

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF SOUTH MIAMI, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2011



PREPARED BY THE FINANCE DEPARTMENT
Alfredo Riverol, C.P.A., Cr.FA
Chief Financial Officer

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OF THE
CITY OF SOUTH MIAMI, FLORIDA
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Prepared by the
The Finance Department
Alfredo Riverol, C.P.A., Cr.FA, Chief Financial Officer

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September 30, 2011

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INTRODUCTORY SECTION



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



March 29, 2012

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of South Miami, for the fiscal year ended September 30, 2011, is submitted for your review. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations for all funds under the direct operating control of the City.

All necessary disclosures were included to enable the reader to gain maximum understanding of the City's financial activities for the year. Accordingly, this report consists of four sections; Introductory, Financial, Statistical, and Compliance.

The contents of the report is influenced by compliance with Government Accounting Standards Board (GASB) pronouncements, including Statement 34, et al., requiring the preparation of government-wide financial statements on a full accrual basis of accounting for all funds, as well as Management's Discussion and Analysis (MD&A). The MD&A is found immediately after the report of independent certified public accountants.

THE REPORTING ENTITY AND ITS SERVICES

The City of South Miami was incorporated in 1927 and is a political subdivision of the State of Florida. The City is a full service city providing its citizens with a full complement of municipal services, specifically, Public Safety, General Government, Parks, Culture and Recreation, Sanitation, Public Works and Community Services.

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 12,000 residents. The majority of persons employed within the City are in professional/specialty, administrative support and executive/administrative/management positions. City residents are primarily employed in jobs throughout Miami-Dade County.

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

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

In addition to the Miami-Dade County Transit 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 30 minutes from downtown South Miami.

The City is located right in the center of Metropolitan Miami-Dade County abutting several other municipalities in the area. Numerous major attractions are situated in close proximity to the City. As with many businesses in the County, local businesses benefit from sizeable tourist trade. The City of South Miami owns a multi-use public parking garage facility, which was completed in November 2007. In the past years, the Shops of Sunset leased space to several new national chain retail stores and restaurants.

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

MAJOR INITIATIVES

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

The City continues reviewing its land use codes for any changes that may be implemented to improve the area. The Agency 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.

The City is looking to “go paperless” by purchasing and implementing a central universe repository system. The new system will serve as the universal repository, granting users across the enterprise instant access to the information they need to complete their jobs quickly and efficiently. Additionally, it reduces the resource utilization inherent with paper-based processes. The purpose of this new system is to gain a single point of control over all information assets throughout their life cycles, quick and easy access, remove the need for time-consuming manual filing by automatically indexing and filing incoming paperwork, and protect confidential files with granular, role-based security. As the demand for government transparency grows, the City needs an efficient, cost-effective solution for making information available to citizens. The system offers an easy-to-navigate web portal making documents available to the public—while still keeping the core repository secure. The City’s parking infrastructure is one of the major sources of funds for the General Fund. The division was assigned to the Police Department in an effort to streamline the process and provide greater level of efficiency and effectiveness. During fiscal year 2011, the City purchased and installed 38 pay stations to facilitate increased parking availability and encourage increased patronage within the South Miami Downtown area. This project was a great success and helped increase parking revenue by an approximate 25%.

The City is looking to further improve their parking infrastructure by installing 12 additional multi-space parking pay stations to complete the installation and cover all of the South Miami Downtown area, South Miami Hospital and the shops at Bird Road. This enhancement will help better serve residents, businesses, and visitors by providing ease of payment.

The City is committed to completing multiple traffic calming projects, which started during fiscal year 2011. The City plans to continue similar projects during the next fiscal year to achieve consistency with other municipalities within Miami-Dade County. Targeted communities will include Pinecrest Villas, Mango Terrace, S.W. 64th Street between S.W. 57th Avenue and S.W. 62nd Avenue and Cocoplum Terrace.

MAJOR INDUSTRIES AND/OR SERVICE CENTERS

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

<u>INDUSTRY</u>	<u>Sector EST.</u>
Construction	294
Manufacturing	308
Wholesale trade	256
Retail trade	310
Transportation and warehousing, and utilities	357
Information	186
Finance and insurance, and real estate and rental and leasing	363
Professional, scientific, and management, and administrative and waste management services	896
Educational services, and health care and social assistance	1,418
Arts, entertainment, and recreation, and accommodation and food services	602
Other services, except public administration	285
Public administration	335
Total	<u><u>5,610</u></u>

Source: U.S. Census Bureau 2010 Industry Code Summary

ACCOUNTING SYSTEM, INTERNAL AND BUDGETARY CONTROL

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

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

The firm of Keefe, McCullough & Co., LLP, licensed certified public accountants, audited the City's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of South Miami, for the fiscal year ended September 30, 2011, 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 auditors 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, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report. As part of their audit, Keefe, McCullough & Co., LLP considered the City's internal controls as a basis for designing their audit procedures.

Budgetary control is maintained, in a manner to ensure compliance with the requirements and restraints of the State of Florida, Miami-Dade County, and the City of South Miami Charter, through a system of monthly financial reports reflecting expenditures and encumbrances against appropriations. The annual budget provides details of the approved appropriation by specific purpose within each object of expense.

CASH MANAGEMENT & INVESTMENT POLICY

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 "repurchase" 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, Ordinances, and Resolutions of the City Commission.

The City follows its adopted investment policy when handling public funds. The intent of this policy is to 1) ensure the preservation of principal, 2) maintain sufficient cash flow to enable the City to meet its obligations, and 3) maximize the return on assets with an acceptably low exposure to risk. The investment policy meets requirements of Florida Statutes, Section 218.415.

DEBT ADMINISTRATION

VAN SMITH PROPERTY:

In April 2005, the City purchased the property located at 7800 S.W. 59th Avenue for approximately \$ 574,000 financed through the issuance of a mortgage note payable with 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 in April 2012.

CITY VEHICLES & EQUIPMENT:

In November 2007, the City Commission passed Ordinance 30-07-1931 to purchase a Ford F-250 pickup truck, a dump truck, water truck and a Ford 250 service truck financed through the issuance of a capital lease arrangement with Bank of America totaling \$ 202,944. The lease calls for annual payments of principal and interest of \$ 43,760 at an annual interest rate of 3.91%. The note matures in 2012.

In February 2009, the City purchased one street sweeper, one Ford F-250, one side loader & dump truck and four police vehicles financed through the issuance of a note payable to First National Bank of South Miami totaling \$ 538,493. The note calls for annual payments of principal and interest of \$ 116,974 at an annual interest rate of 4.25%. The note matures in February 2013.

In July 2010, the City purchased nine police vehicles financed through the issuance of a lease arrangement with a local bank totaling \$ 228,060. The note calls for quarterly payments of principal and interest of \$ 12,379 at an annual interest rate of 3.18%. The note matures in July 2015.

In March 2011, the City Commission passed Ordinance 12-11-2085 to purchase six police vehicles financed through the issuance of a note payable with SunTrust Bank totaling \$ 158,257. The note calls for annual payments of principal and interest of \$ 33,741 at an annual interest rate of 2.5451%. The note matures in March 2016.

SUNGARD ONESOLUTION – CITY’S FINANCE & COMMUNITY SOFTWARE:

In October 2010, the City Commission approved Resolution 228-10-13263 for the upgrade of the City’s financial and community software, in an effort to continue improving and keeping in line with the most up-to-date Enterprise Resource Planning software. The City’s new version of the finance and community software is financed, interest free, by the City’s vendor for a five-year period for a total amount of \$ 172,000. The annual principal payments are calculated at \$ 34,414 and will be paid in full by fiscal year 2015.

MULTI-SPACE DIGITAL PARKING METERS:

The City of South Miami traded the traditional single head parking meters within certain areas for the multi-space parking stations. The new multi-space parking meters were approved for financing in January 2011 for a five-year period with SunTrust Bank at an interest rate of 2.355%. The total amount of the loan was \$ 417,896 and the annual principal and interest payment equals \$ 88,678; maturing in January 2016.

COMMUNITY REDEVELOPMENT AGENCY:

In November 2006, the City through its Community Redevelopment Agency (“CRA”) issued \$ 2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for 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 CRA contributed in fiscal year 2011 an additional principal payment of \$ 851,648 in an effort to reduce the amount of interest paid through the duration of the loan and pay-off the debt sooner. The bonds carry an interest rate of 5.99%. Principal and interest payments are due quarterly through February 2016, the revised maturity date of the bonds.

FLORIDA MUNICIPAL LOAN COUNCIL:

The City has debt outstanding with the Florida Municipal Loan Council (FMLC). FMLC, 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 which are insured by MBIA Insurance Corporation.

South Miami Community Center – Series 2001A Revenue Bonds for \$ 2.2 million; with \$ 1.5 million used as matching funds for the safe neighborhood grant used to construct the South Miami “multi-purpose activity center” Community Center; and \$ 400,000 was provided to the CRA as a loan for acquisition of the Mobley Warehouse building located within the CRA district. The remaining \$ 300,000 was utilized for various traffic calming projects in and around the City. The loan bears interest at variable rates ranging from 3.25% to 5.25%. The City pledged the South Miami Hospital’s Payments in Lieu of Taxes (PILOT) payments annual contributions of \$ 150,000 to repay the debt.

South Miami Parking Garage - Series 2002A Revenue Bond amounting to \$ 6.5 million used for construction of a city-owned parking garage for public parking. 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 Mark Richman Properties, Inc. to repay the loan. On August 17, 2011, the City partially advance refunded \$ 1,725,000 to reduce a portion of the outstanding debt, hence reducing the required annual principal and interest contribution amount.

In December 2006, the City borrowed \$ 5.6 million “Series 2006 Revenue Bonds” for construction of a city-owned parking garage for public parking. The debt interest ranges from 4.0% to 5.0%. At the time the loan was obtained, the City pledged to use the revenues from the parking garage operation and funds from Mark Richman Properties, Inc. to repay the loan. On August 17, 2011, the City partially advance refunded \$ 3,775,000 to reduce a portion of the outstanding debt, hence reducing the required annual principal and interest contribution amount.

Taxable Revenue Note, Series 2011 - In August 2011, the City of South Miami agreed to issue debt with SunTrust Bank which in furtherance of the Settlement Agreements with the IRS, the City issued a Taxable Revenue Note, Series 2011. This note was made to provide funds to finance, on a taxable basis (i) the prepayment of the FMLC 2002A and 2006 bonds, and the payment of the settlement amount owed to the IRS pursuant to the Settlement Agreements and costs related thereto, and (ii) the payment of costs of issuance of the Series 2011 Note for \$ 7.575 million. The new 2011 note was issued at a fixed interest rate of 4.55% and matures in October 2026.

INTER-LOCAL AGREEMENTS WITH MIAMI-DADE COUNTY:

Stormwater Drain Trust Fund - The City of South Miami agreed to the cost-share of the Federal Emergency Management Agency (FEMA) funded Ludlam Glades canal dredging via Ordinance number 10-02-1778 for a total cost of \$3,271,177. Furthermore, through Ordinance 17-06-1885 the City agreed in an inter-local agreement with Miami-Dade County to pay the City’s share of \$ 270,363 over a ten-year period. The total annual principal amount is \$ 27,036 plus interest. The debt is scheduled to be fully repaid by 2016.

Police Radios - The City of South Miami entered into an agreement with Miami-Dade County to purchase police radios for a cost of \$ 247,000 to be paid over a ten year period. Subsequent to the year-end, the City initiated negotiations with Miami-Dade County to restructure the agreement and replace the equipment with new radios at current market rates. The restructured agreement will be repaid over the next ten year period.

FUND BALANCES

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” for its governmental activities. GASB Statement No. 54 establishes various classifications of fund balances based on a hierarchy which details constraints placed on the use of resources by creditors, grantors, contributors, laws or regulations of other governments and those internally imposed. Fund balances classified as restricted are those with externally enforceable limitations on use. Fund balances classified as committed can only be used for specific purposes determined by formal action of the City Commission through an ordinance or a resolution. Commitments can only be changed or lifted by the City Commission through formal action. Assigned fund balances are amounts that the City intends to use for a specific purpose but are neither restricted nor committed. The intent to utilize these funds is delegated to the City’s Chief Financial Officer. Unassigned fund balance can be viewed as the net resources available at the end of the year.

RETIREMENT BENEFITS

The City of South Miami sponsors two defined benefit pension plans, the General Employees’ Pension Plan 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 but before October 1, 2011, must become participants upon completion of six months of service. Police officers become eligible to enter the plan as of the date of employment.

All general employees hired on or after October 1, 2011 are no longer eligible to enter the City’s defined benefit pension plan and must elect a retirement contribution percentage of their salary, which is matched by the City up to 7%, to a defined contribution/deferred compensation plan. As part of the fiscal year 2011 pension reform, the City provided existing members an option to discontinue participation in the defined benefit pension plan, providing the employees with an opportunity to enter the newly created defined contribution retirement plan.

The City also provides a separate defined contribution Section 457 deferred compensation plan for all its employees.

The financial activities of the Plans are reported annually as part of the overall City Comprehensive Annual Financial Report.

