182,078	-	576,981	-	6,759,059
Public safety	4,343,152	-	-	15,016	4,358,168
Public works	4,172,337	336,642	-	591,308	5,100,287
Culture and recreation	963,927	-	-	15,188	979,115
Debt service					
Principal	841,520	250,000	148,276	44,108	1,283,904
Interest	740,664	16,613	149,497	2,285	909,059
Capital outlay	961,232	414,751	728,150	216,126	2,320,259
Total Expenditures	<u>18,204,910</u>	<u>1,018,006</u>	<u>1,602,904</u>	<u>884,031</u>	<u>21,709,851</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(465,922)	39,264	(32,962)	254,645	(204,975)
OTHER FINANCING SOURCES (USES):					
Transfers	641,980	-	(391,980)	(250,000)	-
Issuance of debt	-	-	-	-	-
Proceeds from issuance of capital leases	538,493	-	-	-	538,493
Total Other Financing Sources (Uses)	<u>1,180,473</u>	<u>-</u>	<u>(391,980)</u>	<u>(250,000)</u>	<u>538,493</u>
Net change in fund balances	714,551	39,264	(424,942)	4,645	333,518
Fund balances, beginning	9,998,734	229,755	3,052,462	1,490,695	14,771,646
Fund balances, ending	<u>\$ 10,713,285</u>	<u>\$ 269,019</u>	<u>\$ 2,627,520</u>	<u>\$ 1,495,340</u>	<u>\$ 15,105,164</u>

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

City of South Miami, Florida

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended September 30, 2009

Net change in fund balances - total governmental funds (Page 17) \$ 333,518

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

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

Expenditures for capital outlays	3,192,175	
Less current year depreciation	<u>(1,914,224)</u>	1,277,951

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

Debt issued	(538,493)	
Principal payments	<u>1,283,904</u>	745,411

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

Changes in:		
Compensated absences	(86,727)	
Change in net pension obligation	<u>(40,287)</u>	

Change in net assets of governmental activities (page 14) \$ 2,229,866

City of South Miami, Florida

Statement of Fiduciary Net Assets

Fiduciary Fund

September 30, 2009

	Employee Retirement Fund
ASSETS	
Cash and cash equivalents	\$ 2,282,957
Investments, at fair value	
Common stocks	6,789,648
U.S. Government securities	2,948,745
Corporate obligations	2,663,258
International equity	604,086
Mutual funds	3,436,464
Total investments	<u>16,442,201</u>
Receivables:	
Employer	3,285
Employees	-
Dividends and interest	69,605
South Miami Police Officers' Retirement Plan	37,780
Total receivables	<u>110,670</u>
Total Assets	<u><u>18,835,828</u></u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 18,835,828</u></u>

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

City of South Miami, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended September 30, 2009

	Employee Retirement Fund
ADDITIONS:	
Contributions:	
Employer	\$ 802,666
Employees	812,378
Total contributions	1,615,044
Investment income:	
Net decrease in fair value of investments	282,732
Interest and dividend income	519,053
Total investment income	801,785
Less investment expenses	(102,315)
Net investment income	699,470
Total Additions	2,314,514
DEDUCTIONS:	
Benefits Paid	730,310
Refunds of contributions	34,398
Administrative expenses	101,429
Total Deductions	866,137
Changes in net assets	1,448,377
Net assets - beginning of year	17,387,451
Net assets - end of year	\$ 18,835,828

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

NOTES TO BASIC FINANCIAL STATEMENTS

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Blended Component Unit

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

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

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within twelve months of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

Additionally, the government reports the following fund types:

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

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.

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

D. Assets, Liabilities, and net assets or equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

3. Property Taxes

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

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the Laws of Florida. There were no material delinquent property taxes in the fiscal year ended September 30, 2009.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Commission and the Miami-Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2009 was 4.953 mills (\$4.953 per \$1,000 of taxable assessed valuation).

4. Prepaids

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

5. Restricted Assets

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

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

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

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

8. Long-Term Obligations

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific future purpose. The description of each reserve indicates the purpose for which each was intended. Designations of fund balance represent tentative management plans that are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

10. Unearned Revenues

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

11. Use of Estimates

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

12. New Pronouncements

During 2008 and 2009 GASB issued the following new pronouncements, none of which came into effect for fiscal year ended September 30, 2009. The City did not elect to early implement any of the newly issued pronouncements:

 <u>GASB Statement No. 54</u> (March 2009)	Fund Balance Reporting and Governmental Fund Type Definitions
 <u>GASB Statement No. 51</u> (June 2007)	Accounting and Financial Reporting for Intangible Assets

In March 2009 GASB issued Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards to establish a hierarchy for GAAP in GASB (as opposed to the AICPA) and to improve financial reporting by contributing to GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. The Statements make it easier for preparers of state and local government financial statements to identify and apply relevant guidance.

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Fund Accounting Requirements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, bond covenants, and segregation for management purposes.

Revenue Restrictions

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

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

For the year ended September 30, 2009, the City complied, in all material respects, with these revenue restrictions except as disclosed in the schedule of findings and questioned costs found in the compliance section of this report package.

Designated Fund Balance

As of September 30, 2009, the City had \$259,466 of unreserved designated fund balance. This designation is for the future payment of the outstanding balance on the note payable to Miami Dade County (see Note III-F) and for a performance audit required by the City Charter.

Deficit Fund Balance

The Community Development Block Grant fund had a deficit fund balance of (\$13,387), as of September 30, 2009. The deficit resulted from the funds incurring expenditures that were not fully reimbursed by grants. The City is trying to collect these reimbursements from the grantors; if they are not able to collect the deficit will be funded by the general fund. The deficit was reduced in fiscal year 2009 by \$4,648.

Excess of expenditures over appropriations

For the year ended September 30, 2009, expenditures exceeded appropriations in the Police and Public Works departments (the legal level of budgetary control) of the general fund by (\$47,271) and (\$85,105), respectively. These over expenditures were caused by capital outlays for the purchase of four police cars, a street sweeper, a dump truck, a side loader and a Ford F-250 and funded through the issuance of the lease and purchase agreement with the First National Bank. The purchase was approved by the Commissioners but a budget amendment was never made. See Findings 2005-1 in the Compliance Section.

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

Custodial credit risk (deposits) - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All of the City's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value of the City's deposits on the balance sheet date was \$8,334,315. The bank balance of the City's deposits as of September 30, 2009 was \$8,812,882.

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

City administration is authorized to invest in those instruments authorized by the Florida Statutes. As of September 30, 2009, the City had the following investments:

Investment Type	Fair Value	Maturity Less than 1 Year
Repurchase agreement	4,085,668	4,085,668
Total fair value	\$ 4,085,668	

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

By Category	
Deposits	\$ 8,334,315
Investments	4,085,668
	\$ 12,419,983
 Statement of Net Assets:	
Cash and investments	\$ 10,328,246
Restricted cash and cash equivalents	2,091,737
Restricted investment	-
	\$ 12,419,983

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

As of September 30, 2009, the General Employees and Police Officers Pension Plan's investments consisted of the following:

Common stock	\$	6,789,648
U.S. Government securities		2,948,745
Corporate obligations		2,663,258
International equity		604,086
Mutual Funds		3,436,464
Total	\$	16,442,201

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
U.S. Agencies	\$ 2,948,745	\$ 24	\$ 435,794	\$ 848,273	\$ 1,664,654
Corporate obligations	2,663,258	-	1,349,971	700,125	613,162
Totals	\$ 5,612,003	\$ 24	\$ 1,785,765	\$ 1,548,398	\$ 2,277,816

Interest Rate Risk – Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. The City and the Plan do not have a written policy on interest rate risk, however, the City manages its exposure to declines in fair values by limiting the weighted average monthly maturity of its investment portfolio to less than six months (180 days). At September 30, 2009 the portfolio weighted average maturity was less than 30 days for the City.

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

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

AAA	\$	1,919,154
AA2		184,138
AA3		256,367
A1		334,483
A2		664,640
A3		414,290
BAA1		21,401
BAA2		11,194
BAA3		34,509
NR		159,308
U.S. Treasury & Agency		1,612,519
Total	\$	5,612,003

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – There are no limits on the amount that may be invested in Certificates of Deposits (CD's) placed with public depositories or securities of the U.S. Government and its agencies. The City's investment policy does not stipulate any limit on the percentage that can be invested in any one issuer. In the fiduciary fund, the Plan's investment policy limits investments that may be invested in any one issuer to no more than 5% of the Plan's net assets other than those issued by the U.S. Government or its Agencies. GAAP requires disclosure when the percent is 5% or more in any one issuer. As of September 30, 2009, the value of each position held in the City's and Fiduciary fund Plan's portfolio comprised less than 5% of the City's and Plan's investment assets.

Risks and Uncertainties

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

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

B. RECEIVABLES AND PAYABLES

Receivables at September 30, 2009 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Grants</u>	<u>Total</u>
Governmental Activities				
General Fund	\$ 720,838	\$ 5,627	\$ 44,398	\$ 770,863
Grants Fund	-	-	1,201,899	1,201,899
Community Redevelopment Agency	-	-	-	-
Non-major governmental funds	-	177,268	918	178,186
Total governmental activities	<u>\$ 720,838</u>	<u>\$ 182,895</u>	<u>\$ 1,247,215</u>	<u>\$ 2,150,948</u>

All receivables are expected to be collected within one year.

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

Occupational licenses renewals	\$ 279,877
Other	<u>7,593</u>
Total government activities	<u>\$ 287,470</u>

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Balance</u> <u>Oct. 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Sept. 30, 2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,295,107	\$ 611,070	\$ -	\$ 11,906,177
Construction in progress	-	130,629	-	130,629
Total assets not being depreciated	<u>11,295,107</u>	<u>741,699</u>	<u>-</u>	<u>12,036,806</u>
Capital assets being depreciated:				
Building and improvements	16,359,334	103,040	-	16,462,374
Furniture and equipment	6,679,814	686,764	-	7,366,578
System and public domain infrastructure	20,808,369	1,660,669	-	22,469,038
Total capital assets being depreciated	<u>43,847,517</u>	<u>2,450,473</u>	<u>-</u>	<u>46,297,990</u>
Less accumulated depreciation for:				
Buildings and improvements	2,228,824	592,638	-	2,821,462
Furniture and equipment	4,034,993	622,146	-	4,657,139
System and public domain infrastructure	8,716,131	699,440	-	9,415,571
Total accumulated depreciation	<u>14,979,948</u>	<u>1,914,224</u>	<u>-</u>	<u>16,894,172</u>
Total capital assets being depreciated, net	<u>28,867,569</u>	<u>536,249</u>	<u>-</u>	<u>29,403,818</u>
Governmental activities capital assets, net	<u>\$ 40,162,676</u>	<u>\$ 1,277,948</u>	<u>\$ -</u>	<u>\$ 41,440,624</u>

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

Governmental Activities:	
General government	\$ 956,122
Public safety	166,130
Public works	715,523
Culture and recreation	76,449
Total depreciation expense - governmental activities	<u>\$ 1,914,224</u>

Construction Commitments

The City has approximately \$1 million in outstanding construction commitments for infrastructure repairs and construction as of September 30, 2009.