AWARDS



The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010. In order to be awarded a Certificate of Achievement; a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



The Government Finance Officers Association of the United States and Canada (GFOA) has given an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to City of South Miami, Florida for its Popular Annual Financial Report for the fiscal year ended September 30, 2010. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

The Award for Outstanding Achievement in Popular Annual Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitted it to GFOA.

ACKNOWLEDGEMENTS

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

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

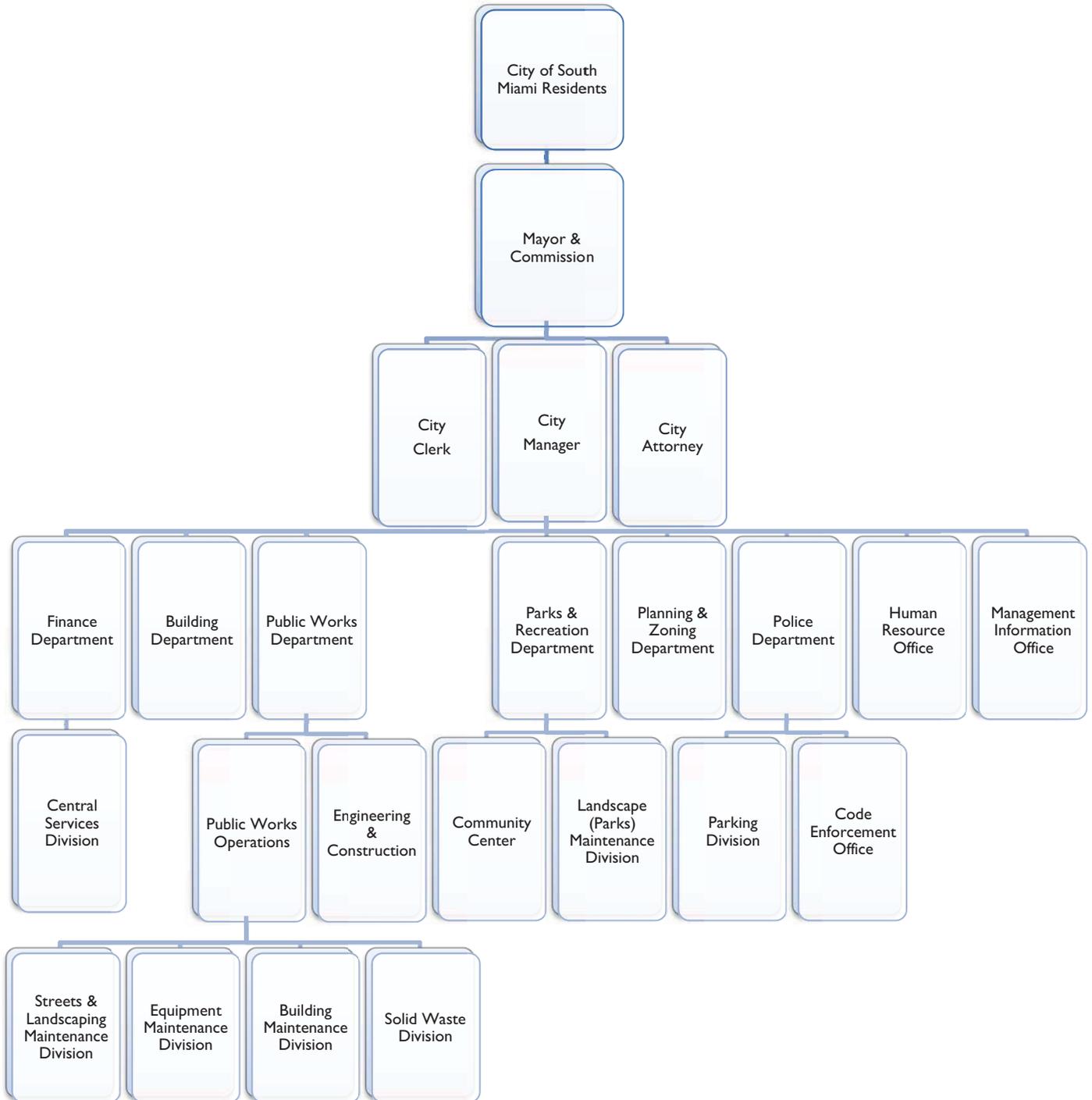
Finally, our thanks to the Mayor and City Commission for their guidance and cooperation in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

Hector Mirabile, Ph.D
City Manager

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

CITY OF SOUTH MIAMI ORGANIZATIONAL CHART



CITY OF SOUTH MIAMI, FLORIDA
COMMISSION - MANAGER FORM OF GOVERNMENT
LIST OF PRINCIPAL OFFICIALS

CITY COMMISSION



PHILIP K. STODDARD, Ph.D
Mayor



VALERIE NEWMAN
Commissioner
Group I



JOSH LIEBMAN
Vice Mayor
Group II



BOB WELSH, JR.
Commissioner
Group III



WALTER A. HARRIS
Commissioner
Group IV

MANAGEMENT TEAM

HECTOR MIRABILE, Ph.D
City Manager

THOMAS F. PEPE, ESQ.
City Attorney

MARIA M. MENENDEZ
City Clerk

ALFREDO RIVEROL, C.P.A. Cr.FA
Chief Financial Officer

ORLANDO MARTINEZ DE CASTRO
Police Chief

KEITH NG
Capital Projects Manager

LORENZO WOODLEY
Parks and Recreation Director

CHRISTOPHER BRIMO
Planning and Zoning Director

VICTOR CITARELLA
Building Director

KELLY BARKET
Chief Superintendent

LATASHA NICKLE, ESQ.
Human Resources Director

CERTIFIED PUBLIC ACCOUNTANTS

Keefe, McCullough & Co., LLP

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South Miami
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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.



Linda C. Davison

President

Jeffrey R. Egan

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of South Miami, Florida (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Police Officers Retirement Trust Fund - Section 185 Plan, which represent 3%, 2%, and 10%, respectively, of the assets, net assets and total additions of the Fiduciary Funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Police Officers Retirement Trust Fund - Section 185 Plan, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment health care benefits schedules of funding progress on pages 3 through 13 and pages 55 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements. The budgetary comparison schedules and combining and individual nonmajor fund financial statements and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 29, 2012

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

The management of the City of South Miami included this section in the Comprehensive Annual Financial Report ("CAFR") in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34, et al. It is intended to provide readers of this report the narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2011. 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, 2011:

- The assets of the City of South Miami exceeded its liabilities at the close of the most recent fiscal year by \$ 36,771,390 (net assets). Of this amount, \$ 8,324,467 is unrestricted.
- The City's \$ 20,632,136 in revenues from governmental activities exceeded the \$ 18,958,122 in expenses, providing a \$ 1,674,014 increase in net assets.
- At the end of the current year, fund balance for the General Fund was \$ 9,498,674, or 58% of total general fund revenues. Of this amount \$ 1,971,475 is reported as non-spendable-prepaid expenditures and committed to emergency and disaster recovery operating reserves.
- The current year's unassigned fund balance for the General Fund is \$ 5,545,619 million, or 34% of total General Fund operating revenues.
- The General Fund's fund balance increased by \$ 1,013,967 for the year ended September 30, 2011.
- The City's total debt, excluding compensated absences, and before current year payment reductions, increased by \$ 8,323,223.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

- The governmental funds statements show how general government services such as public safety were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of those parties outside of the government.

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

Government-wide financial statements:

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

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

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

Additionally, the City has three separate single-employer defined benefit pension plans, 401(a) plans for the City Manager, Chief of Police, senior level staff who elect to participate, and a voluntary Section 457 deferred contribution plan for all interested employees. The City's defined benefit 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 14 and 15 of this report.

Fund financial statements:

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

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Governmental funds:

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and those major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements. Governmental fund statements (general and major funds) are found on pages 16 and 17. Combining nonmajor governmental fund statements are found on pages 58 and 59.

Budgetary comparison schedules are provided for the General Fund and all funds with a legally adopted budget to demonstrate compliance with the budgetary basis. Budgetary comparison schedules can be found on pages 50 through 54 and 60 through 64.

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 20 and 21 of this report. Individual fund data for the Fiduciary Funds is provided in the form of combining statements on pages 65 and 66.

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 22 through 49 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of South Miami's progress in funding its obligation to provide pension benefits to its employees, other post-employment health care benefits, and budgetary comparison schedules for the General Fund, special revenue – non major funds and debt service fund.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 58 and 59 of this report.

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

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

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

The City's net assets were \$ 36,771,390 in fiscal year 2011 (see Table 1). This amount came solely from governmental activities because the City has no business-type activities. Restricted net assets and net assets invested in capital assets, net of related debt, amounted to 77% of total net assets. The largest portion of the net assets (65%) is invested in capital assets (land, buildings, streets, sidewalks, equipment, etc.).

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of net assets (13%) is restricted for debt service, law enforcement, or community redevelopment and infrastructure/transportation projects. The remaining balance of unrestricted net assets (\$ 8,324,467) may be used to meet government's ongoing obligations to citizens and creditors.

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

Table 1
City of South Miami
Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 28,660,034	\$ 28,087,149
Capital assets (net)	40,025,612	40,318,320
Total assets	68,685,646	68,405,469
Current and other liabilities	15,589,064	17,488,670
Long term liabilities	16,325,192	15,819,423
Total liabilities	31,914,256	33,308,093
Net assets:		
Invested in capital assets, net of related debt	23,767,194	23,497,173
Restricted	4,679,729	4,589,073
Unrestricted	8,324,467	7,011,130
Total net assets	\$ 36,771,390	\$ 35,097,376

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 2011 by \$ 90,656, and the unrestricted governmental activities net assets increased by \$ 1,313,337. Capital assets increased during the current year due to additions purchased through grants or debt financing. The decrease in liabilities is mainly due to the retirement of certain bonds and notes payable.

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

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

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

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 2011 compared to 2010 with the resulting change in net assets:

Table 2
City of South Miami
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 6,029,461	\$ 5,072,487
Operating grants and contributions	440,754	322,888
Capital grants and contributions	718,372	394,774
General revenues:		
Property taxes	7,114,626	7,684,998
Franchise taxes	1,066,317	1,100,993
Utility taxes	2,070,271	2,086,683
Business taxes	606,054	629,962
Service concession arrangement	358,533	335,072
Interest income (unrestricted)	139,719	218,532
Intergovernmental (unrestricted)	1,979,609	2,051,111
Miscellaneous	108,420	110,374
Total revenues	\$ 20,632,136	\$ 20,007,874

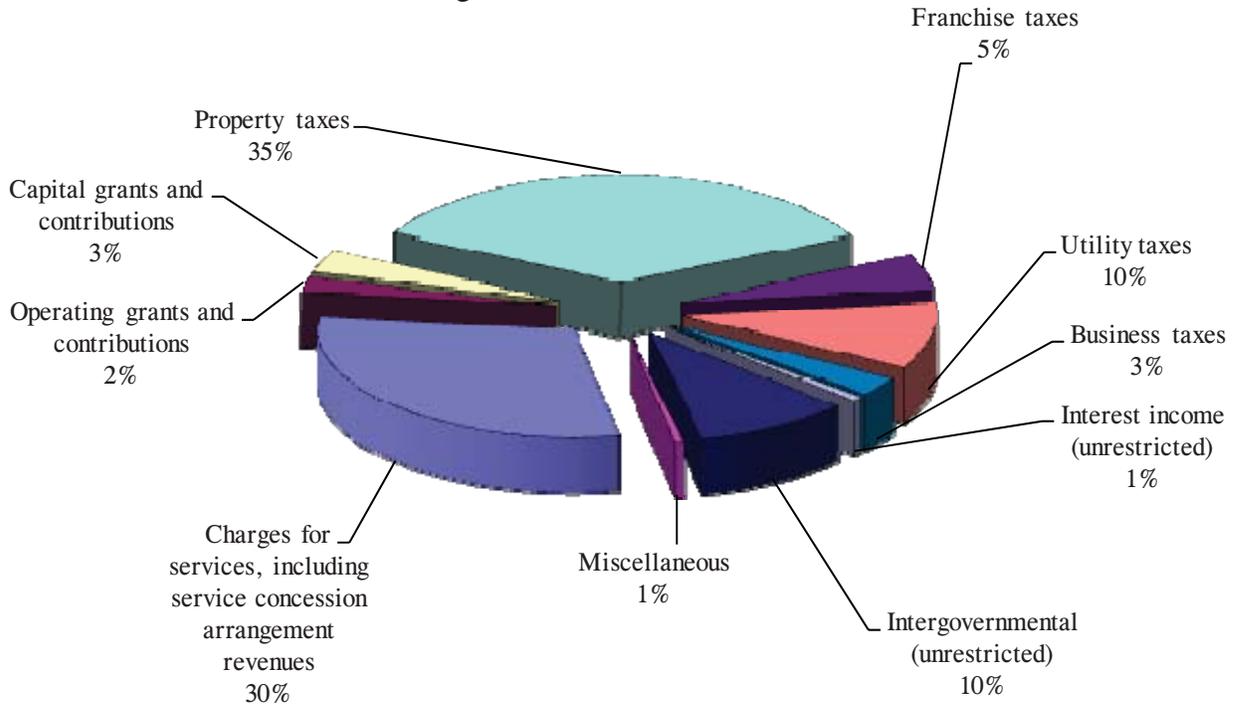
CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2011

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

	Governmental Activities	
	2011	2010
Expenses:		
General government	3,911,603	7,304,103
Public safety	7,541,944	4,717,130
Public works	4,337,360	4,682,687
Community services	1,097,846	484,230
Culture and recreation	1,140,113	1,069,359
Interest on long-term debt	929,256	1,055,003
Total expenses	18,958,122	19,312,512
Increase in net assets	1,674,014	695,362
Net assets, October 1	35,097,376	34,402,014
Net assets, September 30	<u>\$ 36,771,390</u>	<u>\$ 35,097,376</u>

The City's total revenues increased by 3.1%, to \$ 20,632,136 (see Table 2), mainly due to an increase in grant revenues and charges for service. Nearly 35% of the City's revenues come from property taxes, another 15% comes from intergovernmental revenues and grants, and 30% from charges for services (see chart that follows). The City's management took major actions in 2011 to improve City revenues and to control expenses. The actual numbers for most of the City's revenue sources were above the final budget estimates.