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2009 and the amount of interfund transfers for the fiscal year ended September 30, 2009 are as follows:

	Interfund <u>Receivable*</u>	Interfund <u>Payable*</u>	Transfers <u>In**</u>	Transfers <u>Out**</u>
General	\$ 4,494,900	\$ 1,513,117	\$ 641,980	\$ -
Grants fund	862,078	2,545,657	-	-
Community Redevelopment Agency	-	578,289	-	391,980
Non-major governmental	<u>804,293</u>	<u>1,524,208</u>	<u>-</u>	<u>250,000</u>
Total governmental activities	<u>\$ 6,161,271</u>	<u>\$ 6,161,271</u>	<u>\$ 641,980</u>	<u>\$ 641,980</u>

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

** \$641,980 transferred into the General Fund represent a \$250,000 transfer from the Stormwater Drain Trust Fund to pay for partial salary and benefits for those employees working on stormwater related activities in the City, a \$194,499 transfer from the CRA to pay for salary and benefits for 1 code enforcement officer and 2 police officer primarily working in the CRA district, and a \$197,481 transfer from the CRA to contribute to City administered infrastructure and improvement projects within the CRA district.

E. RESTRICTED ASSETS

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

- \$2,091,737 of cash deposits comprised of \$44,469 from funds received which are restricted by the granting agency for capital projects and/or debt service, \$219,402 transferred from the dial cash account to the loan reserve cash account to meet the reserve requirements on the \$1,000,000 loan with SunTrust and \$1,827,866 transferred from the dial account to reserve cash account for 10% of budget reserved as per the City Commission, resolution #23-09-1958.
- \$2,180,977 note receivable from Mark Richmond Properties Inc. for the building of the parking garage (see NOTE III-I). Payments of principal and interest on this note receivable can only be used to pay down the FMLC Series 2002A loan.
- \$191,739 of net assets set aside for public safety from federal and state forfeiture funds.
- \$2,319,419 of net assets set aside for capital and transportation projects from grants, stormwater, local option gas and peoples transportation taxes.

F. LONG TERM DEBT

Florida Municipal Loan Council – Loans

On November 15, 2001, the City borrowed \$2,200,000 from the Florida Municipal Loan Council's ("FMLC") November 30, 2001 debt issue of \$90,210,000 Series 2001A Revenue Bonds, (the "Series 2001A Loan") to repay

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM DEBT (continued)

Florida Municipal Loan Council – Loans (continued)

borrowings of \$600,000 and finance the construction of a multi-purpose activities center. The loan carries varying interest ranging from 3.25% to 5.25% and includes covenants that include reserves and investment policies, all of which have been complied with by the Trustee and the City. All proceeds and reserves held are invested by the Trustee in accordance with the investment policies. All disbursements to the City for use of loan proceeds are disbursed by the Trustee to the City in accordance with the covenants of the loan agreement. The loans are secured by non-ad valorem revenues from the City. These revenues (see also Note III-H page 39), specifically investment income earned from the loan proceeds not expended, will be used to repay the loans.

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

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

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

	<u>Series 2001A - Loan</u>		<u>Series 2002A- Loan</u>		<u>Series 2006- Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2010	45,000	95,488	135,000	290,626	105,000	236,382	907,496
2011	50,000	93,113	140,000	285,226	110,000	232,182	910,521
2012	50,000	90,613	150,000	279,450	115,000	227,782	912,845
2013	55,000	87,988	155,000	271,950	120,000	223,182	913,120
2014-2018	310,000	394,212	910,000	1,221,700	685,000	1,026,660	4,547,572
2019-2023	405,000	303,698	1,185,000	949,825	870,000	852,776	4,566,299
2024-2028	500,000	192,500	1,510,000	621,750	1,065,000	657,038	4,546,288
2029-2033	510,000	52,250	1,505,000	197,569	1,330,000	399,375	3,994,194
2034-2037	-	-	-	-	955,000	87,075	1,042,075
	<u>\$1,925,000</u>	<u>\$1,309,860</u>	<u>\$ 5,690,000</u>	<u>\$ 4,118,096</u>	<u>\$ 5,355,000</u>	<u>\$ 3,942,452</u>	<u>\$22,340,408</u>

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM DEBT (continued)

CRA Bond Series 2006

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

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

	Principal	Interest
2010	159,785	137,988
2011	169,713	128,061
2012	179,934	117,840
2013	191,436	106,337
2014-2018	1,150,861	338,005
thereafter	481,376	26,852
	\$2,333,105	\$ 855,082

Notes Payable

Land Acquisition Promissory Note Series 2005. On April 20, 2005, the City purchased property located at 7800 S.W. 59th Avenue for \$573,367 financed through the issuance of a note payable to a local bank. The note calls for quarterly payments of principal of \$20,477 and quarterly interest payments of varying amounts at an annual interest rate of 3.95%. The note matures on April 30, 2012. At September 30, 2009, the balance outstanding was approximately \$198,056.

Police Vehicles. On April 19, 2006, the City purchased eight police vehicles financed through the issuance of a note payable to a local bank totaling \$188,450. The note calls for monthly payments of principal and interest of \$40,827 at an annual interest rate of 4.1%. The note matures on April 20, 2010. At September 30, 2009, the balance outstanding was approximately \$38,697.

YMCA-Loans. On November 21, 2005, the City purchased land totaling \$2,750,000 from the YMCA of Greater Miami, Inc. financed through loans totaling \$2,775,000. The loans consist of three separate note payables of which the following one is the only one outstanding at September 30, 2009:

\$500,000 Non-Taxable Promissory Note, Series 2005-B- This note calls for quarterly principal payments of \$25,000 and quarterly interest payments of varying amounts at an annual interest rate of 4.26% maturing on November 21, 2010. At September 30, 2009, the balance outstanding was approximately \$125,000.

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM DEBT (continued)

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

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

In April 2009, the City refinanced this loan with a Capital Improvement Promissory Note, Series 2009. Principal on the Series 2009 Note shall be due and payable on February 1, May 1, August 1 and November 1 of each year, beginning August 1, 2009 through and including April 7, 2019. Interest at the rate of 4.23% per annum shall be due and payable on each payment date beginning August 1, 2009 until maturity. At September 30, 2009, the balance outstanding was approximately \$982,664.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	311,332	54,038	\$ 365,370
2011	193,786	42,234	\$ 236,020
2012	117,165	34,998	\$ 152,163
2013-2017	514,925	102,962	\$ 617,887
2018-2019	207,209	8,779	\$ 215,988
	<u>\$1,344,417</u>	<u>\$ 243,011</u>	<u>\$ 1,587,428</u>

Trust for Public Land Lease-Purchase Agreement

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM DEBT (continued)

Due to Miami-Dade County

The City had entered into an Inter-Local agreement with Miami Dade County in 1995, for the purchase of 800MHz police radios. The cost for the radios was \$247,329 and was to be paid within ten years. As of September 30, 2009, the City still owes \$155,115 to the County.

Capital Leases

The City has entered into various capital lease agreements for law enforcement and other City vehicles totaling approximately \$1,677,493. The leases expire at varying intervals through fiscal year 2013.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009 were as follows:

Year ending September 30,	
2010	298,611
2011	230,601
2012	161,030
2013	117,270
Total minimum lease payments	807,512
Less: amount representing interest	(63,416)
Present value of minimum lease payments	\$ 744,096

Non-Commitment Debt - Health Care Facilities Revenue Bonds

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

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

In 2003, the City issued \$150,000,000 in City of South Miami Health Facilities Authority Hospital Revenue Bonds, series 2003 ("2003 Bonds"). The bonds were issued for the purpose of financing improvements in renovation, new construction and acquisition of equipment in the health facilities of the borrowers, Baptist Health Systems, Inc., and affiliates, an independent health care facility located near South Miami. On May 16, 2007,

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. LONG TERM DEBT (continued)

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

BHSF irrevocably deposited funds in an escrow account held by an independent trustee in an amount sufficient to meet all scheduled principal and interest payments on the 2003 Bonds and to redeem the refunded bonds on their first available redemption date, which is February 1, 2013. Hence, the 2003 Bonds have been legally defeased.

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

The City acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding and not legally defeased as of September 30, 2009 was \$781,735,000 for the 2007 Bonds.

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Loans and capital leases:					
Florida Municipal Loan Council Loans	\$ 13,245,000	\$ -	\$ 275,000	\$12,970,000	\$ 285,000
CRA Bond Series 2006	2,481,381	-	148,276	2,333,105	159,785
Notes payable	1,634,257	-	289,840	1,344,417	311,332
Trust for Public Land	250,000	-	250,000	-	-
Due to Miami-Dade County	155,115	-	-	155,115	155,115
Capital leases	526,391	538,493	320,788	744,096	271,348
Compensated absences*	1,384,441	524,441	452,987	1,455,895	-
Governmental activity long-term Liabilities	<u>\$19,676,585</u>	<u>\$ 1,062,934</u>	<u>\$ 1,736,891</u>	<u>\$19,002,628</u>	<u>\$ 1,182,580</u>

*Compensated absences are typically paid from the general fund.

G. COMMITMENTS AND CONTINGENCIES

Agreement with South Miami Hospital Foundation

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

G. COMMITMENTS AND CONTINGENCIES (continued)

Lawsuits

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

The prior City Manager is currently suing Commission Valerie Newman and the City for injunctive relief due to alleging charter violations that caused him to fear for his employment. The prior City Manager is seeking damages for back pay and front pay for breach of contract and a whistleblowers claim. No trial date has been set and the potential liability to the City is unknown at this time.

Employment Contract

During 2008, the city entered into an employment agreement with the new City Manager for a term of 5 years commencing on March 21, 2008. As per the agreement, in the event that the Commission terminates employment without "cause", the City shall pay the City Manager a lump sum cash payment equal to the City Manager's base salary for six months as a severance benefit in addition to insurance benefits from the effective date of termination for a period equal in time to the basis of the severance benefit. In the event the City Manager terminates this Agreement or the Commission terminates "for cause", the City Manager shall not be entitled to severance benefits. On October 6, 2009 the City Manager was terminated. The City Manager was paid severance benefits but returned them to the City and filed a lawsuit against the City; refer to the Lawsuits section above.

Grants

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

Interlocal Cooperation Agreement with Miami-Dade County

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

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

G. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

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

On November 30, 2007, the City’s Pension Plan Board of Trustees filed an arbitration claim against Merrill Lynch claiming the Plan suffered damages as a result of numerous improper activities by Merrill Lynch. The case was settled on March 10, 2010. (See Note III-L Subsequent Events)

H. PARKING GARAGE AND RETAIL BUILDING JOINT PROJECT

Litigation Settlement and Lease Agreement

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

- (i) The MRP lease agreement dated March 5, 2002 would be cancelled and each party would release the other from any and all obligations there under and all claims of any kind and causes of action related in any manner to the cancelled lease agreement and/or related in any manner to the lawsuit bearing Case Number 03-07058-CA-24;
- (ii) The lawsuit would be dismissed with prejudice by MRP immediately upon the execution of the new Lease Agreement and the issuance of the building permit;
- (iii) The City would contribute \$1,000,000 towards the design and construction of the project and the City would receive credit for project costs expended; and
- (iv) The project would consist of 5 levels. Approximately 24,500 square feet of retail space and 380 parking spaces. The settlement provides MRP with no development approvals or promises of approval. The project must comply with all applicable regulations;
- (v) MRP would pay the city a minimum guaranteed rent equal to \$76,000 per year and a 12.5% of the annual gross parking revenue in excess of \$150,000;
- (vi) MRP would assume full responsibility for repaying the entire project financing less the City's share of \$1,000,000;
- (vii) The City authorized an additional \$2.5 million in project funding in addition to the \$8.5 million previously authorized to cover increased costs of construction;
- (viii) MRP guaranteed the cost of construction to complete the project. The debt service was required to be guaranteed by the Lease and Mark Richman's Property;

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

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

- (ix) MRP was required to complete construction and obtain a temporary or permanent certificate of occupancy no later than 18 months from the date of issuance of the building permit. In the event MRP fails to meet this deadline, MRP shall pay the city \$26,916 per month until the certificate(s) of occupancy are issued;
- (x) MRP agreed that it will not perform any site work that interferes with the operation of the existing city parking lot prior to dismissing the lawsuit referenced in this paragraph. The City and MRP agreed to join in a formal stay of Case Number 03-07058-CA-24 pending the execution of the Lease Agreement and the issuing of the building permit or the termination of the Agreement.

Note Receivable

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

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

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

Year ending September 30	
2010	162,403
2011	162,178
2012	163,469
2013	162,312
2014-2018	809,035
2019-2023	808,363
2024-2028	811,120
2029-2032	638,977
	<u>\$3,717,856</u>

I. EMPLOYEE RETIREMENT SYSTEMS

Plan Description

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

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

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

I. EMPLOYEE RETIREMENT SYSTEMS (continued)

Eligibility

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

Vesting

Benefits are fully vested after 10 years of continuous service.

Benefits

Normal retirement – General employees who retire at or after age 55 and completion of 10 years of credited service are entitled to a retirement benefits ranging from 2.5% to 2.75% of Final Monthly Compensation (FMC) times years of credited service. Police officers who retire at or after age 60 and completion of 10 years of credited service or completion of 25 years of credited service regardless of age are entitled to the same retirement benefits as the general employees with a retirement benefit percentages ranging from 2.0% to 3.0% of FMC times years of service.

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

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

Early retirement - Benefits shall be based upon FMC and credited service as of early retirement date, reduced 6% (3% for Police Officers) 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 for disability benefits. Benefits for disability retirement will be based on final monthly compensation (FMC) and credited service as of the date of disability, actuarially reduced as for early retirement.

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

Funding Policy

The employer's annual required contributions are determined as part of the by actuarial valuations and are, together with earnings and employee contributions, sufficient to fund benefits described above. However, should the City contribution be actuarially determined to exceed 15.7% of payroll (16.5% for Police Officers), both the City and the employees will share equally in such excess. Based on the actuarial valuation, employees other than police officers were required to contribute 9.5% of their salaries while police officers contributed 12.2% to the Plan during fiscal year 2009.

Summary of Significant Accounting Policies

The City's defined benefit pension plan for both general and police employees, utilizes the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

I. EMPLOYEE RETIREMENT SYSTEMS (continued)

contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

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

Annual Pension Cost and Net Pension Obligation

The annual required contributions for the current year were determined as part of the October 1, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases between 4.5-7.5% per year including an inflation component of 4% (c) amortization method used is, level payment closed, the amortization period is 25 years. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using five year smoothed market.

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

	General Employees	Police
Annual required contribution	\$ 389,512	\$ 454,219
Interest on net pension asset	(2,589)	(1,543)
Adjustment to annual required asset	2,172	1,182
Annual pension cost	389,095	453,858
Contributions made	(389,512)	(413,154)
Increase (decrease) in net pension obligation	(417)	40,704
Net pension (asset), beginning of year	(32,363)	18,495
Net pension (asset)/obligation, end of year	\$ (32,780)	\$ 59,199

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

I. EMPLOYEE RETIREMENT SYSTEMS (continued)

Three-Year Trend Information

General Employees

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset)</u>
9/30/2009	389,095	100%	(32,780)
9/30/2008	349,871	100%	(32,363)
9/30/2007	365,127	100%	(31,900)

Police Officers

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset)/Obligation</u>
9/30/2009	453,858	91%	59,199
9/30/2008	418,476	91%	18,495
9/30/2007	428,049	100%	(18,909)

The schedule of funding progress for the postemployment defined benefit plan 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 relative to the actuarial accrued liability for benefits over time.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Litigation

On November 30, 2007, the City's Pension Plan Board of Trustees filed an arbitration claim against Merrill Lynch claiming the Plan suffered damages as a result of numerous improper activities by Merrill Lynch. The case was settled on March 10, 2010. The City's Pension Plan will receive net proceeds of \$65,697, net of litigation and attorney fees of \$49,303. See subsequent events note below.

J. DEFINED CONTRIBUTION PLANS

South Miami Police Officers' Retirement Trust Fund

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

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

The City of South Miami 401(a) Money Purchase Plan is a defined contribution plan established by the City to

City of South Miami Florida
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

J. DEFINED CONTRIBUTION PLANS (continued)

provide benefits at retirement for certain employees of upper management. At ySeptember 30, 2009, there were four plan members, the City Manager, the Police Major, the Finance Director and the Building Director. The City Commission executed a resolution to contribute on behalf of each participant up to 7% of earnings for the plan year. Participants are permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Commission.

The plan assets are administered by ICMA Retirement Corp. The City does not exercise any control over the plan assets. Contributions were approximately \$42,687 for the fiscal year ended September 30, 2009.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance. The City has not had a significant reduction in insurance coverage from coverage in the prior year by major categories of risk, and settled claims have not exceeded the City's retention and excess coverage in force for each of the past three years.

L. SUBSEQUENT EVENTS

On March 10, 2010 the City's Pension Plan settled the case against Merrill Lynch. The City's Pension Plan will receive net proceeds of \$65,697, net of litigation and attorney fees of \$49,303.

In March 2010, the City Commission adopted a Resolution approving the filling of a funding application with the Miami-Dade Metropolitan Planning Organization for Transportation Enhancement Program for fiscal year 2014 in the amount of \$1,000,000 with a 10% matching.

In February 2008 the City was contacted by representatives of the Florida Municipal Loan Council regarding the SEC's investigation on the Florida Municipal Loan Council Bond underwritings used to fund the construction of the City of South Miami Hometown District parking garage. The SEC is investigating whether the parking garage project is properly treated as a tax exempt project. Management has approached the IRS and is in the Tax Exempt Bonds Voluntary Compliance Program. Management is unable to provide measurable loss information or definitive information if the IRS is expected to pursue the City for loss of income tax on the tax exempt bonds. Miami-Dade County's Property Appraisers Office has informed the City that they have determined that the parking garage property is taxable and will be assessing the property during fiscal year 2010 for taxes. Furthermore, the County's Property Appraiser's Office, at this time, has not informed or suggested to the City that they will be pursuing the City for prior years property taxes. Management anticipates to incur costs related to attorney fees for bond counsel, financial advisor fee and re-financing closing fees. Other fees may be required but are unknown to the City at this time. The City is looking at the options related to insurance claims and professional malpractice suits.

REQUIRED SUPPLEMENTARY INFORMATION

City of South Miami, Florida
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Ad Valorem	\$ 7,733,073	\$ 7,135,565	\$ 7,534,743	\$ 399,178
Utility taxes	1,830,395	1,830,395	2,091,674	261,279
Business taxes	531,500	531,500	580,583	49,083
Franchise fees	1,033,000	1,033,000	1,197,171	164,171
Licenses and permits	968,500	460,000	495,127	35,127
Intergovernmental	1,191,710	1,191,710	1,266,286	74,576
Charges for services	2,591,560	2,503,076	3,063,079	560,003
Fines and forfeitures	265,000	187,879	206,637	18,758
Investment earnings	225,000	225,000	193,148	(31,852)
Other	1,022,507	1,022,507	1,110,540	88,033
Total Revenues	<u>17,392,245</u>	<u>16,120,632</u>	<u>17,738,988</u>	<u>1,618,356</u>
EXPENDITURES:				
Current:				
General government:				
City commission	97,543	94,808	82,113	12,695
City manager	1,961,400	1,925,716	1,846,788	78,928
City clerk	183,581	239,782	224,988	14,794
Legal	412,000	412,000	335,617	76,383
Finance	1,778,553	1,521,373	1,421,738	99,635
Building, zoning and community development	885,133	867,523	832,313	35,210
Total general government	<u>5,318,210</u>	<u>5,061,202</u>	<u>4,743,557</u>	<u>317,645</u>
Public safety:				
Police	4,752,789	4,572,658	4,619,929	(47,271)
Public works	5,125,461	4,886,518	4,971,623	(85,105)
Culture and recreation	1,180,328	1,088,808	1,003,840	84,968
Non-departmental	2,781,521	2,984,287	2,459,391	524,896
Total Expenditures	<u>19,158,309</u>	<u>18,593,473</u>	<u>17,798,340</u>	<u>795,133</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(1,766,064)	(2,472,841)	(59,352)	2,413,489
OTHER FINANCING SOURCES (USES):				
Transfers	365,000	365,000	641,980	276,980
Issuance of debt	-	-	-	-
Proceeds from issuance of capital leases	-	-	538,493	538,493
Total Other Financing Sources (Uses)	<u>365,000</u>	<u>365,000</u>	<u>1,180,473</u>	<u>815,473</u>
Change before fund balance appropriations	(1,401,064)	(2,107,841)	1,121,121	3,228,962
Fund balance appropriations	1,401,064	2,107,841	(1,121,121)	
Net change	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