City of South Miami
 Program and General Revenues

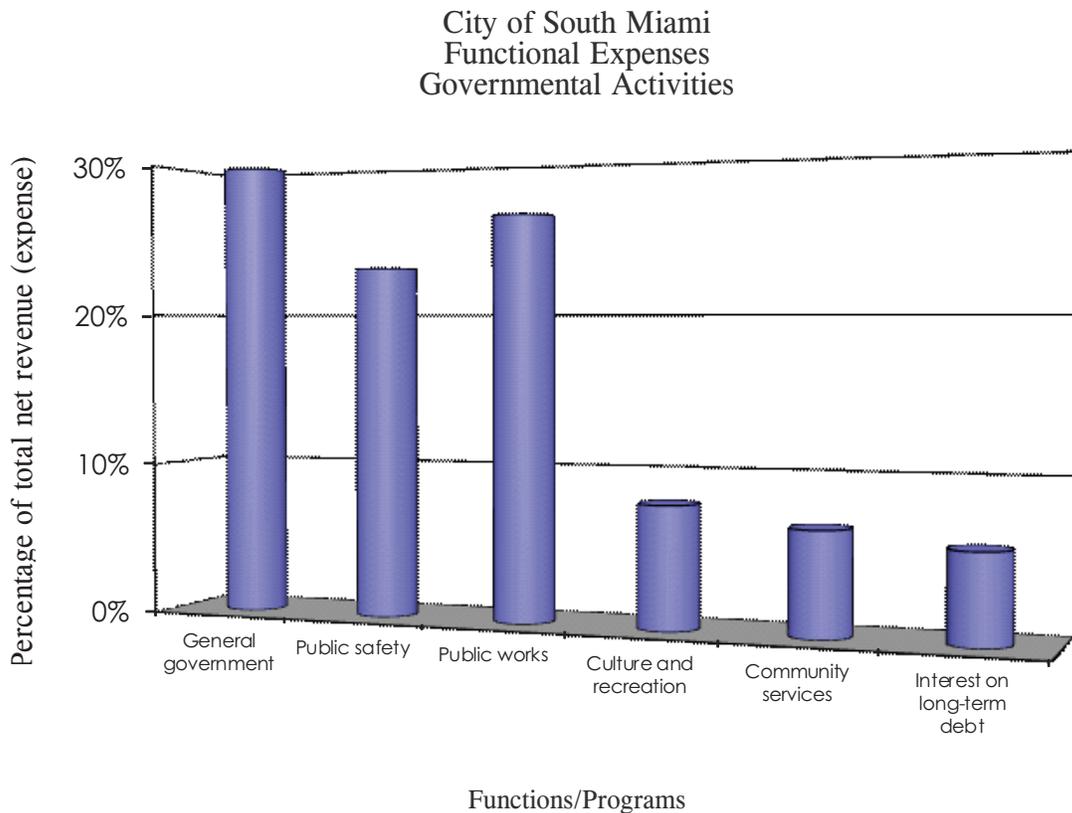


CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2011

The total cost of all programs and services decreased by \$ 354,390 or 1.8% (see Table 2). The City's expenses cover a range of services. As shown in Table 2, governmental expenses are largely weighted in three functions, namely the public safety, general government, and public works. At \$ 7,541,944, public safety expenses represent 40% of the statement of activities' total expenses for the City in 2011. General Government category expenses total for 2011 was \$ 3,911,603, or 21% of total expenses. The General Government category includes all other City departments except public safety, culture and recreation and public works and community services. Lastly, public works expended \$ 4,337,360, or 23% of expenses. The City had no business-type activities for the current year.

The chart below presents the net cost of each of the City's governmental services. Net cost is the total cost of each service less the program revenue generated fees by each activity and intergovernmental aid.

The net cost shows the financial cost that is placed on the taxpayers by each of these services:



The cost of all governmental activities this year, including \$ 929,256 in interest expense on long-term debt, was \$ 18,958,122. Some of that cost was financed by:

- Those who directly benefited from the programs through charges for services (\$ 6,029,461), or
- Other governments and organizations that subsidized certain programs from grants and contributions (\$ 1,159,126).

The City financed the remaining \$ 13,443,549 "public benefit" portion of governmental activities from property taxes, utility taxes and with other revenues, such as interest and unrestricted intergovernmental revenue.

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

GOVERNMENTAL FUNDS' FINANCIAL ANALYSIS

As the City completed the year, its governmental funds reported combined fund balances of \$ 14,188,653, with the General Fund representing \$ 9,498,674. Of the total fund balances: \$ 190,378 is non-spendable, \$ 4,675,405 is restricted, \$ 1,795,671 is committed, \$ 1,981,580 is assigned and \$ 5,545,619 is unassigned fund balance.

The General Fund's fund balance increased by \$ 1,013,967 after net transfers of \$ 268,365 and debt proceeds of \$ 748,223. There were \$ 807,766 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 2011 and 2010. Please refer to the General Fund Budget Highlights section below for further information.

During the current year, the Debt Service Fund's balance increased by \$ 278,992. There was approximately \$ 2,188,383 in principal and interest expenditures, which were funded through rents and royalties. The Community Redevelopment Agency fund balance decreased by \$ 877,034. Total fund expenditures of \$ 2,147,582 were mostly financed with Ad Valorem taxes and accumulated fund balance.

As a result of an investigation by the Securities and Exchange Commission and the Internal Revenue Service where it was determined that a portion of the Florida Municipal Loan Council ("FMLC") bonds constituted impermissible financing and private activity which affected the governmental status of the bonds; the City executed a refunding transaction to partially advance refund \$ 1,725,000 and \$ 3,775,000 of the FMLC 2002A and 2006 revenue bonds plus financing costs (loss on early retirement) of approximately \$ 787,000, respectively. The City also repaid a note payable, Series 2009, of approximately \$ 814,000 and incurred certain other costs totaling approximately \$ 474,000. The financing for the partial advance refunding and repayment of the note payable and related costs was provided by issuing a Taxable Revenue Note, Series 2011 totaling \$ 7,575,000. A total of \$ 6,287,113 was deposited into an irrevocable trust with an escrow agent to provide for the future scheduled principal and interest installments of the partially advance refunded bonds, including the remaining obligations on the call date of May 1, 2012 and October 1, 2016 for the FMLC 2002A and 2006, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The base revenue budget was \$ 16,158,933. The difference between the final estimated revenues and the actual revenues in the General Fund was \$ 243,806 for fiscal year 2011.

Actual revenues, at \$ 16,402,739 came in higher than the final budget of \$ 16,158,933.

Comparing the original budget to the final budget of the fiscal year 2011; the original expenditure budget of \$ 17,653,225 was increased by \$ 72,925 for prior year encumbrances, debt service and capital improvements. Actual expenditures were \$ 16,372,670 and were below the final amended budget by \$ 1,353,480. All other expenditures were in line with the projected expectations. Please refer to pages 50 and 51 for further details.

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

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, 2011, is detailed below:

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Land	\$ 14,649,084	\$ 14,614,799	0.2%
Construction in progress	47,225	-	-
Building and improvements	15,673,213	16,033,406	-2.2%
Machinery and equipment	2,249,998	2,226,257	1.1%
Land improvements	285,955	323,155	-11.5%
Infrastructure	6,902,865	7,120,703	-3.1%
Intangible assets	217,272	-	-
	<u>\$ 40,025,612</u>	<u>\$ 40,318,320</u>	

For fiscal year 2011 the City spent \$ 1,100,493 on capital programs primarily in the acquisition of real estate properties, the purchase of vehicles, equipment, furniture, and infrastructure for traffic calming projects, street improvements, and storm-water improvements. Additional information on the City's capital assets can be found in Note 7 on pages 35 and 36 of this report.

Debt Administration:

At year-end, the City had approximately \$ 16.3 million in outstanding debt, as noted below:

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Florida Municipal Loan			
Council Bonds, net	\$ 6,207,887	\$ 12,685,000	-51.1%
Taxable Revenue Note, Series 2011	7,575,000	-	-
CRA Bond Series 2006	1,113,092	2,162,493	-48.5%
Notes payable	1,134,781	1,657,785	-31.5%
Capital leases	227,658	315,869	-27.9%
	<u>\$ 16,258,418</u>	<u>\$ 16,821,147</u>	

The City acquired law enforcement vehicles, multi-space parking meters and its City Hall management computer software through the issuance of new debt. The debt position of the City is summarized above and is fully explained in Note 8 to the financial statements.

CITY OF SOUTH MIAMI, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATIOS

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

Estimated revenues and other financing sources, in fiscal year 2012, General Fund budget are \$ 16,776,728, a decrease of \$ 190,549 from actual revenues of \$ 16,967,277 for fiscal year 2011. With these revenues the City will be able to fund current services and any expected impact of inflation on fuel, salaries and benefits. Fiscal year 2012 expenditures are expected to be \$ 16,112,447, or \$ 313,088 lower than fiscal year 2011 total actual expenditures of \$ 16,425,535, if estimates are realized.

REQUESTS FOR INFORMATION

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

CITY OF SOUTH MIAMI, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 14,653,962
Receivables	834,805
Prepaid expenses	190,378
Accrued interest receivable	68,818
Notes receivable	9,365,779
Guaranteed rent receivable	3,259,992
Net pension asset	59,683
Bond issuance costs, net	163,710
Cash held with escrow agent	62,907
Capital assets:	
Capital assets, not being depreciated	14,696,309
Capital assets, net of accumulated depreciation	25,329,303
Total assets	68,685,646
 LIABILITIES:	
Accounts payable	463,162
Accrued liabilities	513,329
Other liabilities	240,079
Unearned revenue	336,829
Accrued interest payable	93,951
Deferred revenue from service concession arrangement	12,625,771
Due within one year:	
Compensated absences payable	359,499
Debt, including bonds, notes payable and capital leases	956,444
Due in more than one year:	
Compensated absences payable	969,218
Debt, including bonds, notes payable and capital leases	15,301,974
Net OPEB obligation	54,000
Total liabilities	31,914,256
 NET ASSETS:	
Invested in capital assets, net of related debt	23,767,194
Restricted for:	
Infrastructure and transportation projects	2,416,566
Community redevelopment	1,505,494
Law enforcement	478,677
Debt service	278,992
Unrestricted	8,324,467
Total net assets	\$ 36,771,390

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

CITY OF SOUTH MIAMI, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues		Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants and Contributions		Total Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,911,603	\$ 371,013	\$ 22,616	\$ -	\$ (3,517,974)
Public safety	7,541,944	4,607,431	197,593	21,848	(2,715,072)
Public works	4,337,360	573,772	-	649,007	(3,114,581)
Community services	1,097,846	33,835	220,545	47,517	(795,949)
Culture and recreation	1,140,113	199,147	-	-	(940,966)
Interest on long-term debt	929,256	244,263	-	-	(684,993)
	<u>\$ 18,958,122</u>	<u>\$ 6,029,461</u>	<u>\$ 440,754</u>	<u>\$ 718,372</u>	<u>(11,769,535)</u>
General revenues:					
Property taxes					7,114,626
Utility taxes					2,070,271
Business taxes					606,054
Franchise taxes					1,066,317
Service concession arrangement					358,533
Interest income (unrestricted)					139,719
Intergovernmental (unrestricted)					1,979,609
Other					108,420
					<u>13,443,549</u>
					1,674,014
					<u>35,097,376</u>
					<u>\$ 36,771,390</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, 2011

	Major Funds				
	General Fund	Debt Service Fund	Community Redevelopment Agency Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 10,683,521	\$ -	\$ 1,535,607	\$ 2,434,834	\$ 14,653,962
Receivables	491,299	-	-	343,506	834,805
Due from other funds	-	216,085	-	157,999	374,084
Prepaid expenditures	186,054	-	4,324	-	190,378
Cash held with escrow agent	-	62,907	-	-	62,907
Total assets	\$ <u>11,360,874</u>	\$ <u>278,992</u>	\$ <u>1,539,931</u>	\$ <u>2,936,339</u>	\$ <u>16,116,136</u>
 LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 402,958	\$ -	\$ 29,358	\$ 30,846	\$ 463,162
Accrued liabilities	513,329	-	-	-	513,329
Due to other funds	374,084	-	-	-	374,084
Deferred revenue	336,829	-	-	-	336,829
Other liabilities	235,000	-	5,079	-	240,079
Total liabilities	1,862,200	-	34,437	30,846	1,927,483
 Fund balances:					
Nonspendable:					
Prepaid expenditures	186,054	-	4,324	-	190,378
Restricted for:					
Debt service	-	278,992	-	-	278,992
Community redevelopment	-	-	1,501,170	-	1,501,170
Grant projects	-	-	-	587,885	587,885
Stormwater management	-	-	-	437,289	437,289
Transportation projects	-	-	-	1,391,392	1,391,392
Law enforcement	-	-	-	478,677	478,677
Committed to:					
Emergency and disaster recovery operating reserve	1,785,421	-	-	-	1,785,421
Parking management	-	-	-	10,250	10,250
Assigned to:					
Subsequent year's budget	1,981,580	-	-	-	1,981,580
Unassigned	5,545,619	-	-	-	5,545,619
Total fund balances	9,498,674	278,992	1,505,494	2,905,493	14,188,653
Total liabilities and fund balances	\$ <u>11,360,874</u>	\$ <u>278,992</u>	\$ <u>1,539,931</u>	\$ <u>2,936,339</u>	\$ <u>16,116,136</u>

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

CITY OF SOUTH MIAMI, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2011

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 16 \$ 14,188,653

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

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

Note receivable	9,365,779
Guaranteed rent receivable	3,259,992
Accrued interest receivable	68,818
Net pension asset	59,683
Bond issuance costs, net	163,710

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

Governmental capital assets	49,057,174
Less accumulated depreciation	(9,031,562)

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

Deferred revenue from service concession arrangement	(12,625,771)
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Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Bonds payable	(8,108,092)
Notes payable	(7,922,668)
Capital leases payable	(227,658)
Accrued interest payable	(93,951)
OPEB Liability	(54,000)
Compensated absences payable *	<u>(1,328,717)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 14 \$ 36,771,390

* Not created in connection with terminated employees

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

CITY OF SOUTH MIAMI, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	Major Funds				Total Governmental Funds
	General Fund	Debt Service Fund	Community Redevelopment Agency Fund	Other Nonmajor Governmental Funds	
REVENUES:					
Taxes:					
Ad valorem	\$ 5,822,401	\$ -	\$ 1,292,225	\$ -	\$ 7,114,626
Utility taxes	2,041,512	-	-	28,759	2,070,271
Business taxes	606,054	-	-	-	606,054
Franchise fees	1,066,317	-	-	-	1,066,317
Licenses and permits	963,991	-	-	-	963,991
Intergovernmental	1,230,475	-	-	1,860,570	3,091,045
Charges for services	3,933,073	-	-	35,250	3,968,323
Fines and forfeitures	165,377	-	-	317,909	483,286
Interest income	108,846	-	14,242	16,631	139,719
Rents and royalties	215,169	758,022	33,835	-	1,007,026
Other	269,699	145,468	-	79,756	494,923
	<u>16,422,914</u>	<u>903,490</u>	<u>1,340,302</u>	<u>2,338,875</u>	<u>21,005,581</u>
Total revenues					
EXPENDITURES					
Current:					
General government	3,217,491	-	-	-	3,217,491
Public safety	6,980,896	-	-	262,424	7,243,320
Public works	4,048,515	-	-	99,628	4,148,143
Culture and recreation	1,010,842	-	-	77,864	1,088,706
Community services	-	-	928,207	136,452	1,064,659
Capital outlay	807,766	-	61,438	231,289	1,100,493
Debt service:					
Principal	292,425	1,201,180	1,049,401	55,833	2,598,839
Interest and fiscal charges	67,600	987,203	108,536	3,186	1,166,525
	<u>16,425,535</u>	<u>2,188,383</u>	<u>2,147,582</u>	<u>866,676</u>	<u>21,628,176</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(2,621)</u>	<u>(1,284,893)</u>	<u>(807,280)</u>	<u>1,472,199</u>	<u>(622,595)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	544,363	275,998	-	-	820,361
Transfers out	(275,998)	-	(69,754)	(474,609)	(820,361)
Proceeds from refunding debt	-	7,575,000	-	-	7,575,000
Issuance of debt	748,223	-	-	-	748,223
Payment to bond escrow agent	-	(6,287,113)	-	-	(6,287,113)
	<u>1,016,588</u>	<u>1,563,885</u>	<u>(69,754)</u>	<u>(474,609)</u>	<u>2,036,110</u>
Total other financing sources (uses)					
Net change in fund balances	1,013,967	278,992	(877,034)	997,590	1,413,515
FUND BALANCES, beginning	<u>8,484,707</u>	<u>-</u>	<u>2,382,528</u>	<u>1,907,903</u>	<u>12,775,138</u>
FUND BALANCES, ending	<u>\$ 9,498,674</u>	<u>\$ 278,992</u>	<u>\$ 1,505,494</u>	<u>\$ 2,905,493</u>	<u>\$ 14,188,653</u>

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

CITY OF SOUTH MIAMI, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

NET CHANGE IN FUND BALANCES -	
TOTAL GOVERNMENTAL FUNDS, PAGE 18	\$ 1,413,515
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is depreciated over their estimated useful lives:	
Expenditures for capital assets	1,004,521
Less current year provision for depreciation	(1,219,142)
In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from the disposal are reported:	
Cost of assets disposed	(370,650)
Related accumulated depreciation	292,563
Principal payments received on notes receivable are reported as revenue in the governmental funds because they provide current financial resources, but are reported as a reduction of assets in the statement of net assets	
	(358,533)
Certain revenues do not provide current financial resources and therefore are not reported in the governmental funds:	
Change in intergovernmental revenues / receivables	(140,132)
Net revenues from service concession arrangement	358,533
Change in accrued interest on notes receivable	(155,226)
Principal payments on long-term debt are reported as an expenditure in governmental funds, but as a reduction of long-term liabilities/ debt in the statement of net assets.	
	8,098,839
The issuance of long-term debt (e.g. bonds, loans and capital leases) provides current financial resources to governmental funds; however, it has no effect on net assets:	
Issuance of long-term debt	(8,323,223)
Bond issuance costs	163,710
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:	
Deferred loss on refunding	787,113
Change in net OPEB obligation	(27,000)
Change in net pension obligation (asset)	6,642
Change in compensated absences payable	68,925
Change in accrued interest payable	73,559
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 15	\$ <u><u>1,674,014</u></u>

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

CITY OF SOUTH MIAMI, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	<u>Employee Retirement Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 480,945
Investments, at fair value:	
U.S. Government securities	1,152,436
Corporate obligations	1,691,247
Common stocks	5,177,342
International equity	449,724
Mutual funds	<u>12,624,632</u>
Total cash, cash equivalents and investments	<u>21,576,326</u>
Receivables:	
Employer contribution	307,202
Employee contribution	34,535
Dividends and interest	37,083
Section 185 contribution	<u>109,952</u>
Total receivables	<u>488,772</u>
Other assets:	
Prepaid expenses	<u>2,134</u>
Total assets	<u>22,067,232</u>
LIABILITIES:	
Accounts payable	46,803
Minimum funding liability	37,780
Reserve for future benefits	<u>52,579</u>
Total payables	<u>137,162</u>
NET ASSETS:	
Held in trust for employees' pension benefits	\$ <u><u>21,930,070</u></u>

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

CITY OF SOUTH MIAMI, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2011

	<u>Employee Retirement Funds</u>
ADDITIONS:	
Contributions:	
Employer	\$ 1,235,540
Employees	902,567
Section 185 contributions	<u>109,952</u>
Total contributions	<u>2,248,059</u>
Investment income (loss):	
Net depreciation in fair value of investments	(1,758,524)
Interest and dividends	<u>538,188</u>
Total investment income (loss)	(1,220,336)
Less investment expenses	<u>136,433</u>
Net investment loss	<u>(1,356,769)</u>
Total additions	<u>891,290</u>
DEDUCTIONS:	
Benefits paid	901,110
Refunds of contributions	246,686
Administrative expenses	76,909
Minimum benefit funding payment	<u>37,780</u>
Total deductions	<u>1,262,485</u>
Changes in net assets	(371,195)
NET ASSETS, beginning of year	<u>22,301,265</u>
NET ASSETS, end of year	<u>\$ 21,930,070</u>

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 1 - GENERAL DESCRIPTION OF THE CITY

The City of South Miami, Florida (the "City") is a political subdivision of the State of Florida, located in Miami-Dade County. The City was incorporated in 1927 and has operated since 1978 under the same charter. It is located approximately 3 miles south of the City of Miami and borders the University of Miami's main campus and the cities of Coral Gables and The Village of Pinecrest. The City is approximately 2.5 square miles in area and has a population of approximately 12,000 residents. The City is a full service city providing its citizens with a full complement of municipal services, specifically public safety, general government, parks, culture and recreation, sanitation, public works, and community services. It also maintains various trust funds in a fiduciary capacity, but does not provide any educational facilities, water, wastewater or fire services. Those services are provided by the Miami-Dade County Public School System and Miami-Dade County, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity:

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

Blended Component Unit:

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

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

Discretely Presented Component Units:

There are no discretely presented component units for the City.

Government wide and Fund Financial Statements:

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable, and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes and charges for services are considered available when collected in the current year or within sixty days subsequent to year end; provided that amounts received pertain to billings through the fiscal year just ended. Intergovernmental revenues, franchise fees and utility service taxes are recorded in accordance with their legal or contractual requirements if collected in the current period or within sixty days after year end. Revenues derived from rents and royalties and investment income are recorded when earned. Permits, fines and forfeitures, and other revenue are recorded as revenue when received in cash because they are generally not measurable until actually received. Business license revenue collected in advance of periods to which they relate is recorded as deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension, other post-employment benefits and claims and judgments, are recorded when due.

The City reports the following major governmental funds:

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

The Debt Service Fund is used to account for the accumulation of resources to pay for the payment of the principal and interest of the City's bonds and notes payable.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the government reports the following fiduciary fund type:

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, whose purpose has not been restricted to a specific program.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Cash, Cash Equivalents and Investments:

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

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

Receivables:

Accounts receivable balances consist of amounts due for charges for services, fees, property taxes, intergovernmental revenues and grants. If the ultimate collectability of receivables became uncertain, the City would provide an allowance for that amount. As of September 30, 2011, management believes that all receivable amounts will be collected.

Ad Valorem Taxes:

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$ 10 per \$ 1,000 of assessed taxable valuation). The tax levy of the City is established by the City Commission and the Miami-Dade County Property Appraiser, who incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2011 was 4.9526 mills (\$ 4.9526 per \$ 1,000 of taxable assessed valuation).

Prepaid Expenses/Expenditures:

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

Capital Assets:

Capital assets, which include land, construction in progress, buildings and improvements, machinery and equipment, land improvements, infrastructure assets (e.g., roads, sidewalks, culverts, pump stations, stormwater lines, catch basins, and similar items), and intangibles, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the City, as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Unearned Revenue/Deferred Revenue:

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences:

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

Annual leave:

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

Sick leave:

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

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

Long-Term Obligations:

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

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications:

Government-wide financial statements:

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

Fund financial statements:

During the year, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. In fiscal year 2011, this represents \$ 190,378.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2011, this represents \$ 4,675,405.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category. In fiscal year 2011, this represents \$ 1,795,671.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through the Commission delegating this responsibility to the City's Chief Financial Officer. In fiscal year 2011, this represents \$ 1,981,580.

CITY OF SOUTH MIAMI, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned: This classification includes the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes. In fiscal year 2011, this represents \$ 5,545,619.

The implementation of GASB Statement No. 54 had the following effect on fund balances of the Grants Fund and Community Development Block Grant Fund:

	Grants Fund	Community Development Block Grant
Fund balance (deficit) at September 30, 2010	\$ (48,642)	\$ 18,070
GASB 54 change in fund structure	18,070	(18,070)
Restated fund balance at September 30, 2011	\$ (30,572)	\$ -

Minimum Fund Balance Policy and Emergency and Disaster Recovery Reserve:

The City's policy is to maintain an adequate General Fund balance to meet seasonal shortfalls in cash flow and reduce susceptibility to emergency and unanticipated expenditures and/or revenue shortfalls. The City's Commission had previously adopted an ordinance (No. 23-08-1958) to maintain an Emergency and Disaster Recovery Operating Reserve at a minimum level of approximately \$ 1,785,400 (10% of budgeted expenditures) and a Minimum Fund Balance, ranging from 20% to 50%, of the annual General Fund expenditures.

Use of Estimates:

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

Internal Balances:

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements:

GASB Statement No. 54:

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

GASB Statement No. 60:

The City early implemented (2010) GASB Statement No. 60 *Accounting and Reporting for Service Concession Arrangements*. Reporting and disclosure requirements applicable to the City's service concession arrangement are discussed in Note 6. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2010.

Date of Management's Review:

Subsequent events were evaluated by management through March 29, 2012, which is the date the financial statements were available to be issued.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Deposits - City:

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

As of September 30, 2011, the carrying amount of the City's book balance for deposits held with financial institutions totaled \$ 6,178,511 and the bank balance was \$ 7,294,066.