City of South Miami, Florida
 Budgetary Comparison Schedule
 Community Redevelopment Agency
 For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Ad valorem	\$ 1,516,771	\$ 1,516,771	\$ 1,516,620	\$ (151)
Intergovernmental	-	-	-	-
Investment earnings	11,500	11,500	8,429	(3,071)
Other	100,000	100,000	44,893	(55,107)
Total Revenues	1,628,271	1,628,271	1,569,942	(58,329)
Expenditures:				
Current:				
General government	285,476	285,476	291,725	(6,249)
Community redevelopment	2,630,319	2,630,319	1,083,424	1,546,895
Total Expenditures	2,915,795	2,915,795	1,375,149	1,540,646
Excess (deficiency) of revenues over expenditures before other financing uses	(1,287,524)	(1,287,524)	194,793	1,482,317
Other financing sources (uses):				
Issuance of debt	-	-	-	-
Transfers	(231,805)	(231,805)	(391,980)	(160,175)
Total Other Financing (Uses)	(231,805)	(231,805)	(391,980)	(160,175)
Change before fund balance appropriations	(1,519,329)	(1,519,329)	(197,187)	1,322,142
Fund balance appropriations	1,519,329	1,519,329	-	
Net change	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (197,187)</u>	

City of South Miami Florida
Notes to Budgetary Comparison Schedules
Fiscal Year Ended September 30, 2009

Note 1: Budgets and Budgetary Accounting

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

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

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

Note 2: Excess of expenditures over appropriations

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

For the year ended September 30, 2009, expenditures exceeded appropriations in the Police and Public Works departments (the legal level of budgetary control) of the general fund by \$47,271 and \$85,105, respectively. These over expenditures were caused by capital outlays for the purchase of four police cars, a street sweeper, a dump truck, a side loader and a Ford F-250 and funded through the issuance of the lease and purchase agreement with the First National Bank (See Note III-E). The purchase was approved by the Commissioners but a budget amendment was never made.

City of South Miami Florida
Notes to Budgetary Comparison Schedules
Fiscal Year Ended September 30, 2009

Note 3: Budget/GAAP Reconciliation

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

	<u>General Fund</u>	<u>Community Redevelopment Agency Fund</u>
Net change in fund balance - actual amounts - budgetary basis - as reported on the budgetary comparison schedule (Page 45)	\$ 1,121,121	\$ (197,187)
Differences - budget to GAAP:		
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes		
Encumbrances outstanding in 2008 (as reported)	(708,127)	(307,257)
Encumbrances outstanding in 2009	301,557	79,502
Net change in fund balance - GAAP basis - as reported on the statement of revenues, expenditures and changes in fund balances governmental funds (Page 14)	\$ 714,551	\$ (424,942)

City of South Miami Florida
Required Supplementary Information
Schedule of Funding Progress
September 30, 2009

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)- Frozen Initial Liability	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a) / (b)	(c) Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a) / (c)
GENERAL EMPLOYEES' PENSION PLAN						
10/1/2009	9,957,659	13,727,750	3,770,091	72.50%	4,436,444	85.00%
10/1/2008	9,237,641	11,331,288	2,093,647	81.50%	3,346,534	62.60%
10/1/2007	8,534,387	10,652,651	2,118,264	80.10%	3,192,696	66.30%
10/1/2006	7,498,093	10,019,348	2,521,255	74.80%	3,027,386	83.30%
10/1/2005	6,862,355	8,623,741	1,761,386	79.60%	2,602,280	67.70%
10/1/2004	6,334,549	8,001,397	1,666,848	79.20%	2,458,544	67.80%
10/1/2003	5,955,253	7,088,668	1,133,415	84.00%	2,268,758	50.00%
10/1/2002	5,185,652	6,548,071	1,362,419	79.20%	2,600,201	52.40%
POLICE OFFICERS PENSION PLAN						
10/1/2009	11,648,372	16,050,973	4,402,601	72.60%	3,183,318	138.30%
10/1/2008	11,047,956	14,524,122	3,476,166	76.10%	2,857,555	121.60%
10/1/2007	10,206,758	13,475,809	3,269,051	75.70%	3,172,573	103.00%
10/1/2006	8,884,898	12,446,060	3,561,162	71.40%	3,011,503	118.30%
10/1/2005	8,087,213	10,416,669	2,329,456	77.60%	2,470,775	94.30%
10/1/2004	7,358,738	10,163,721	2,804,983	72.40%	2,849,357	98.40%
10/1/2003	6,732,468	9,227,670	2,495,202	73.00%	3,350,992	74.50%
10/1/2002	6,032,513	7,750,885	1,718,372	77.80%	3,198,240	53.70%

City of South Miami Florida
Required Supplementary Information
Schedule of Funding Progress
September 30, 2009

<u>Fiscal Year</u>	<u>(A) Annual Required Contributions</u>	<u>Total Employer Contributions</u>	<u>(B) Percentage Contributed</u>
GENERAL EMPLOYEES			
2009	389,512	389,512	100%
2008	350,334	350,334	100%
2007	365,630	365,630	100%
2006	307,422	307,422	100%
2005	415,027	415,027	100%
2004	316,403	316,403	100%
POLICE OFFICERS			
2009	454,219	413,154	91%
2008	418,852	381,072	91%
2007	428,438	428,438	100%
2006	324,613	324,613	100%
2005	502,203	502,203	100%
2004	441,036	441,036	100%

(A) Actuarially determined contribution requirements.

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

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

	<u>GENERAL EMPLOYEES' PENSION PLAN</u>	<u>POLICE OFFICERS PENSION PLAN</u>
Contribution Rate:		
City	15.7%	16.50%
State	0.0%	1.20%
Member	9.5%	12.20%
Valuation date	10/1/2009	10/1/2009
Annual pension cost	694,396	562,235
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, closed	Level percent of pay, closed
Remaining amortization period	23 Years	28 Years
Asset valuation method	Five year smoothed market	Five year smoothed market
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases*	4.5% - 7.5%	4.0% - 7.0%
Cost of living adjustments	3.00%	3.00%
*Includes inflation at	4.00%	4.00%

COMBINING INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

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

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

City of South Miami, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

	Special Revenue									
	Revolving Trust	Sylva Martin Trust	Hurricane	Stormwater Drain Trust	Local Option Gas Tax	Community Development Block Grant	Peoples Transportation Tax Fund	Federal Forfeiture	State Forfeiture	Total Nonmajor Governmental Funds
Assets										
Cash	\$ 2,391	\$ 14,022	\$ 310,926	\$ 1,366,343	\$ 132,046	\$ -	\$ 85,811	\$ 112,769	\$ 65,876	\$ 2,090,184
Accounts receivable	-	24	-	95,582	6,177	8,949	67,454	-	-	178,186
Due from other funds	-	-	22,439	151,809	126,433	105,648	316,521	81,443	-	804,293
Total Assets	\$ 2,391	\$ 14,046	\$ 333,365	\$ 1,613,734	\$ 264,656	\$ 114,597	\$ 469,786	\$ 194,212	\$ 65,876	\$ 3,072,663
Liabilities										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 25,840	\$ -	\$ 26,257	\$ 1,018	\$ -	\$ -	\$ 53,115
Due to other funds	-	83	151,928	1,239,451	-	101,727	-	-	31,019	1,524,208
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	83	151,928	1,265,291	-	127,984	1,018	-	31,019	1,577,323
Fund balances:										
Reserved for:										
Encumbrances	-	-	-	30,918	-	7,496	118,201	4,147	-	160,762
Public safety	-	-	-	-	-	-	-	190,065	34,857	224,922
Capital projects/ transportation	-	-	181,437	317,525	264,656	-	350,567	-	-	1,114,185
Unreserved, undesignated	2,391	13,963	-	-	-	(20,883)	-	-	-	(4,529)
Total Fund Balances	2,391	13,963	181,437	348,443	264,656	(13,387)	468,768	194,212	34,857	1,495,340
Total Liabilities and Fund Balances	\$ 2,391	\$ 14,046	\$ 333,365	\$ 1,613,734	\$ 264,656	\$ 114,597	\$ 469,786	\$ 194,212	\$ 65,876	\$ 3,072,663

City of South Miami, Florida
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2009

	Special Revenue								Total Nonmajor Governmental Funds
	Revolving Trust	Sylva Martin Trust	Hurricane	Stormwater Drain Trust	Local Option Gas Tax	Community Development Block Grant	Peoples Transportation Tax Fund	Federal Forfeiture	
Revenues:									
Taxes									
Ad Valorem	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	418,871	64,754	212,630	302,782	-	999,037
Fines and forfeitures	-	-	-	-	-	-	108,915	9,978	118,893
Investment earnings	4	23	3,317	12,100	1,409	-	169	520	17,422
Other	-	-	-	-	-	924	2,400	-	3,324
Total Revenues	<u>4</u>	<u>23</u>	<u>3,317</u>	<u>430,971</u>	<u>66,163</u>	<u>213,554</u>	<u>302,782</u>	<u>111,484</u>	<u>1,138,676</u>
Expenditures									
Current:									
General government	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	15,188	-	-	15,188
Public safety	-	-	-	-	-	-	15,016	-	15,016
Public works	-	-	702	145,804	90,952	172,788	181,182	-	590,877
Debt service:									
Principal	-	-	-	29,161	-	-	14,946	-	44,538
Interest	-	-	-	1,660	-	-	626	-	2,286
Capital outlay	-	-	-	195,196	-	20,930	-	-	216,126
Total Expenditures	<u>-</u>	<u>-</u>	<u>702</u>	<u>371,821</u>	<u>90,952</u>	<u>208,906</u>	<u>181,182</u>	<u>30,588</u>	<u>884,031</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>4</u>	<u>23</u>	<u>2,615</u>	<u>59,150</u>	<u>(24,789)</u>	<u>4,648</u>	<u>121,600</u>	<u>80,896</u>	<u>254,645</u>
Other financing sources (uses)									
Capital leases	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	(250,000)	-	-	0	-	(250,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Net change in fund balance	4	23	2,615	(190,850)	(24,789)	4,648	121,600	80,896	4,645
Fund balances, beginning of year	2,387	13,940	178,822	539,293	289,445	(18,035)	347,168	113,316	1,490,695
Fund balances, end of year	<u>\$ 2,391</u>	<u>\$ 13,963</u>	<u>\$ 181,437</u>	<u>\$ 348,443</u>	<u>\$ 264,656</u>	<u>\$ (13,387)</u>	<u>\$ 468,768</u>	<u>\$ 194,212</u>	<u>\$ 1,495,340</u>

City of South Miami, Florida
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2009