CITY OF SOUTH MIAMI, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 September 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments - City:

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

Allowable investments include United States government securities, United States government agencies and sponsored agencies repurchase agreements, commercial paper, state and local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations, certificates of deposit, and other investments authorized by City Commission from time to time. The City manages its risk by establishing strict guidelines related to interest rates, credit worthiness, concentration and custodial credit. In addition, the City is not directly exposed to foreign credit risk.

As of September 30, 2011, the City had the following investments:

Investment Type	Fair Value	Maturity Less than 1 Year
Repurchase agreement	\$ 8,475,451	\$ 8,475,451
Total fair value	\$ 8,475,451	

A reconciliation of deposits and investments as shown by category is as follows:

By Category:		
Deposits	\$ 6,178,511	
Investments	8,475,451	
	\$ 14,653,962	

Investments - Pension Plan:

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

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk:

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City has an investment policy that limits investments to the safest types of securities. This policy requires a diversified portfolio to minimize the potential loss on individual securities. The Plan and Fund's investment policy utilizes portfolio diversification in order to control the risk. The Plan and Fund fixed income investments had the following ratings at September 30, 2011 from nationally recognized rating agencies:

<u>Credit Rating</u>	<u>General Employees and Police Officers Pension Plan</u>	<u>Police Officers Retirement Trust Fund Section 185</u>	<u>Total</u>
AAA	\$ 451,446	\$ 148,559	\$ 600,005
AA	221,553	7,637	229,190
A	541,773	26,162	567,935
BAA	512,430	42,894	555,324
Not Rated	891,229	-	891,229
	<u>\$ 2,618,431</u>	<u>\$ 225,252</u>	<u>\$ 2,843,683</u>

Interest Rate Risk:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>
U.S. Government and Agency Securities	\$ 1,152,436	\$ 30,282	\$ 313,620	\$ 241,220	\$ 567,314
Corporate Obligations	<u>1,691,247</u>	<u>48,220</u>	<u>447,962</u>	<u>427,953</u>	<u>767,112</u>
Totals	<u>\$ 2,843,683</u>	<u>\$ 78,502</u>	<u>\$ 761,582</u>	<u>\$ 669,173</u>	<u>\$ 1,334,426</u>

Concentration of Credit Risk:

The investment policy of the Plan and Fund contains limitations on the amount that can be invested in any one issuer as well as portfolio allocation percentages. GASB Statement No. 40 requires disclosure when the percentage is 5% or more in any one issuer. As of September 30, 2011, the Plan had investments in excess of 5% with the following issuers/securities: Thornburg Limited Term Municipal Fund (11.7%), RidgeWorth Institutional U.S. Government Securities Ultra Short Bond Fund (10.5%), Penn Smid LP (9.7%), SPDR Standard & Poor's 500 ETF Trust (8.4%), Pear Tree Polaris Value Fund (8.1%) and Direhaus International Small Cap Growth Fund (5.4%). The Fund had investments in excess of 5% with the following issuers/securities: Federal Home Loan Mortgage Corporation (6.79%), Federal National Mortgage Association (5.62%) and United States Treasury (16.10%).

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty the Plan and Fund will not be able to recover their investments or collateral securities that are in possession of an outside party. At September 30, 2011 and consistent with their investment policy, the Plan and Fund's securities were registered in their name, nominee registration.

Foreign Credit Risk:

Foreign credit risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars as well as the carrying value of foreign investments. The Plan and Fund's exposure to foreign credit risk derives mainly from equity securities and bonds. As of the year end, investment balances in foreign investments are within policy limits. The Plan and Fund's exposure to foreign credit risk is related to the following investments:

	General Employees and Police Officers Pension Plan	Police Officers Retirement Trust Fund Section 185	Total
	<u> </u>	<u> </u>	<u> </u>
Herbalife LTD	\$ 72,306	\$ -	\$ 72,306
Agrium, Inc.	42,330	5,490	47,820
Signet Jewelers, LTD	45,596	-	45,596
XI Group PLC	32,618	-	32,618
Accenture PLC CL A	30,080	-	30,080
Barrick Gold Corp.	27,057	-	27,057
Sensata Technologies Holding	25,296	-	25,296
NXP Semiconductors, NV	23,820	-	23,820
Home Inns & Hotels ADR	20,668	-	20,668
Cooper Industries PLC	20,431	-	20,431
Transocean LTD	17,903	-	17,903
Ensco PLC Spon ADR	17,830	-	17,830
Ultra Petroleum Corp.	14,719	-	14,719
Schlumberger, LTD	14,514	-	14,514
Cameco Corp.	9,050	-	9,050
National Grid Transco	-	7,209	7,209
Brookfield Properties Corp.	-	7,072	7,072
Siemens AG	-	5,527	5,527
Focus Media Holding, LTD	-	5,182	5,182
Deutsche Telekom International FIN BV	-	2,720	2,720
BP Capital Markets PLC GTD NT 3.2%	-	2,306	2,306
	<u> </u>	<u> </u>	<u> </u>
	\$ 414,218	\$ 35,506	\$ 449,724
	<u> </u>	<u> </u>	<u> </u>

CITY OF SOUTH MIAMI, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 September 30, 2011

NOTE 4 - RECEIVABLES

Receivables at September 30, 2011 were as follows:

	<u>Major Fund General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Receivable type:			
Intergovernmental	\$ 262,126	\$ 343,506	\$ 605,632
Taxes	184,812	-	184,812
Accounts	44,361	-	44,361
Total receivables	<u>\$ 491,299</u>	<u>\$ 343,506</u>	<u>\$ 834,805</u>

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

Due from and to other funds at September 30, 2011 are summarized as follows:

	<u>Due From General Fund</u>
Due to:	
Debt Service Fund	\$ 216,085
Stormwater Drain Trust Fund	151,809
Hometown District Parking Fund	4,250
Grants Fund	1,940
Total	<u>\$ 374,084</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of the above amounts are expected to be repaid shortly after year end from available current assets and next year funding.

Interfund transfers for the year ended September 30, 2011 are summarized as follows:

	<u>Transfer from:</u>			
	<u>General Fund</u>	<u>Community Redevelopment Agency Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
Transfer to:				
General Fund	\$ -	69,754	\$ 474,609	\$ 544,363
Debt Services Fund	275,998	-	-	275,998
	<u>\$ 275,998</u>	<u>69,754</u>	<u>\$ 474,609</u>	<u>\$ 820,361</u>

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 5 - INTERFUND BALANCES AND TRANSFERS (continued)

During the year, \$ 275,998 was transferred from General Fund to the Debt Service Fund to assist with debt service requirements. The remaining transfers were to the General Fund from the Community Redevelopment Agency Fund and other non-major fund to reimburse the General Fund for expenditures incurred and to close certain funds no longer in service.

NOTE 6 - SERVICE CONCESSION ARRANGEMENT AND NOTE RECEIVABLE

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

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

- (i) Repayment of principal on certain amounts used in the construction of the Garage. These amounts owed to the City by MRP are shown as notes receivable in the statement of net assets in the amount of \$ 9,365,779.
- (ii) Guaranteed rent payments equal to \$ 76,000 per year. The present value of these payments is reflected in the statement of net assets using a discount rate of 7.25% in the amount of \$ 3,259,992.

The City has determined that the Lease meets the requirements of GASB Statement No. 60; *Accounting and Financial Reporting for Service Concession Arrangements*, effective for financial statements for periods beginning after December 15, 2011. The City early implemented the provisions of this GASB pronouncement in 2010.

In accordance with GASB Statement No. 60, the City has retroactively adjusted capital assets to include the Garage at a fair value of approximately \$ 13 million. Additionally, a liability of \$ 12,625,771 was recorded in the government-wide financial statements (statement of net assets) representing the deferred inflow of resources to be received over the term of the Lease, at their net present value. The deferred inflow of resources will be recognized annually over the term of the Lease.

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

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

Future principal and interest payments due the City under the notes receivable, as of September 30, 2011, are approximately as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 188,300	\$ 297,200	\$ 485,500
2013	291,000	434,900	725,900
2014	306,300	421,100	727,400
2015	321,800	406,000	727,800
2016	333,200	389,500	722,700
2017-2021	1,739,900	1,685,900	3,425,800
2022-2026	1,938,100	1,277,000	3,215,100
2027-2031	2,359,100	873,700	3,232,800
2032-2036	1,613,000	286,200	1,899,200
2037	<u>275,100</u>	<u>6,200</u>	<u>281,300</u>
	<u>\$ 9,365,800</u>	<u>\$ 6,077,700</u>	<u>\$ 15,443,500</u>

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Balance October 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2011</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 14,614,799	\$ 34,285	\$ -	\$ 14,649,084
Construction in progress	-	47,225	-	47,225
Total capital assets, not being depreciated	<u>14,614,799</u>	<u>81,510</u>	<u>-</u>	<u>14,696,309</u>
Capital assets, being depreciated:				
Buildings and improvements	18,010,663	-	-	18,010,663
Machinery and equipment	5,726,683	651,421	370,650	6,007,454
Land improvements	844,800	-	-	844,800
Infrastructure	9,226,358	-	-	9,226,358
Intangible assets	-	271,590	-	271,590
Total capital assets, being depreciated	<u>33,808,504</u>	<u>923,011</u>	<u>370,650</u>	<u>34,360,865</u>
Total capital assets	<u>48,423,303</u>	<u>1,004,521</u>	<u>370,650</u>	<u>49,057,174</u>

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 7 - CAPITAL ASSETS (continued)

	Balance October 1, 2010	Increases	Decreases	Balance September 30, 2011
Less accumulated depreciation for:				
Buildings and improvements	1,977,257	360,193	-	2,337,450
Machinery and equipment	3,500,426	549,593	292,563	3,757,456
Land improvements	521,645	37,200	-	558,845
Infrastructure	2,105,655	217,838	-	2,323,493
Intangible assets	-	54,318	-	54,318
Total accumulated depreciation	8,104,983	1,219,142	292,563	9,031,562
Total capital assets being depreciated, net	25,703,521	(296,131)	78,087	25,329,303
Governmental activities capital assets, net	\$ 40,318,320	\$ (214,621)	\$ 78,087	\$ 40,025,612

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

Governmental activities:	
General government	\$ 576,922
Public safety	272,334
Public works	287,796
Culture and recreation	53,141
Community services	28,949
Total depreciation expense - governmental activities	\$ 1,219,142

NOTE 8 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2011:

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Due Within One Year
Governmental Activities:					
Florida Municipal Loan Council Bonds	\$ 12,685,000	\$ -	\$ 5,690,000	\$ 6,995,000	\$ 185,000
Taxable Revenue Note, Series 2011	-	7,575,000	-	7,575,000	-
CRA Bond Series 2006	2,162,493	-	1,049,401	1,113,092	236,343
Notes payable	1,657,785	748,223	1,271,227	1,134,781	448,842
Capital leases	315,869	-	88,211	227,658	86,259
Compensated absences	1,397,642	682,538	751,463	1,328,717	359,499
Deferred loss on early retirement of FLMC Bonds	-	(787,113)	-	(787,113)	-
Totals	\$ 18,218,789	\$ 8,218,648	\$ 8,850,302	\$ 17,587,135	\$ 1,315,943

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 8 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

Florida Municipal Loan Council ("FLMC" Bonds):

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

The City previously borrowed \$ 6,500,000 from the FMLC's debt issue of \$ 49,775,000 Revenue Bonds, Series 2002A to finance the construction and improvements of a municipal parking garage used for public parking. The bonds bear varying interest rates ranging from 3.25% to 5.50% and are secured by non-ad valorem revenues from the City. Payments received from MRP in conjunction with the notes receivable (Note 6), future Garage revenues, and non-ad valorem revenues of the City are used to repay the bonds as the payments become due. As discussed later, this debt issuance was partially refunded during 2011.

The City previously borrowed \$ 5,625,000 from the FMLC's debt issue of \$ 22,365,000 Revenue Bonds, Series 2006 to finance the construction and improvements of a municipal parking garage used for public parking. The bonds bear varying interest rates ranging from 4.00% to 5.00% and are secured by non-ad valorem revenues from the City. Payments received from MRP in conjunction with the notes receivable (Note 6), future Garage revenues, and non-ad valorem revenues are used to repay the bonds as the payments become due. As discussed later, this debt issuance was partially refunded during 2011.