	Stormwater Drain Trust Fund				Federal Forfeiture Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ 438,000	\$ 438,000	\$ 418,871	\$ (19,129)	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	108,915	108,915	108,915
Investment earnings	10,000	10,000	12,100	2,100	600	600	169	(431)
Other	-	-	-	-	-	2,400	2,400	2,400
Total Revenues	<u>448,000</u>	<u>448,000</u>	<u>430,971</u>	<u>(17,029)</u>	<u>600</u>	<u>600</u>	<u>111,484</u>	<u>110,884</u>
Expenditures:								
Current:								
Public safety:	-	-	-	-	35,444	35,444	34,735	709
Public works	226,252	415,552	213,439	202,113	-	-	-	-
Total Expenditures	<u>226,252</u>	<u>415,552</u>	<u>213,439</u>	<u>202,113</u>	<u>35,444</u>	<u>35,444</u>	<u>34,735</u>	<u>709</u>
Excess (deficiency) of revenues over expenditures before other financing uses	221,748	32,448	217,532	185,084	(34,844)	(34,844)	76,749	111,593
Other financing uses:								
Capital leases	-	-	-	-	-	-	-	-
Transfers	(250,000)	(250,000)	(250,000)	-	-	-	-	-
Total Other Financing (Uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(28,252)	(217,552)	(32,468)	<u>185,084</u>	(34,844)	(34,844)	76,749	<u>111,593</u>

(Continued)

City of South Miami, Florida
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2009

	Local Option Gas Tax Fund				Peoples Transportation Tax Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ 72,500	\$ 72,500	\$ 64,754	\$ (7,746)	\$ 345,500	\$ 345,500	\$ 302,782	\$ (42,718)
Fines and forfeitures	-	-	-	-	-	-	-	-
Investment earnings (losses)	4,000	4,000	1,409	(2,591)	6,000	6,000	(120)	(6,120)
Other	-	-	-	-	-	-	-	-
Total Revenues	<u>76,500</u>	<u>76,500</u>	<u>66,163</u>	<u>(10,337)</u>	<u>351,500</u>	<u>351,500</u>	<u>302,662</u>	<u>(48,838)</u>
Expenditures:								
Current:								
Public works	<u>126,500</u>	<u>126,500</u>	<u>15,126</u>	<u>111,374</u>	<u>495,500</u>	<u>495,500</u>	<u>198,589</u>	<u>296,911</u>
Net change in fund balances	(50,000)	(50,000)	51,037	<u>101,037</u>	(144,000)	(144,000)	104,073	<u>248,073</u>

TRUST AND AGENCY FUNDS

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

Pension Trust Fund

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

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

City of South Miami, Florida
Combining Statement of Net Assets
Fiduciary Funds
September 30, 2009

	General Employees Pension Fund	Police Pension Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1,060,281	\$ 1,222,676	\$ 2,282,957
Investments, at fair value			
Common stocks	3,153,338	3,636,310	6,789,648
U.S. Government securities	1,369,495	1,579,250	2,948,745
Corporate obligations	1,236,906	1,426,352	2,663,258
International equity	280,558	323,528	604,086
Mutual funds	1,596,008	1,840,456	3,436,464
Total investments	<u>7,636,305</u>	<u>8,805,896</u>	<u>16,442,201</u>
Receivables:			
Employer	-	3,285	3,285
Dividends and interest	32,327	37,278	69,605
South Miami Police Officers' Retirement Plan	-	37,780	37,780
Total receivables	<u>32,327</u>	<u>78,343</u>	<u>110,670</u>
Total assets	<u>8,728,913</u>	<u>10,106,915</u>	<u>18,835,828</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 9,405,234</u>	<u>\$ 9,430,594</u>	<u>\$ 18,835,828</u>

City of South Miami, Florida
Combining Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended September 30, 2009

	General Employees Pension Fund	Police Pension Fund	Total
ADDITIONS:			
Contributions:			
Employer	\$ 389,512	\$ 413,154	\$ 802,666
Employees	442,782	369,596	812,378
Total Contributions	<u>832,294</u>	<u>782,750</u>	<u>1,615,044</u>
Investment income:			
Net decrease in fair value of investments	2,102,935	(1,820,203)	282,732
Interest and dividend income	132,671	386,382	519,053
Total investment income	<u>2,235,606</u>	<u>(1,433,821)</u>	<u>801,785</u>
Less investment expenses	(42,995)	(59,320)	(102,315)
Net investment income	<u>2,192,611</u>	<u>(1,493,141)</u>	<u>699,470</u>
Total Additions	<u>3,024,905</u>	<u>(710,391)</u>	<u>2,314,514</u>
DEDUCTIONS:			
Benefits paid	400,311	329,999	730,310
Refunds of contributions	(18,320)	52,718	34,398
Administrative expenses	60,160	41,269	101,429
Total Deductions	<u>442,151</u>	<u>423,986</u>	<u>866,137</u>
Changes in net assets	<u>2,582,754</u>	<u>(1,134,377)</u>	<u>1,448,377</u>
Net assets - beginning of year	<u>6,822,480</u>	<u>10,564,971</u>	<u>17,387,451</u>
Net assets - end of year	<u>\$ 9,405,234</u>	<u>\$ 9,430,594</u>	<u>\$ 18,835,828</u>

III. STATISTICAL SECTION

CITY OF SOUTH MIAMI, FLORIDA

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 6,983	\$ 9,139	\$ 10,604	\$ 14,302	\$ 16,694	\$ 21,871	\$ 40,258
Restricted	7,817	6,849	6,255	4,165	4,304	4,249	4,692
Unrestricted	<u>2,081</u>	<u>4,117</u>	<u>5,492</u>	<u>7,661</u>	<u>10,003</u>	<u>9,167</u>	<u>(7,433)</u>
Total governmental activities net assets	<u><u>\$ 16,881</u></u>	<u><u>\$ 20,105</u></u>	<u><u>\$ 22,351</u></u>	<u><u>\$ 26,128</u></u>	<u><u>\$ 31,001</u></u>	<u><u>\$ 35,287</u></u>	<u><u>\$ 37,517</u></u>

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

CITY OF SOUTH MIAMI, FLORIDA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
EXPENSES							
Governmental activities:							
General government	\$ 4,847	\$ 3,737	\$ 5,828	5,868	6,970	8,155	8,413
Public safety	4,990	4,446	4,386	4,280	4,554	4,410	4,523
Public works	2,821	3,541	5,258	5,909	5,014	4,535	4,342
Culture and recreation	1,399	1,222	1,231	1,366	861	1,021	1,037
Non-departmental	-	1,182	-			-	-
Interest on long-term debt	380	416	531	613	487	676	960
Total governmental activities	<u>14,437</u>	<u>14,544</u>	<u>17,234</u>	<u>18,036</u>	<u>17,886</u>	<u>18,797</u>	<u>19,275</u>
PROGRAM REVENUES							
Governmental activities:							
Charges for services:							
General government	1,831	3,312	3,336	3,036	2,200	3,952	3,584
Public safety	2,513	404	304	748	457	459	407
Public works	346	372	326	316	343	399	466
Culture and recreation	105	272	279	161	182	1,229	296
Operating and capital grants and contributions	4,194	1,856	3,931	4,526	4,458	3,288	2,266
Total governmental activities program revenues	<u>8,989</u>	<u>6,216</u>	<u>8,176</u>	<u>8,787</u>	<u>7,640</u>	<u>9,327</u>	<u>7,019</u>
Net (expense)/revenue							
Governmental activities	\$ (5,448)	\$ (8,328)	\$ (9,058)	\$ (9,249)	\$ (10,246)	\$ (9,470)	\$ (12,256)
Total primary government net expenses	<u>\$ (5,448)</u>	<u>\$ (8,328)</u>	<u>\$ (9,058)</u>	<u>\$ (9,249)</u>	<u>\$ (10,246)</u>	<u>\$ (9,470)</u>	<u>\$ (12,256)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	4,817	6,632	7,238	8,170	8,876	8,104	9,051
Utility taxes	1,718	1,645	1,633	1,776	1,829	1,965	2,092
Franchise fees on gross receipts	730	815	813	1,008	1,116	1,116	1,197
Business Taxes	-	-	-	-	553	552	581
Intergovernmental (unrestricted)	2,427	1,992	1,245	1,310	1,297	1,282	1,200
Investment income	158	249	375	594	809	396	226
Miscellaneous	-	-	-	168	524	341	139
Total governmental activities	<u>\$ 9,850</u>	<u>\$ 11,333</u>	<u>\$ 11,304</u>	<u>\$ 13,026</u>	<u>\$ 15,004</u>	<u>\$ 13,756</u>	<u>\$ 14,486</u>
Change in Net Assets							
Governmental activities	\$ 4,402	\$ 3,005	\$ 2,246	\$ 3,777	\$ 4,758	\$ 4,286	\$ 2,230
Total primary government	<u>\$ 4,402</u>	<u>\$ 3,005</u>	<u>\$ 2,246</u>	<u>\$ 3,777</u>	<u>\$ 4,758</u>	<u>\$ 4,286</u>	<u>\$ 2,230</u>

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

CITY OF SOUTH MIAMI, FLORIDA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS (1)
 (accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	Ad-Valorem Taxes General Purpose	Local Option Gas Tax	2nd Local Option Gas Tax	People's Transportation Tax	State Revenue Sharing Tax	Half Cent Sales tax	Franchise Taxes	Utility Taxes	Business Taxes(2)	Total
2003	4,818	202	84	204	300	628	730	1,686	-	8,652
2004	5,897	194	75	312	315	648	791	1,645	-	9,877
2005	6,457	191	72	324	353	662	813	1,634	-	10,506
2006	6,964	194	72	360	355	723	1,008	1,776	-	11,452
2007	7,304	184	69	351	359	705	1,116	1,829	-	11,917
2008	6,633	175	69	338	353	669	1,116	1,965	552	11,318
2009	7,535	164	66	303	16	655	1,197	2,092	581	12,609

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

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

CITY OF SOUTH MIAMI, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year										
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
General fund											
Reserved	\$ 535	\$ 452	\$ 1,884	\$ 6,558	\$ 6,258	\$ 6,288	\$ 5,130	\$ 5,720	\$ 6,476	\$ 6,476	\$ 4,462
Unreserved	<u>3,168</u>	<u>2,608</u>	<u>1,920</u>	<u>3,088</u>	<u>3,825</u>	<u>4,319</u>	<u>4,796</u>	<u>5,268</u>	<u>3,523</u>	<u>3,523</u>	<u>6,251</u>
Total general fund	<u>\$ 3,703</u>	<u>\$ 3,060</u>	<u>\$ 3,804</u>	<u>\$ 9,646</u>	<u>\$ 10,083</u>	<u>\$ 10,607</u>	<u>\$ 9,926</u>	<u>\$ 10,988</u>	<u>\$ 9,999</u>	<u>\$ 9,999</u>	<u>\$ 10,713</u>
All other governmental funds											
Reserved	\$ 32	\$ 639	\$ 344	\$ 1,358	\$ 1,494	\$ 1,705	\$ 1,854	\$ 1,986	\$ 2,313	\$ 2,313	\$ 1,921
Unreserved, reported in:											
Special revenue funds	464	364	460	130	607	579	750	2,612	2,460	2,460	2,471
Debt service funds	-	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 496</u>	<u>\$ 1,003</u>	<u>\$ 804</u>	<u>\$ 1,488</u>	<u>\$ 2,101</u>	<u>\$ 2,284</u>	<u>\$ 2,604</u>	<u>\$ 4,598</u>	<u>\$ 4,773</u>	<u>\$ 4,773</u>	<u>\$ 4,392</u>