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

	Series 2001A		Series 2002A		Series 2006		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 50,000	\$ 91,863	\$ 105,000	\$ 190,419	\$ 30,000	\$ 64,619	\$ 531,901
2013	55,000	89,363	105,000	185,169	30,000	63,419	527,951
2014	55,000	86,613	110,000	179,394	35,000	62,119	528,126
2015	60,000	83,725	120,000	173,344	35,000	60,544	532,613
2016	60,000	80,575	125,000	166,744	35,000	58,794	526,113
2017-2021	365,000	351,013	725,000	724,769	210,000	264,966	2,640,748
2022-2026	460,000	251,788	930,000	519,344	270,000	214,500	2,645,632
2027-2031	590,000	125,500	1,195,000	259,569	325,000	151,425	2,646,494
2032-2036	135,000	6,750	275,000	14,094	410,000	69,075	909,919
2037-2041	-	-	-	-	95,000	2,138	97,138
	<u>\$ 1,830,000</u>	<u>\$ 1,167,190</u>	<u>\$ 3,690,000</u>	<u>\$ 2,412,846</u>	<u>\$ 1,475,000</u>	<u>\$ 1,011,599</u>	<u>\$ 11,586,635</u>

Taxable Revenue Note, Series 2011:

On August 17, 2011, the City issued a \$ 7,575,000 Taxable Revenue Note, Series 2011, to *partially advance refund* \$ 1,725,000 and \$ 3,775,000 of the FMLC 2002A and 2006 revenue bonds, respectively, and also to *currently refund* the then remaining obligation of the Capital Improvement Promissory Note, Series 2009 in the amount of \$ 814,488. A total of \$ 6,287,113 was deposited into an irrevocable trust with an escrow agent to provide for the scheduled principal and interest installments of the partially advance refunded bonds, including the remaining obligations on the call date of May 1, 2012 and October 1, 2016 for the FMLC 2002A and 2006, respectively. As of September 30, 2011, the outstanding balance of the partially advanced refunded bonds was \$ 1,725,000 and \$ 3,775,000 for the FMLC 2002A and 2006, respectively.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 8 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

Annual principal and semi-annual interest payments are due through October 2026 at a fixed rate of 4.550%; secured by a pledge of all non-advallorem revenues of the City.

The reacquisition price exceeded the net carrying amount of the old debt by approximately \$ 787,000. The amount is being netted against the new debt and amortized over the life of the new debt issued. The transaction resulted in additional future debt service requirements of approximately \$ 487,000 and an economic loss (difference between the present values of the debt service on the old and new debt) of approximately \$ 1,164,000.

The City executed this refunding transaction to comply with the Securities and Exchange Commission and the Internal Revenue Service; where it was determined that a portion of the FMLC bonds constituted impermissible financing and private activity which affected the governmental status of the Council Bonds.

Annual debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 214,457	\$ 214,457
2013	365,000	336,359	701,359
2014	385,000	319,296	704,296
2015	400,000	301,438	701,438
2016	410,000	283,010	693,010
2017-2021	2,380,000	1,107,470	3,487,470
2022-2026	2,960,000	502,320	3,462,320
2027	675,000	15,356	690,356
	<u>\$ 7,575,000</u>	<u>\$ 3,079,706</u>	<u>\$ 10,654,706</u>

Community Redevelopment Agency (CRA) Bond, Series 2006:

The City, through its Community Redevelopment Agency, ("CRA") previously issued \$ 2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 (the "CRA Bond") for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area. The revenue bonds are secured by CRA tax increment financing revenues from the County and the City. The bonds bear interest at 5.99%. Principal and interest payments are due quarterly through the maturity date of the bonds.

During the year, the CRA Board of Directors authorized a partial prepayment of principal, amounting to approximately \$ 851,600. A 1.00% prepayment penalty fee was assessed and paid. As a result of the prepayment, the original maturity of the indebtedness was changed from May 2020 to February 2016.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 8 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

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

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 236,343	\$ 61,430	\$ 297,773
2013	250,821	46,952	297,773
2014	266,186	31,587	297,773
2015	282,492	15,281	297,773
2016	77,250	1,216	78,466
	<u>\$ 1,113,092</u>	<u>\$ 156,466</u>	<u>\$ 1,269,558</u>

Notes Payable:

During the year, the City entered into promissory note agreements with a financial institution to finance the purchase of law enforcement vehicles and multi-space parking meter stations totaling approximately \$ 576,000. The notes require aggregate monthly payments of \$ 10,202, including interest at 2.355% and 2.5451% per annum. Both notes expire during fiscal year 2016. As of September 30, 2011, the balance outstanding was \$ 508,297.

During the year, the City financed an upgrade to its City Hall management computer software for approximately \$ 172,000. The agreement requires annual payments of \$ 34,414 and bears no interest. As of September 30, 2011, the outstanding balance of this agreement is \$ 137,656.

The City previously entered into Inter-Local agreements with Miami Dade County for the purchase of police radios and for a stormwater drainage project. The cost for the radios and project was approximately \$ 247,000 and \$ 270,000, respectively, and are payable in ten years. As of September 30, 2011, the total balance outstanding was \$ 263,262.

The City previously entered into a promissory note agreement with a financial institution to finance the purchase of law enforcement and other City vehicles totaling approximately \$ 538,000. The note requires annual principal payments of \$ 116,974, including interest at 4.25% per annum expiring February 2013. As of September 30, 2011, the balance outstanding was \$ 212,201.

The City previously purchased property located at 7800 S.W. 59th Avenue for approximately \$ 573,000 financed through the issuance of a mortgage note payable, Series 2005 with a financial institution. The note requires quarterly payments of principal of \$ 20,477 and interest at an annual interest rate of 3.95% through April 2012. The City has pledged non-ad valorem revenues. As of September 30, 2011, the balance outstanding was \$ 13,365.

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

<u>Years Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 448,842	\$ 21,172	\$ 470,014
2013	280,253	13,153	293,406
2014	178,339	5,531	183,870
2015	181,187	2,686	183,873
2016	46,160	269	46,429
	<u>\$ 1,134,781</u>	<u>\$ 42,811</u>	<u>\$ 1,177,592</u>

CITY OF SOUTH MIAMI, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 September 30, 2011

NOTE 8 - LONG TERM LIABILITIES OF GOVERNMENTAL ACTIVITIES (continued)

Capital Leases:

The City has entered into various capital lease arrangements for law enforcement and other City vehicles totaling approximately \$ 431,000. The leases expire at varying intervals through July 2015. Interest rates are at 3.18% and 3.91%.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2012	\$ 93,275
2013	49,515
2014	49,515
2015	<u>49,768</u>
Total minimum lease payments	242,073
Less amount representing interest	<u>(14,415)</u>
Present value of minimum lease payments	<u>\$ 227,658</u>

Conduit Debt Obligation:

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

In 2007, the Baptist Health South Florida (“BHSF”) issued through the City of South Miami Health Facilities Authority, \$ 800,000,000 of its Hospital Revenue Bonds, Series 2007 (“2007 Bonds”). The proceeds from the bonds were used to refund then outstanding bonds and to acquire, construct, equip and rehabilitate certain health care facilities of BHSF. The 2007 Bonds bear interest at rates ranging from 4.62% to 5.00%, payable semiannually each February 15 and August 15, and mature annually on August 15 through 2042. As of September 30, 2011, the outstanding principal amount payable was \$ 761,600,000.

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Grants:

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

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 9 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation - General Matters:

The City is currently a defendant in several pending claims and legal proceedings incidental to the operations of the City. The City is aggressively defending each action. The ultimate liability related to these claims is not presently determinable. It is the opinion of the City's management and legal counsel that the final resolution of these claims and legal proceedings would not have a material adverse effect on the financial condition of the City.

Securities and Exchange Commission ("SEC") and Internal Revenue Service Investigation ("IRS"):

Previously, the SEC opened a formal investigation pertaining to certain bonds issued in 2002 and 2006 by the Florida Municipal Loan Council ("FLMC"), the proceeds of which were used in connection with the construction and improvements of the City parking garage project (Notes 6 and 8). The City cooperated fully with the SEC investigation and have recently reached a conceptual settlement, subject to documentation and required approvals, pursuant to which no payment will be required by the City.

In addition, the City notified the IRS and the FLMC, as dissemination agent with respect to the bonds, of the ongoing SEC investigation. The FLMC and the City initiated with the IRS the process for requesting a voluntary closing agreement to resolve issues which could affect the tax-exempt status of interest on the bonds. After a period of investigation, the parties reached a resolution, which was concluded in August 2011, whereby the City paid approximately \$ 276,000 to the IRS, the IRS closed its inquiry, and the tax-exempt status of the bond interest was preserved.

As disclosed in Note 8, the City entered into a debt refunding transaction in connection with these investigations. No formal charges or claims have been asserted against the City by either the SEC or the IRS, and there is no litigation pending.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

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

Plan Description and Funding Policy:

Employees who retire from the City and their dependents are eligible to continue to participate ("single employer plan") in the City's health insurance, dental and vision plans currently offered through the City at the "blended" employee group rate, which is determined annually by the City. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. As of September 30, 2011, there are seven participating retirees in the group health program.

CITY OF SOUTH MIAMI, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 September 30, 2011

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Annual OPEB Cost and Net OPEB Obligation:

The following table shows the components of the City’s annual OPEB cost for the year, the amount contributed, and the change in the net OPEB obligation.

<u>Development of the Annual Required Contribution (ARC)</u>	
Employer Normal Cost	\$ 16,000
Amortization of Unfunded Actuarial Accrued Liability	21,000
Amortization of Net OPEB Obligation	3,000
Annual Required Contribution	40,000
Increase in Net OPEB obligation	1,000
Adjustment to the ARC	(3,000)
Annual OPEB Cost	38,000
Estimated Annual Employer Contribution (pay-as-you-go) *	(11,000)
Change in Net OPEB Obligation	27,000
Net OPEB obligation - Beginning of Year	27,000
Net OPEB obligation - End of Year	\$ 54,000

* Reflects a contribution credit for the implied subsidy.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation since implementation are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2011	\$ 38,000	28.9%	\$ 54,000
9/30/2010	\$ 38,000	28.9%	\$ 27,000

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress:

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The funded status and an analysis of funding progress (the last plan year value date) is as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability At Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
* 10/1/10	\$ -	\$ 191,000	\$ 191,000	0.0%	\$ 8,447,000	2.3%

* Year of implementation

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

Actuarial Methods and Assumptions:

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

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

CITY OF SOUTH MIAMI, FLORIDA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 September 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLAN

Plan Description:

The City sponsors and maintains the General Employees and Police Officers Pension Plan (the "Plan"), a single-employer defined benefit pension plan established by Ordinance No. 528 dated December 7, 1965, effective October 1, 1965. The most recent amendment to the Plan occurred on November 1, 2011 concerning the definitions of annual compensation and final average compensation and eligibility requirements of the Plan (Note 14). The Plan covers police officers and other full-time general employees of the City who are eligible to participate in the Plan and who fulfill the prescribed eligibility requirements. A more detailed description of the Plan and its provisions appears in the Ordinances constituting the Plan and in the summary plan description.

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

Summary of Significant Accounting Policies:

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

Method Used to Value Investments:

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

Eligibility:

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

As of September 30, 2011, the Plan membership consisted of:

	General Employees	Police
Active Plan members	74	46
Terminated vested	1	7
Receiving benefits	22	16
	97	69

Vesting:

Benefits are fully vested after 10 years of continuous service.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits:

Normal retirement:

General employees who retire at or after age 55 and completion of 10 years of credited service are entitled to a retirement benefits ranging from 2.5% to 2.75% of their final monthly compensation ("FMC"), 1/36th of the final 36 consecutive months of compensation, based on the years of credited service. Police officers who retire at or after age 60 and completion of 10 years of credited service or; completion of 25 years of credited service regardless of age, are entitled to retirement benefits ranging from 2.0% to 3.0% of their FMC, not less than 1/5th of the highest 5 years out of the last 10 years of compensation, based on the years of credited service. A cost of living supplemental benefit based upon the consumer price index is provided upon retirement. The annual increase is limited to 3%.

Early retirement:

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

Disability retirement:

Members who become totally and permanently disabled for a six month period while actively employed are eligible. Benefits for disability retirement will be based upon the FMC and credited service as of the date of disability, actuarially reduced for early retirement.

Pre-retirement death:

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

Funding Policy:

The City's annual required contribution is determined annually by an independent third party actuary, and is together with earnings and employee contributions, sufficient to fund the benefits described above. For the year ended September 30, 2011, the aggregate contribution requirement for the City and Plan participants was determined at 30.3% (including 13.7% for participants) and 36.5% (including 15.6% for participants) for general employees and police officers, respectively. In accordance with a City ordinance, should the aggregate participants and City's annual contribution be actuarially determined to exceed 14% and 15%, for general employees and police officers, respectively, both participants and the City shall share equally in such excess percentage.

The Police Officers Pension Plan also receives contributions from the State of Florida. The City received \$ 152,963 (\$ 72,172 for 2011 and \$ 80,791 for 2010) from the State that was generated from the insurance premium tax as part of the required funding for the Police Pension Plan and recorded revenues and expenditures in the General Fund, as appropriate.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

Annual Pension Cost and Net Pension Obligation:

The actuarial assumptions, as of the valuation dated October 1, 2010, and effective for the current fiscal year are as follows:

	<u>General Employees</u>	<u>Police Officers</u>
Actuarial valuation date	10/1/2010	10/1/2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay, closed	Level percent of pay, closed
Remaining amortization period	22 years	26 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	7.0%	7.0%
Projected salary increases	4.5% - 7.5%	4.0% - 7.0%
Includes inflation at	4.0%	4.0%
Cost-of-living adjustment	3.0%	3.0%

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

	<u>General Employees</u>	<u>Police Officers</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 625,038	\$ 641,549	\$ 1,266,587
Interest on net pension obligation (asset)	(2,316)	(1,397)	(3,713)
Adjustment to ARC	2,456	1,348	3,804
Annual pension cost	625,178	641,500	1,266,678
Contributions made	<u>(631,033)</u>	<u>(642,287)</u>	<u>(1,273,320)</u>
Increase (decrease) in net pension obligation (asset)	(5,855)	(787)	(6,642)
Net pension obligation (asset), beginning of year	<u>(33,086)</u>	<u>(19,955)</u>	<u>(53,041)</u>
Net pension obligation(asset), end of year	\$ <u><u>(38,941)</u></u>	\$ <u><u>(20,742)</u></u>	\$ <u><u>(59,683)</u></u>

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLAN (continued)

Trend Information:

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the year ended September 30, 2011 and the two previous years is as follows:

<u>Years Ending September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Employees:			
2011	\$ 625,178	101%	\$ (38,941)
2010	\$ 694,396	100%	\$ (33,086)
2009	\$ 389,095	100%	\$ (32,780)
Police Officers:			
2011	\$ 641,500	100%	\$ (20,742)
2010	\$ 562,235	100%	\$ (19,955)
2009	\$ 453,858 *	100%	\$ (19,646)

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

Schedule of Funding Progress:

The schedule of funding progress, presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The funded status of the Plan as of October 1, 2011, the most recent valuation date, is as follows:

	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability At Entry Age (AAL) (b)</u>	<u>Unfunded Actuarial Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as Percentage of Covered Payroll ((b-a)/c)</u>
General Employees	\$ 11,330,151	\$ 13,477,722	\$ 2,147,571	84.1%	\$ 2,373,100	90.5%
Police Officers	\$ 13,105,560	\$ 17,872,619	\$ 4,767,059	73.3%	\$ 3,050,052	156.3%

NOTE 12 - DEFINED CONTRIBUTION PLANS

Police Officers Retirement Trust Fund - Section 185 Plan:

The City sponsors and maintains the Police Officers Retirement Trust Fund - Section 185 Plan (the "Fund"), which accounts for the financial activity of the separate plan for police officers established under the provisions of Chapter 185 of the Florida Statutes. The City and participating members do not contribute to the Fund.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 12 - DEFINED CONTRIBUTION PLANS (continued)

A Board of Trustees administers this account, which includes a number of appointments by the City Commission with three members elected by the Fund's participants. Statutory authority vests with the Board of Trustees with autonomy in the administration and control over the Fund. The City has issued stand-alone financial statements for the Fund, which may be obtained from the City's Finance Department.

401(a) Money Purchase Plans:

The City is a single employer that contributes to three (3) defined contribution pension plans based upon employee classification created in accordance with the Internal Revenue Code Section 401(a) ("The 401(a) Plans"). The 401(a) Plans cover certain upper level members of management who have elected to participate. The City Commission executed a resolution for the City to make contributions of up to 7% of participating members' earnings into the plan and specific dollar amounts for two individuals in accordance with their employment contracts. During the year ended September 30, 2011, City contributions on behalf of members of management were approximately \$ 62,400.

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

Employees 457 Deferred Compensation Plan:

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

The plan assets are administered by ICMA Retirement Corporation. The City does not exercise any control nor have fiduciary responsibility over the plan assets. During the current fiscal year, the City provided additional compensation to several employees totaling approximately \$ 11,400 in the aggregate. This additional compensation was then contributed into the 457 Plan by these employees.

NOTE 13 - 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.

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2011

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to the year end and effective October 1, 2011, the City amended its defined benefit pension plan to reflect changes in *eligibility requirements, definition of final average compensation, normal retirement eligibility, benefit accrual percentages* and *supplemental benefit* for General Employees. The definition of *final average compensation* has been updated for most Police Officers.

In summary, the changes to the defined benefit pension plan are as follows:

General Employees:

Eligibility requirements: The Plan is only available to regular full-time employees who *before October 1, 2011* are eligible to enter the plan following the completion of six months of credited service and attainment of age 20.

Final average compensation: Final average compensation for general employees is *1/60th of the final 60 consecutive months of basic compensation*, provided that it is not less than the final average compensation as of September 30, 2011 under the prior definitions. Basic compensation shall mean base wages and salaries, excluding commissions, overtime pay, bonuses and any other forms of additional compensation earned outside of base wages.

Normal retirement eligibility: Attainment of age 55 and completion of 10 years of credited services for benefits accrued at September 30, 2011. *Attainment of age 60 and completion of 10 years* of credited services for benefits accrued after September 30, 2011, including increases in the accrued benefit as of September 30, 2011 due to increases in the final average compensation.

Benefit accrual percentage: The benefit percentage effective October 1, 2011 and thereafter is 2.25%.

Supplemental benefit: Accrued benefits from October 1, 2011 and thereafter are not subject to the cost-of-living supplemental benefit adjustment.

All general employees who were participating in the Plan as of September 30, 2011 may elect to remain in the Plan or participate in a newly created defined contribution plan under the provisions of Section 457(b). Should a general employee elect to discontinue participation in the Plan, all contributions from such employee will be refunded and may rollover into the newly established Section 457(b) plan. Under the new defined contribution plan, employee contributions are matched dollar-for-dollar by the City in amounts ranging from 3.0% to 7.0%, based on employee classification.

Police Officers:

Final average compensation: Final Average Compensation for members covered under the Police Officers and Sergeants collective bargaining agreement is the best five (5) years of basic compensation, provided it is not less than the Final Average Compensation as of September 30, 2011 under the prior definitions. Basic compensation shall mean base wages and salaries, including up to 300 hours of overtime in a fiscal year and excluding payments for accrued unused sick or annual leave, extra duty or special detail work, shift differential, assignment pay, bonuses and any other forms of additional compensation earned outside of base wages.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF SOUTH MIAMI, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Ad valorem	\$ 6,106,048	\$ 6,106,048	\$ 5,822,401	\$ (283,647)
Utility taxes	1,851,960	1,851,960	2,041,512	189,552
Business taxes	623,500	623,500	606,054	(17,446)
Franchise fees	1,030,000	1,030,000	1,066,317	36,317
Licenses and permits	458,881	458,881	963,991	505,110
Intergovernmental	1,166,155	1,166,155	1,230,475	64,320
Charges for services	3,727,000	3,727,000	3,933,073	206,073
Fines and forfeitures	783,560	783,560	165,377	(618,183)
Rents and royalties	170,529	170,529	215,169	44,640
Interest income	175,000	175,000	88,671	(86,329)
Other	66,300	66,300	269,699	203,399
Total revenues	<u>16,158,933</u>	<u>16,158,933</u>	<u>16,402,739</u>	<u>243,806</u>
EXPENDITURES:				
Current:				
General government:				
City commission	92,984	92,984	87,756	5,228
City manager	1,795,275	1,725,419	1,508,698	216,721
City clerk	244,573	253,691	247,683	6,008
Legal	496,820	383,657	370,949	12,708
Finance	1,454,824	1,479,824	1,425,191	54,633
Nondepartmental	-	80,791	152,963	(72,172)
Total general government	<u>4,084,476</u>	<u>4,016,366</u>	<u>3,793,240</u>	<u>223,126</u>
Public safety:				
Police	6,302,902	6,329,902	6,046,228	283,674
Building, zoning and community development	1,286,885	1,285,659	1,122,887	162,772
Total public safety	<u>7,589,787</u>	<u>7,615,561</u>	<u>7,169,115</u>	<u>446,446</u>
Public works	4,199,081	4,279,697	4,046,185	233,512
Culture and recreation	1,358,260	1,392,905	1,004,105	388,800
Debt Service:				
Principal	351,891	351,192	292,425	58,767
Interest and fiscal charges	69,730	70,429	67,600	2,829
Total expenditures	<u>17,653,225</u>	<u>17,726,150</u>	<u>16,372,670</u>	<u>1,353,480</u>
Excess (deficiency) of revenues over expenditures	<u>(1,494,292)</u>	<u>(1,567,217)</u>	<u>30,069</u>	<u>1,597,286</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	941,086	941,086	788,075	(153,011)
Transfers out	(2,041,274)	(2,041,274)	(2,041,274)	-
Issuance of debt	794,070	794,070	748,223	(45,847)
Total other financing sources (uses)	<u>(306,118)</u>	<u>(306,118)</u>	<u>(504,976)</u>	<u>(198,858)</u>
Net change in fund balance	<u>\$ (1,800,410)</u>	<u>\$ (1,873,335)</u>	<u>\$ (474,907)</u>	<u>\$ 1,398,428</u>

CITY OF SOUTH MIAMI, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 (CONTINUED)
 For the Year Ended September 30, 2011

EXPLANATION OF DIFFERENCES BETWEEN CHANGE IN FUND BALANCE -
 BUDGET TO ACTUAL AND STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - GENERAL FUND

Net change in fund balance - budget to actual - General Fund, page 50 \$ (474,907)

Amounts reported for budget to actual are different because:

Revenues and expenditures in certain funds are reported in those funds for budgetary purposes; but in the General Fund for the purpose of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds:

Net change in fund balance - Emergency Reserve Fund (1)	1,785,421
Net change in fund balance - Self Insurance Fund (1)	(199,435)
Net change in fund balance - Bond Trust Fund (2)	(44,247)

Encumbrances outstanding at September 30, 2010	<u>(52,865)</u>
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General Fund net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Page 18	<u>\$ 1,013,967</u>
--	---------------------

- (1) See budget to actual comparison schedule on page 61.
- (2) The fund does not have a legally adopted budget.

CITY OF SOUTH MIAMI, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY REDEVELOPMENT AGENCY FUND
 For the Year Ended September 30, 2011

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:			
Ad valorem taxes	\$ 1,292,225	\$ 1,292,225	\$ -
Rents and royalties	60,000	33,835	(26,165)
Interest income	<u>10,000</u>	<u>14,242</u>	<u>4,242</u>
Total revenues	<u>1,362,225</u>	<u>1,340,302</u>	<u>(21,923)</u>
EXPENDITURES:			
Current:			
General government:			
Community redevelopment	1,922,557	934,342	988,215
Capital outlay	580,000	41,461	538,539
Debt service:			
Principal	1,049,401	1,049,401	-
Interest	<u>108,536</u>	<u>108,536</u>	<u>-</u>
Total expenditures	<u>3,660,494</u>	<u>2,133,740</u>	<u>1,526,754</u>
Excess (deficiency) of revenues over expenditures	<u>(2,298,269)</u>	<u>(793,438)</u>	<u>1,504,831</u>
OTHER FINANCING USES:			
Transfers out	<u>(52,059)</u>	<u>(69,754)</u>	<u>(17,695)</u>
Net change in fund balance	<u>\$ (2,350,328)</u>	<u>\$ (863,192)</u>	<u>\$ 1,487,136</u>

CITY OF SOUTH MIAMI, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
September 30, 2011

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

CITY OF SOUTH MIAMI, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 September 30, 2011

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2011, expenditures exceeded appropriations in the non-departmental department (the legal level of budgetary control) of the general fund by (\$72,172). These excess of expenditures over appropriations were the result of the receipt of the 2011 State of Florida Section 185 payment which was received by the City prior to the fiscal year-end and is recorded as a receivable in the Statement of Net Assets – Fiduciary Funds and a liability of the City at September 30, 2011. These Section 185 expenditures are included in the State of Florida’s approved budget and are paid to the Section 185 Police Officers Pension Trust Fund as a pass-through of funds from the City. The expenditures were approved by the Commission but a formal budget amendment was never made.

NOTE 3 - BUDGET/GAAP RECONCILIATION

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

	Community Redevelopment Agency Fund	Peoples Transportation Tax Fund (Non-major Fund)	Local Option Gas Tax Fund (Non-major Fund)
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance - amounts as reported on the budgetary comparison schedule	(1) \$ <u>(863,192)</u>	(2) \$ <u>329,525</u>	(3) \$ <u>30,204</u>
Encumbrances outstanding September 30, 2010	(150,001)	(21,520)	-
Encumbrances outstanding September 30, 2011	<u>136,159</u>	<u>50,714</u>	<u>42,824</u>
Net change in encumbrances	<u>(13,842)</u>	<u>29,194</u>	<u>42,824</u>
Net change in fund balance - as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	(4) \$ <u><u>(877,034)</u></u>	(5) \$ <u><u>358,719</u></u>	(5) \$ <u><u>73,028</u></u>

(1) see page 52
 (2) see page 62
 (3) see page 60

(4) see page 18
 (5) see page 59

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability at Entry Age (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2006	\$ 7,498,093	\$ 10,019,348	\$ 2,521,255	74.8%	\$ 3,027,386	83.3%
October 1, 2007	\$ 8,534,387	\$ 10,652,651	\$ 2,118,264	80.1%	\$ 3,192,696	66.3%
October 1, 2008	\$ 9,237,641	\$ 11,331,288	\$ 2,093,647	81.5%	\$ 3,346,534	62.6%
October 1, 2009	\$ 9,957,659	\$ 13,727,750	\$ 3,770,091	72.5%	\$ 4,436,444	85.0%
October 1, 2010	\$ 10,852,137	\$ 15,521,998	\$ 4,669,861	69.9%	\$ 3,763,350	124.1%
October 1, 2011	\$ 11,330,151	\$ 13,477,722	\$ 2,147,571	84.1%	\$ 2,373,100	90.5%

Year Ended September 30,	Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 307,422	100.0%
2007	\$ 365,630	100.0%
2008	\$ 350,334	100.0%
2009	\$ 389,512	100.0%
2010	\$ 694,702	100.0%
2011	\$ 625,038	101.0%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability at Entry Age (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
October 1, 2006	\$ 8,884,898	\$ 12,446,060	\$ 3,561,162	71.4%	\$ 3,011,503	118.3%
October 1, 2007	\$ 10,206,758	\$ 13,475,809	\$ 3,269,051	75.7%	\$ 3,172,573	103.0%
October 1, 2008	\$ 11,047,956	\$ 14,524,122	\$ 3,476,166	76.1%	\$ 2,857,555	121.6%
October 1, 2009	\$ 11,648,372	\$ 16,050,973	\$ 4,402,601	72.6%	\$ 3,183,318	138.3%
October 1, 2010	\$ 12,444,607	\$ 18,330,874	\$ 5,886,267	67.9%	\$ 3,067,558	191.8%
October 1, 2011	\$ 13,105,560	\$ 17,872,619	\$ 4,767,059	73.3%	\$ 3,050,052	156.3%

Year Ended September 30,	Annual Required Contribution (ARC)	Percentage Contributed
2006	\$ 324,613	100.0%
2007	\$ 428,438	100.0%
2008	\$ 418,852	100.0%
2009	\$ 454,219 *	100.0%
2010	\$ 562,544	100.0%
2011	\$ 641,549	100.0%

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

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

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

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

OTHER FINANCIAL INFORMATION

NON MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Revolving Trust Fund - This fund was used to account for the monies that were legally restricted to certain capital improvement projects. *This fund was closed during the current fiscal year.*

Grants Fund - This fund accounts for grant funds received that are restricted for certain types of projects/services. Revenue within this fund is recognized when the related expenditures are incurred and meet the respective grant requirements.