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

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES										
Taxes and franchise fees	\$ 4,119	\$ 4,981	\$ 5,277	\$ 5,547	\$ 7,423	\$ 8,050	\$ 9,178	\$ 9,992	\$ 9,772	\$ 10,829
Charges for services	1,788	1,618	1,819	2,276	2,332	2,352	2,532	2,197	2,818	3,063
Utility taxes	2,046	2,131	2,510	1,718	1,669	1,634	1,776	1,829	1,965	2,092
Intergovernmental	2,454	1,462	3,856	2,427	1,992	5,176	5,686	5,593	4,419	3,315
Development fees - Shops at Sunset	-	-	-	-	-	-	-	-	-	-
Licenses and permits	654	646	695	1,163	1,285	1,101	1,202	1,102	1,137	495
Fines and forfeitures	432	539	282	763	355	304	442	349	330	326
Interest	263	277	160	158	248	375	594	809	396	226
Grants	-	-	-	3,964	1,856	-	-	-	-	-
Miscellaneous	637	643	437	824	389	488	403	774	2,246	1,159
Total revenues	<u>12,393</u>	<u>12,297</u>	<u>15,036</u>	<u>18,840</u>	<u>17,549</u>	<u>19,480</u>	<u>21,813</u>	<u>22,645</u>	<u>23,083</u>	<u>21,505</u>
EXPENDITURES										
General government	5,496	5,064	5,190	4,768	3,598	5,648	5,745	6,660	7,238	6,759
Public safety	4,529	4,812	4,872	4,877	4,281	4,270	4,194	4,253	4,332	4,358
Public works	1,342	1,564	1,604	2,490	3,116	4,660	5,409	5,109	5,284	5,100
Program expenditures	-	175	1,226	-	-	-	-	-	-	-
Culture and recreation	815	858	940	1,297	1,176	1,199	1,339	837	977	979
Non-departmental	-	-	-	-	1,138	-	-	-	-	-
Debt service:										
Principal retirement	23	168	800	326	533	391	612	2,183	2,444	1,284
Interest and fiscal charges	8	62	149	382	418	538	614	614	920	909
Capital outlay:										
General government	48	1,146	1,759	4,965	2,363	3,032	7,538	8,827	4,654	2,320
Total expenditures	<u>12,261</u>	<u>13,849</u>	<u>16,540</u>	<u>19,105</u>	<u>16,623</u>	<u>19,738</u>	<u>25,451</u>	<u>28,483</u>	<u>25,849</u>	<u>21,709</u>
Excess(deficiency) of revenues over expenditures	132	(1,552)	(1,504)	(265)	926	(258)	(3,638)	(5,838)	(2,766)	(204)
Other financing (uses) sources:										
Transfers in	153	856	327	6,858	-	-	-	-	-	-
Transfers out	(178)	(856)	(337)	(419)	-	-	-	-	-	-
Proceeds from note payable and contingencies	-	650	2,200	-	-	-	-	8,360	1,000	-
Proceeds from capital lease	-	912	-	20	547	233	314	319	953	538
Proceeds from bond	-	-	-	-	-	728	2,963	-	-	-
Total other financing sources (uses)	<u>(25)</u>	<u>1,562</u>	<u>2,190</u>	<u>6,459</u>	<u>547</u>	<u>961</u>	<u>3,277</u>	<u>8,679</u>	<u>1,953</u>	<u>538</u>
Net change in fund balances	<u>\$ 107</u>	<u>\$ 10</u>	<u>\$ 686</u>	<u>\$ 6,194</u>	<u>\$ 1,473</u>	<u>\$ 703</u>	<u>\$ (361)</u>	<u>\$ 2,841</u>	<u>\$ (813)</u>	<u>\$ 334</u>
Debt service as a percentage of noncapital expenditures	0.3%	1.8%	6.9%	5.3%	7.1%	5.9%	7.3%	16.6%	18.9%	12.8%

CITY OF SOUTH MIAMI, FLORIDA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS (*)
 (modified accrual basis of accounting)
 (amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Ad-Valorem Taxes General Purpose</u>	<u>Local Option Gas Tax</u>	<u>2nd Local Option Gas Tax (1)</u>	<u>People's Transportation Tax (1)</u>	<u>State Revenue Sharing Tax</u>	<u>Cigarette Tax</u>	<u>Half Cent Sales tax</u>	<u>Franchise Taxes(2)</u>	<u>Utility Taxes</u>	<u>Business Taxes(3)</u>	<u>Total</u>
2000	4,119	193	-	-	293	9	615	-	2,046	-	7,275
2001	4,308	197	-	-	293	-	633	-	2,131	-	7,562
2002	4,610	198	-	-	302	-	625	-	2,511	-	8,246
2003	4,818	202	84	204	300	-	628	730	1,686	-	8,652
2004	5,897	194	75	312	315	-	648	791	1,645	-	9,877
2005	6,457	191	72	324	353	-	662	813	1,634	-	10,506
2006	6,964	194	72	360	355	-	723	1,008	1,776	-	11,452
2007	7,304	184	69	351	359	-	705	1,116	1,829	-	11,917
2008	6,633	175	69	338	353	-	669	1,116	1,965	552	13,878
2009	7,535	164	66	303	16	-	655	1,197	2,092	581	12,609

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

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

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

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

Fiscal Year	Real Property	Personal Property	Net Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Net assessed Value as a Percentage of Estimated Actual Value (1)
2000	688,584	91,808	780,392	6.373	780,392	100.00%
2001	723,957	90,942	814,899	6.373	814,899	100.00%
2002	733,156	85,367	818,523	6.373	818,523	100.00%
2003	798,292	81,734	880,026	7.873	880,026	100.00%
2004	919,791	83,712	1,003,503	7.373	1,003,503	100.00%
2005	1,125,391	86,708	1,212,099	7.213	1,212,099	100.00%
2006	1,363,371	82,658	1,446,029	6.681	1,446,029	100.00%
2007	1,578,948	86,150	1,665,098	4.818	1,665,098	100.00%
2008	1,621,815	69,137	1,690,952	5.279	1,690,952	100.00%
2009	1,455,867	78,411	1,534,278	5.279	1,534,278	100.00%

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

(1) Includes tax-exempt property.

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

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

Fiscal Year	Total City Operations	Overlapping Rates		Total City Wide
		Miami-Dade County Operations	Miami-Dade County Schools	
2000	6.373	10.4390	9.6440	26.4560
2001	6.373	10.3020	9.6170	26.2920
2002	6.373	10.2040	9.3760	25.9530
2003	7.873	10.3416	9.2520	27.4666
2004	7.373	10.6370	9.1000	27.1100
2005	7.213	10.5440	8.6900	26.4470
2006	6.681	10.4313	7.4400	24.5523
2007	4.818	8.5783	7.9480	21.3443
2008	5.279	8.8119	7.7970	21.8879
2009	4.953	8.8907	7.9950	21.8383

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

Additional information:

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

Tax rate limits:

City 10.000 Mills
County 10.000 Mills
SFWMD* 1.000 Mills

Source: Miami-Dade County
 Department of Property Appraisal

*South Florida Water Management District

CITY OF SOUTH MIAMI, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts expressed in thousands)

2009				2000			
Taxpayer	Assessed Valuation	Rank	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Rank	Percentage Total Assessed Valuation
Bakery Associates, Ltd.	96,000	1	6.3%	Bakery Associates, Ltd.	120,000	1	15.4%
South Miami Corp.	27,246	2	1.8%	Advance Dev. Corp.	10,230	2	1.3%
Valencia South Miami LLC	22,754	3	1.5%	America's Capital Partners	7,500	3	1.0%
S. Miami Hospital Dev Fund Inc	18,800	4	1.2%	Sunset Associates, Ltd.	5,880	4	0.8%
J.W. Advance Development Corp.	17,929	5	1.2%	KIMCO South Miami	5,300	5	0.7%
Kimco South Miami 634 Inc.	14,908	6	1.0%	A. Grover Matheney	4,151	6	0.5%
Capstone Capital Trust Inc.	14,204	7	0.9%	South Miami Corp.	3,788	7	0.5%
Promed Sunset LLC	13,056	8	0.9%	Doctor's Hospital	3,519	8	0.5%
John Hancock-Gannon Joint Venture	12,305	9	0.8%	Larkin Community Hospital, Inc.	3,519	9	0.5%
5850 SW 73 Street LLC	11,343	10	0.7%	John Hancock-Gannon Joint Venture	2,225	10	0.3%
	<u>\$ 248,545</u>		<u>16.3%</u>		<u>\$ 166,112</u>		<u>21.3%</u>

Sources: Miami-Dade County Tax Assessors' Office
2009 Tax Roll
Real/personal property adjusted taxable value of \$1,527,440

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

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
2000	4,668	4,054	86.8%	46	4,100	87.8%
2001	4,834	4,182	86.5%	31	4,213	87.2%
2002	5,072	4,521	89.1%	86	4,607	90.8%
2003	5,259	4,737	90.1%	76	4,813	91.5%
2004	6,489	5,718	88.1%	174	5,892	90.8%
2005	7,033	6,402	91.0%	49	6,451	91.7%
2006	7,936	6,886	86.8%	64	6,950	87.6%
2007	8,367	7,185	85.9%	92	7,277	87.0%
2008	7,764	6,582	84.8%	42	6,624	85.3%
2009	8,616	7,535	87.5%	54	7,589	88.1%

Source: Miami Dade County Tax Collector's Office

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

Discounts Allowed:

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

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			<u>Total Primary Government</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
	<u>General Obligation Bonds</u>	<u>Mortgage & Note Payable</u>	<u>Capital Leases</u>	<u>Sewer Bonds</u>	<u>Notes Payable</u>	<u>Capital Leases</u>			
2000	-	47	-	-	-	-	47	0.09%	0.004
2001	-	797	595	-	-	-	1,392	2.40%	0.132
2002	8,751	148	487	-	-	-	9,386	15.54%	0.874
2003	8,555	99	319	-	-	-	8,973	14.32%	0.835
2004	8,415	139	503	-	-	-	9,057	13.98%	0.842
2005	8,270	863	511	-	-	-	9,644	13.68%	0.896
2006	8,115	3,432	608	-	-	-	12,155	16.31%	1.116
2007	16,133	1,850	645	-	-	-	18,628	23.25%	1.769
2008	15,727	1,884	526	-	-	-	18,137	21.09%	1.622
2009	15,303	1,344	744	-	-	-	17,391	20.23%	1.629

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

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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	8,751	-	8,751	1.07%	0.332
2003	8,555	140	8,415	0.96%	0.311
2004	8,415	150	8,265	0.82%	0.298
2005	8,270	155	8,115	0.67%	0.271
2006	8,115	160	7,955	0.55%	0.254
2007	16,133	165	15,968	0.96%	0.474
2008	15,727	275	15,452	0.91%	0.428
2009	15,303	229	15,074	0.98%	0.508

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 Count Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

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

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

CITY OF SOUTH MIAMI, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FISCAL YEAR ENDED SEPTEMBER 30, 2009
(amounts expressed in thousands)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Amount Applicable to South Miami</u>
Miami-Dade County Schools (2)	\$ 356,992	0.70%	\$ 2,499
Miami-Dade County (3)	<u>822,227</u>	0.70%	<u>5,756</u>
Subtotal overlapping debt	1,179,219		8,255
City of South Miami direct debt	<u>15,303</u>	100.00%	<u>15,303</u>
Total direct and overlapping debt	\$ 1,194,522		\$ 23,558

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

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

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

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

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit			132,004	136,522	150,526	181,814	216,904	249,765	253,643	229,116
Total net debt applicable to limit(1)	N/A	N/A	<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>
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>
Total net debt applicable to the limit as a percentage of debt limit	N/A	N/A	6.63%	6.27%	5.59%	4.55%	3.74%	6.46%	6.20%	6.68%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2008

Assessed valuation 2009 roll	<u>\$ 1,527,440</u>
Bonded debt limit- 15% of assessed value	\$ 229,116
Total ad valorem debt- General Obligation Bonds	\$ 15,303
Amount of debt applicable	<u>\$ 15,303</u>
Legal debt margin	<u><u>\$ 213,813</u></u>

(1) General Obligation Bonds were issued in 2002. In November 2006, the City through its Community Redevelopment Agency (CRA) issued \$2,730,000 of Taxable Redevelopment Bonds.

N/A Information not applicable.

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

Fiscal Year	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per capita Personal Income (2)	Median Age (3)	School Enrollment (4)	Unemployment rate (5)
2000	10,518	53,414	24,050	35.6	1,708	5.1
2001	10,518	57,922	25,622	35.6	1,708	6.1
2002	10,741	60,402	26,398	35.6	1,708	6.5
2003	10,741	62,665	27,050	35.6	1,708	5.9
2004	10,759	64,765	27,744	35.6	1,708	5.4
2005	10,768	70,514	29,955	37.4	1,708	4.5
2006	10,891	74,534	31,347	37.4	1,708	3.8
2007	10,528	80,112	33,712	37.8	6,123	3.8
2008	11,183	85,979	36,081	38.2	5,957	5.8
2009	10,678	85,979	29,689	40.7	5,701	11.8

Source: (1) Bestplaces.net/city/South_Miami
(2) U.S. Department of Commerce, Bureau of Economic Analysis & Bestplaces.net/city/South_Miami
(3) Bestplaces.net/city/South_Miami
(4) Miami-Dade County Public Schools Registrar's Office (does not include private schools)
(5) Bestplaces.net/city/South_Miami

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

<u>EMPLOYER</u>	<u>2009</u>			<u>2000</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>Percentage of Total County Employment</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>Percentage of Total County Employment</u>
Miami-Dade County Public Schools	50,000	1	4.27%	N/A	1	N/A
Miami-Dade County, Florida	32,000	2	2.73%	N/A	2	N/A
Federal Government	20,400	3	1.74%	N/A	3	N/A
Florida State Government	17,000	4	1.45%	N/A	4	N/A
Publix Super Markets	11,000	5	0.94%	N/A	5	N/A
Baptist Health South Florida	10,826	6	0.92%	N/A	6	N/A
Jackson Health System	10,500	7	0.90%	N/A	7	N/A
University of Miami	9,874	8	0.84%	N/A	8	N/A
American Airlines	9,000	9	0.77%	N/A	9	N/A
Miami-Dade College	6,500	10	0.55%	N/A	10	N/A
	<u>177,100</u>		<u>15.11%</u>	<u>-</u>		<u>0.00%</u>

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

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

	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30									
Function	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	15	16	17	17	17	17	20	27	29	30
Public safety										
Police										
Officers	60	64	56	51	46	49	49	51	45	49
Civilians	11	13	13	12	7	9	6	7	8	8
Building & Zoning	16	12	13	13	12	13	18	17	16	18
Public Works	17	17	14	16	21	19	24	26	25	24
Recreation & Social Services	24	22	23	26	32	32	25	9	15	14
Sanitation	<u>13</u>	<u>14</u>	<u>14</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
	<u>156</u>	<u>158</u>	<u>150</u>	<u>147</u>	<u>147</u>	<u>151</u>	<u>152</u>	<u>147</u>	<u>148</u>	<u>153</u>

Source: City of South Miami Finance Department

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police:										
Number of calls answered	12,900	12,828	12,631	11,185	10,973	11,005	11,526	11,136	10,655	11,274
Number of arrests	1,610	1,822	2,172	1,134	1,485	1,484	2,530	650	551	765
Number of uniformed officers	60	64	56	51	46	49	49	51	45	49
Building & Zoning:										
Number of building permits issued	1,277	1,388	1,317	1,294	1,742	1,754	1,927	1,629	1,350	1,158
License/Permit revenue generated	\$ 653,724	\$646,189	\$694,426	\$1,162,733	\$1,285,200	\$1,101,120	\$1,201,948	\$1,102,083	\$1,689,241	\$1,774,610
Occupational licenses issued	N/A	N/A	N/A	N/A	N/A	2,902	3,024	3,112	3,076	3,132
Culture and recreation										
Number of senior meals served	18,620	22,430	25,550	26,880	28,700	32,730	42,949	38,522	30,712	35,776
Recreation revenues collected	\$ 44,080	\$ 54,743	\$ 53,139	\$ 55,965	\$ 71,379	\$ 79,209	\$ 76,129	\$ 94,176	\$ 138,455	\$ 184,195
Sanitation										
Refuse collected (tons per month)	N/A	N/A	N/A	N/A	845	1,114	1,348	808	839	777

Sources: Various city departments

Note: Indicators are not available for the general government function.

N/A-information not available for these years

CITY OF SOUTH MIAMI, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public Safety										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	67	79	74	83	86	76	69	62	62	67
Public works										
Streets (Miles-paved)	47.41	47.41	47.41	47.41	47.41	47.41	47.41	47.41	47.41	46.80
Culture and recreation										
Parks	7	9	9	8	8	8	10	10	10	10
Tennis courts	N/A	N/A	N/A	N/A	N/A	N/A	10	10	10	10
Baseball/Football fields	N/A	N/A	N/A	N/A	N/A	N/A	6	7	7	7
Sanitation										
Number of collection trucks	12	12	14	15	19	15	18	15	14	14

Sources: Various city departments

N/A : Information not available

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

IV. COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the "City") as of and for the fiscal year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2010. Our report herein does not address their respective internal control. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider items No. 2009-1, 2008-1 thru 2008-4, 2007-1, and 2005-4 described in the accompanying schedule of findings and questioned costs and responses to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies listed above and described in the accompanying schedule of findings and questioned costs and responses, we consider items 2009-1, 2008-4 and 2007-1 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs and responses as items 2006-1, 2006-6, and 2005-1.

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

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Rodriguez, Trucba & Company

Doral, Florida
August 26, 2010



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the City), as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated August 26, 2010.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to Major State Projects and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those report and schedule, which are dated August 26, 2010, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The findings and recommendations made in the preceding annual financial audit report are addressed in the accompanying schedule of findings and questioned costs and responses.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. Our recommendations are included in the accompanying schedule of findings and questioned costs and responses.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, our recommendations are listed in the accompanying schedule of findings and questioned costs and responses.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors:
 - (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred

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- (2) control deficiencies that are not significant deficiencies, including, but not limited to;
 - (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements);
 - (b) failures to properly record financial transactions; and
 - (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed the following matters required to be disclosed by Rules of Auditor General under Current Year Findings and Recommendations 2009-1 and under Prior Year Findings and Recommendations: 2008-4 and 2007-1.

- 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, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures and no deteriorating financial conditions were noted. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the Mayor, City Council, management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Rodriguez Trueba & Company

Doral, Florida
August 26, 2010



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

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

Compliance

We have audited the compliance of the City of South Miami, Florida (the "City"), with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that are applicable to each of its major state projects for the fiscal year ended September 30, 2009. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the fiscal year ended September 30, 2009.

Internal Control Over Compliance

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

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

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs and response as item 2009-1 and 2008-4 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the City's internal control. We consider items 2009-1 and 2008-4 to be a material weaknesses.

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

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

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

Rodriguez Trueba & Company

Doral, Florida
August 26, 2010

City of South Miami, Florida
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2009

Federal/State Agency Program Pass-through Entity Federal Program	<u>CFDA CFSA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
<u>FEDERAL AGENCY NAME</u>			
U.S. Department of Justice			
Federal Forfeiture Program	16.000	N/A	\$ 30,588
TOTAL U.S. DEPT. OF JUSTICE			<u>30,588</u>
U.S. Department of Housing and Urban Development			
Indirect Program			
<i>Pass-through Miami Dade County OCED</i>			
FY 2008- Murray Park Swimming Pool Design Phase	14.218	CD534C09CI	77,819
FY 2008- SW 66th Street Improvements-Phase I	14.218	CD534C10CI	299,187
FY 2009 CDBG- SW 66th Street Improvements Phase II	14.218	CD535C09CI	6,486
FY 2009 CDBG-Murray Park Pool Construction	14.218	CD535C08CI	6,013
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>389,505</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>420,093</u>
<u>STATE AGENCY NAME</u>			
Florida Department of Environmental Protection			
Sunset Drive Drainage Improvement	37.039	LP6782	\$ 83,515
Stormwater Improvement	37.039	LP6781	13,485
Stormwater Improvement	37.039	LP8975	272,129
FRDAP Dison Property Acquisition	37.017	F7014	195,672
FRDAP Dante Fascell Park Improvements	37.017	A034	11,211
TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>576,012</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ <u>576,012</u>

City of South Miami, Florida
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2009

NOTE A – General

The Schedule of Expenditures of Federal Awards Programs and State Financial Assistance included herein represents all of the Federal grant awards and State projects of the City over which it exercised direct operating control for the year ended September 30, 2009.

NOTE B – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards Programs and State Financial Assistance is presented using the accrual basis of accounting and includes expenses incurred by the City during its fiscal year October 1, 2008 to September 30, 2009.

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

All Federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). However, federal grant expenditures did not exceed \$500,000 during the fiscal year ended September 30, 2009. Therefore, a Single Audit was not required for this year.

NOTE D – Findings of noncompliance

There were no current year findings of noncompliance. However, certain federal findings are still relevant from prior years. See finding 2009-1 and 2008-4 in the accompanying schedule of findings and questioned costs on internal control deficiencies related to major state projects and overall grant administration.

NOTE E – State and Local Awards

The City has been awarded State funds. State grant expenditures exceeded \$500,000 and a Florida Single Audit was required for the fiscal year ended September 30, 2009. The major programs are listed in Section I of the Schedule of Findings and Questioned Costs.

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

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended September 30, 2009

SECTION I -SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

State Financial Assistance

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Federal Program expenditures for the year ended September 30, 2009 were less than \$500,000. As a result, a Federal Single Audit was not required.	

<u>CSFA Number</u>	<u>Name of State Project</u>
37.039	Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualifies as low risk auditee?	N/A
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City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2009

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

NONE

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

2009-1 General Grant Administration and Controls

CONDITION:

Internal controls are not operating effectively to ensure compliance with requirements in accordance with applicable Federal Regulations and Florida Statutes.

CRITERIA:

The Federal Single Audit Act, OMB Circular A-133, Section 215.97(8), Florida Statutes, and The Florida Single Audit Act require auditors conducting audit of recipients or sub-recipients to obtain an understanding of internal controls, assess control risk and perform tests of controls. Additionally, auditors are to determine whether the entity has internal controls in place to provide reasonable assurance of compliance with the provisions of laws, regulations, and other rules, pertaining to the awards that have a material effect on the project.

CAUSE:

During our audit we noted that the City:

- Could not provide on a timely basis a schedule of expenditures of federal awards and state financial assistance.
- Once provided the schedule was incomplete and inaccurate.
- The City does not submit the reimbursement packages of allowable grant expenditures on a timely basis.

EFFECT:

When grant related controls are not in place or not implemented the City is running the risk of not complying with grant requirements and either losing available grant funding or having to return funds deemed to have been inappropriately spent.

QUESTIONED COSTS:

Unknown

RECOMMENDATION:

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

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The City is currently in transition related to the position of grant manager. With the restructuring of duties, updated finance and grants system and direct assistance from the Finance Department, management will accelerate reimbursement requests and improve on the documentation and reconciliation of the projects.

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal Year Ended September 30, 2009

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

The following is a summary of the September 30, 2008 recommendations, as communicated in the prior year that were not repeated in the current year recommendations, were not implemented or were only partially implemented by the City during the current year. All prior year recommendations that have been fully implemented were not repeated in this section.

PART IV

<u>Finding Number</u>	<u>Prior Years' Observation</u>	<u>Comment is Still Relevant</u>	<u>Comment is no Longer Relevant</u>
<u>A. PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>			
2008-1	Definition of a regular, full-time, permanent employee Retirement Plan Finding (as noted by other auditors)	X	
2008-2	1995 Opt Out Option Retirement Plan Finding (as noted by other auditors)	X	
2008-3	Hazardous Duty Pay excluded from pensionable compensation Retirement Plan Finding (as noted by other auditors)	X	
2007-1	Audit Journal Entries	X	
2006-1	Audited Financial Statements	X	
2006-3	Cash Disbursements		X
2006-6	Compliance with the City of South Miami's Charter	X	
2006-8	Accounting Policies and Procedures Manual		X
2005-1	Budgeting	X	
2005-4	Inventory Capital Assets	X	
<u>B. PRIOR YEAR FEDERAL AWARD FINDINGS</u>			
2008-4	Florida Department of Environmental Protection Grant Administration	X	See 2009-1
2007-4	CFDA #14.218 - U.S. Department of HUD -CDBG-Madison Square Project		X
2006-10	Waste Fee Reimbursement	X	

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2009

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

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

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

CONDITION:

The City has used a definition of a "regular, full-time, permanent" employee that is inconsistent with the City's pension ordinance. The Plan's auditors observed several persons employed by the City during the audit period that averaged more than 20 hours per week who were not offered participation in the Plan. City ordinance 528.12-7-65, excludes from the definition, those employees whose customary employment is for not more than 20 hours per week, while the City excludes those whose customary employment is for not more than 32 hours per week. The City uses the definition in the City's personnel manual as the criteria in defining "regular, full-time, permanent" employees when determining which employees are offered participation in the Plan. This definition is inconsistent with the City's Pension Ordinance 528.

CURRENT YEAR STATUS: Situation is being addressed but remains unsolved.

VIEW OF RESPONSIBLE OFFICIALS ON PLANNED CORRECTIVE ACTIONS:

The City of South Miami Pension Ordinance is currently being revised to reflect the long established policy as stated in the City's personnel manual that part-time employees include all employees who work less than 32 hours per week. On September 7, 2010, the Pension Ordinance amendment goes before the City Commission for second reading.

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

CONDITION:

Prior to 1995, employees were given the choice to opt out of participation in the Plan. The Plan's auditors noted numerous persons that had hire dates prior to 1995 who were still employed during the current audit period and that were not participating in the Plan. Plan documents require documentation of employees opting out of the Plan, yet the Plan's auditors were unable to find any signed documents evidencing their choice to opt out. The City failed to retain evidence on those employees opting out of the Plan.

CURRENT YEAR STATUS: Situation is being addressed but remains unsolved.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The City's Employees who opted out of the City's pension plan prior to 1995 expressed their decision verbally. The City's Human Resource Department has committed to create a pension waiver form for those employees, which were employed before 1995 and require that the form be signed annually during the enrollment period by those employees electing not to participate.

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2009

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

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

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

CONDITION:

The City when computing contributions to the Plan on behalf of police officers did not include hazardous duty pay of \$1,040 per year per officer in pensionable compensation. The Plan auditor was unable to find support in the ordinance for this method of computation. The City's criteria in defining pensionable compensation for police officers excluded hazardous duty pay.

CURRENT STATUS: The City of South Miami Pension Ordinance is currently being revised to reflect pensionable earnings, "compensation", shall be defined as wages and salaries, including overtime, vacation, sick leave, holiday pay, hazardous duty pay, clothing allowance, educational incentive, and extra duty pay. The City will begin on October 1, 2010 to include hazardous pay as pensionable and deduct the required amount from each participants.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

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

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

2007-1 Audit Journal Entries

CONDITION:

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

CURRENT STATUS

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

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The City of South Miami Finance Department currently has the capacity and knowledge and will begin preparing the necessary year-end adjustments at year-end; avoiding this finding in future years.

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2009

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

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

2006-1 Audited Financial Statements

CONDITION:

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

CURRENT YEAR STATUS:

The City did not comply with this requirement during 2009.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The City of South Miami has currently chosen new auditors and will begin preparing and providing documentation earlier than in previous years. The City is beginning the audit much earlier than in previous years and anticipates having the field work complete before January 15. The City will provide readers and interested parties copies of the Comprehensive Annual Financial Report once completed. Some past delays relate to some extraneous situations within the finance department, as a result of unexpected turnover in management and personnel and delays related to the completion of the pension audit.

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

CONDITION:

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

CURRENT YEAR STATUS:

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

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Presently, the City has contracted with Florida International University to complete the City's charter required Performance Measures Audit. The Performance Measures Audit is approximately 75% complete and the City expects to have a final report before October 1, 2010.

2005-1 Budgeting

CONDITION:

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

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

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2009

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

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

2005-1 Budgeting (continued)

CURRENT YEAR STATUS:

For the year ended September 30, 2009, expenditures exceeded appropriations in the Police and Public Works departments of the general fund by \$47,271 and \$85,105, respectively. These over expenditures were caused by capital outlays for the purchase of four police cars, a street sweeper, a dump truck, a side loader and a Ford F-250 and funded through the issuance of the lease and purchase agreement with the First National Bank (See Note II). The over expenditures resulted when the necessary and appropriate adjustments were posted to record the lease. The purchases were approved by the Commission but a budget amendment was never made.

Additionally, there was also an over expenditure in the CRA of \$6,249. The over expenditure was caused by a timing difference related to the salary of an administrative assistant position which was vacant for a portion of the previous budget year. The necessary budget amendment was never made.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The City began in 2010-2011 to include the appropriations for expenditures for debt service and capital outlay funded by debt proceeds and capital leases in the 2009-2010 Budget.

2005-4 Inventory Capital Assets

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

CURRENT YEAR STATUS:

During 2006, the City hired an independent consultant to perform a physical count of capital assets. However, during FY 2007 this detail was still not input into the City's fixed asset module because the City's central services department noted significant discrepancies in reconciling this report to their own inventory list and general ledger; in essence leaving the City with no accurate list of inventories. During FY 2008, the City was still in the process of reconciling and inputting this information into their fixed assets module. There was no improvement in this area during the fiscal year 2009. The purchasing department is identifying and tagging assets as they are purchased but the City has not designed and implemented a formal inventory process.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The Finance Department is currently in the process of establishing inventory procedures to correct this situation moving forward.

B. PRIOR YEAR FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

2008-4 Florida Department of Environmental Protection Grant Administration

CONDITION:

Internal controls in place are not operating effectively to ensure compliance with project requirements. During our single audit testing we noted that the City

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

City of South Miami, Florida
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended September 30, 2009

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

B. PRIOR YEAR FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (continued)

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

CURRENT STATUS:

- A reimbursement package for expenditures incurred by the City during the fiscal year ended September 30, 2008 in excess of \$200,000 was never prepared during the fiscal year ended 2009. The City paid for the expenditures and then waited, unnecessarily for more than a year to request the money from the grantor. See finding 2009-1 for related internal control issues.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The reimbursement was prepared immediately and submitted to the Grantor for reimbursement. As requested by the Auditors the Grantor was contacted and we were able to get verbal assurance from the grantor that the expenditures were still eligible for reimbursement. We will evaluate every City project and grant during the past two years to determine if any other reimbursements need to be prepared. The New Finance Director will design and implement a system of internal controls related to grants to ensure the compliance with related regulations and safeguarding and optimization of sources at the City.

2006-10 Waste Fee Reimbursement

CONDITION:

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

CURRENT YEAR STATUS:

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

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

The City is currently finalizing the audit with the FEMA. The City currently anticipates no reimbursement of funds to FEMA.