Stormwater Drain Trust Fund - This fund accounts mainly for the revenues associated with an inter-local agreement with the Miami-Dade County, Water and Sewer Department related to stormwater charges. The revenues are used for the management and maintenance of existing catch basins, stormwater drains and canal system, and future construction of the City's system.

Sylvia Martin Fund - This fund was used to account for proceeds received that were legally restricted to improve the Sylvia Martin Building. *This fund was closed during the current fiscal year.*

Hurricane Fund - This fund was used to account for FEMA and insurance reimbursements and expenditures related to storm related damages and other preventative measures. *This fund was closed during the current fiscal year.*

Local Option Gas Tax - This fund is used to account for the revenues and expenditures associated with the State of Florida's Local Option Gas Tax.

Peoples Transportation Tax Fund - This fund is used to account for the revenues and expenditures associated with the Miami-Dade County Peoples Transportation Tax.

Federal Forfeiture Fund - To account for proceeds received from the Federal government as a result of the City participating in investigations that resulted in Federal forfeitures. Proceeds are used for law enforcement purposes.

State Forfeiture Fund - To account for proceeds obtained through the sale of confiscated and unclaimed property turned over to the City through court judgments. Proceeds are to be used solely for crime fighting purposes.

Hometown District Parking Fund - This fund accounts for monies received that are to be used for improvements to parking facilities, infrastructure to increase parking capacity, and the installation of metering devices.

CITY OF SOUTH MIAMI, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

	Special Revenue Funds										Total Nonmajor Governmental Funds
	Revolving Trust	Grants Fund	Stormwater Drain Trust Fund	Sylvia Martin Trust	Hurricane	Local Option Gas Tax	Peoples Transportation Tax	Federal Forfeiture	State Forfeiture	Hometown District Parking	
ASSETS:											
Cash and cash equivalents	\$ -	\$ 434,977	\$ 188,919	\$ -	\$ -	\$ 380,590	\$ 949,802	\$ 412,999	\$ 67,547	\$ -	\$ 2,434,834
Accounts receivable	-	154,073	105,163	-	-	-	78,270	-	-	6,000	343,506
Due from other funds	-	1,940	151,809	-	-	-	-	-	-	4,250	157,999
Total assets	\$ -	\$ 590,990	\$ 445,891	\$ -	\$ -	\$ 380,590	\$ 1,028,072	\$ 412,999	\$ 67,547	\$ 10,250	\$ 2,936,339
LIABILITIES:											
Accounts payable	\$ -	\$ 3,105	\$ 8,602	\$ -	\$ -	\$ -	\$ 17,270	\$ -	\$ 1,869	\$ -	\$ 30,846
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	3,105	8,602	-	-	-	17,270	-	1,869	-	30,846
FUND BALANCES:											
Restricted for:											
Grant projects	-	587,885	-	-	-	-	-	-	-	-	587,885
Stormwater management	-	-	437,289	-	-	-	-	-	-	-	437,289
Transportation projects	-	-	-	-	-	380,590	1,010,802	-	-	-	1,391,392
Law enforcement	-	-	-	-	-	-	-	412,999	65,678	-	478,677
Committed to:											
Parking management	-	-	-	-	-	-	-	-	-	10,250	10,250
Total fund balances	-	587,885	437,289	-	-	380,590	1,010,802	412,999	65,678	10,250	2,905,493
Total liabilities and fund balances	\$ -	\$ 590,990	\$ 445,891	\$ -	\$ -	\$ 380,590	\$ 1,028,072	\$ 412,999	\$ 67,547	\$ 10,250	\$ 2,936,339

CITY OF SOUTH MIAMI, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	Special Revenue Funds										Total Nonmajor Governmental Funds
	Revolving Trust	Grants Fund	Stormwater Drain Trust Fund	Sylvia Martin Trust	Hurricane	Local Option Gas Tax	Peoples Transportation Tax	Federal Forfeiture	State Forfeiture	Hometown District Parking	
REVENUES:											
Intergovernmental	\$ -	\$ 971,291	\$ 437,770	\$ -	\$ -	\$ 70,807	\$ 380,702	\$ -	\$ -	\$ -	\$ 1,860,570
Utility taxes	-	-	28,759	-	-	-	-	-	-	-	28,759
Fines and forfeitures	-	-	-	-	-	-	-	257,769	60,140	-	317,909
Charges for services	-	-	-	-	-	-	-	-	-	35,250	35,250
Interest income	-	4,057	4,748	-	522	2,221	4,158	272	653	-	16,631
Other	-	10,000	-	-	-	-	-	69,756	-	-	79,756
Total revenues	-	985,348	471,277	-	522	73,028	384,860	327,797	60,793	35,250	2,338,875
EXPENDITURES:											
Current:											
Culture and recreation	-	77,864	-	-	-	-	-	-	-	-	77,864
Public safety	-	65,960	-	-	-	-	-	150,364	46,100	-	262,424
Public works	-	-	73,487	-	-	-	26,141	-	-	-	99,628
Community Services	-	136,452	-	-	-	-	-	-	-	-	136,452
Capital outlay	-	86,615	23,169	-	-	-	-	121,505	-	-	231,289
Debt service:											
Principal	-	-	50,667	-	-	-	-	5,166	-	-	55,833
Interest and fiscal charges	-	-	2,967	-	-	-	-	219	-	-	3,186
Total expenditures	-	366,891	150,290	-	-	-	26,141	277,254	46,100	-	866,676
Excess of revenues over expenditures	-	618,457	320,987	-	522	73,028	358,719	50,543	14,693	35,250	1,472,199
OTHER FINANCING SOURCES (USES):											
Transfers out	(2,392)	-	(250,000)	(13,970)	(183,247)	-	-	-	-	(25,000)	(474,609)
Total other financing sources (uses)	(2,392)	-	(250,000)	(13,970)	(183,247)	-	-	-	-	(25,000)	(474,609)
Net change in fund balances	(2,392)	618,457	70,987	(13,970)	(182,725)	73,028	358,719	50,543	14,693	10,250	997,590
FUND BALANCES, beginning	2,392	(30,572)	366,302	13,970	182,725	307,562	652,083	362,456	50,985	-	1,907,903
FUND BALANCES, ending	\$ -	\$ 587,885	\$ 437,289	\$ -	\$ -	\$ 380,590	\$ 1,010,802	\$ 412,999	\$ 65,678	\$ 10,250	\$ 2,905,493

CITY OF SOUTH MIAMI, FLORIDA
SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	Hurricane Fund			Local Option Gas Tax Fund		
	Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
REVENUES:						
Intergovernmental	\$ -	\$ -	\$ -	\$ 64,746	\$ 70,807	\$ 6,061
Interest income	-	522	522	2,000	2,221	221
Total revenues	-	522	522	66,746	73,028	6,282
EXPENDITURES:						
Current:						
Capital outlay	-	-	-	75,000	42,824	32,176
Total expenditures	-	-	-	75,000	42,824	32,176
Excess (deficiency) of revenues over expenditures	-	522	522	(8,254)	30,204	38,458
OTHER FINANCING USES:						
Transfer in	-	-	-	-	-	-
Transfer out	(183,039)	(183,247)	(208)	-	-	-
Total other financing sources (uses)	(183,039)	(183,247)	(208)	-	-	-
Net change in fund balance	\$ (183,039)	\$ (182,725)	\$ 314	\$ (8,254)	\$ 30,204	\$ 38,458

Emergency Reserve Fund			Self Insurance Fund		
Original and Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>20,145</u>	<u>20,145</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
<u>20,145</u>	<u>20,145</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>20,145</u>	<u>20,145</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
<u>1,765,276</u>	<u>1,765,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,584)</u>	<u>(199,465)</u>	<u>(4,881)</u>
<u>1,765,276</u>	<u>1,765,276</u>	<u>-</u>	<u>(194,584)</u>	<u>(199,465)</u>	<u>(4,881)</u>
\$ <u><u>1,785,421</u></u>	\$ <u><u>1,785,421</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(194,584)</u></u>	\$ <u><u>(199,435)</u></u>	\$ <u><u>(4,851)</u></u>

CITY OF SOUTH MIAMI, FLORIDA
SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
(continued)
For the Year Ended September 30, 2011

	Peoples Transportation Tax Fund			Federal Forfeiture Fund			
	Original and Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:							
Intergovernmental	\$ 300,000	\$ 380,702	\$ 80,702	\$ -	\$ -	\$ -	\$ -
Utility taxes	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	257,769	257,769
Charges for services	-	-	-	-	-	-	-
Interest income	-	4,158	4,158	200	200	272	72
Other	-	-	-	-	48,654	69,756	21,102
Total revenues	300,000	384,860	84,860	200	48,854	327,797	278,943
EXPENDITURES:							
Current:							
Public works	85,000	40,215	44,785	-	-	-	-
Public safety	-	-	-	30,060	221,390	150,364	71,026
Capital outlay	298,000	15,120	282,880	22,000	122,000	121,505	495
Debt service:							
Principal	-	-	-	5,383	5,166	5,166	-
Interest and fiscal charges	-	-	-	-	219	219	-
Total expenditures	383,000	55,335	327,665	57,443	348,775	277,254	71,521
Excess (deficiency) of revenues over expenditures	(83,000)	329,525	412,525	(57,243)	(299,921)	50,543	350,464
OTHER FINANCING SOURCES (USES):							
Transfer out	-	-	-	-	-	-	-
Net change in fund balance	\$ (83,000)	\$ 329,525	\$ 412,525	\$ (57,243)	\$ (299,921)	\$ 50,543	\$ 350,464

State Forfeiture Fund				Hometown District Parking			Stormwater Drain Trust Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ 250,000	\$ 437,770	\$ 187,770
-	-	-	-	-	-	-	28,000	28,000	28,759	759
-	-	60,140	60,140	-	-	-	-	-	-	-
-	-	-	-	28,000	35,250	7,250	-	-	-	-
500	500	653	153	55	-	(55)	7,500	7,500	4,748	(2,752)
-	-	-	-	-	-	-	-	-	-	-
<u>500</u>	<u>500</u>	<u>60,793</u>	<u>60,293</u>	<u>28,055</u>	<u>35,250</u>	<u>7,195</u>	<u>285,500</u>	<u>285,500</u>	<u>471,277</u>	<u>185,777</u>
-	-	-	-	-	-	-	60,768	85,200	73,487	11,713
16,000	68,411	46,100	22,311	-	-	-	-	-	-	-
-	-	-	-	-	-	-	50,000	50,000	23,169	26,831
-	-	-	-	-	-	-	22,146	51,182	50,667	515
-	-	-	-	-	-	-	2,988	5,022	2,967	2,055
<u>16,000</u>	<u>68,411</u>	<u>46,100</u>	<u>22,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,902</u>	<u>191,404</u>	<u>150,290</u>	<u>41,114</u>
<u>(15,500)</u>	<u>(67,911)</u>	<u>14,693</u>	<u>82,604</u>	<u>28,055</u>	<u>35,250</u>	<u>7,195</u>	<u>149,598</u>	<u>94,096</u>	<u>320,987</u>	<u>226,891</u>
-	-	-	-	(25,000)	(25,000)	-	(250,000)	(250,000)	(250,000)	-
<u>\$ (15,500)</u>	<u>\$ (67,911)</u>	<u>\$ 14,693</u>	<u>\$ 82,604</u>	<u>\$ 3,055</u>	<u>\$ 10,250</u>	<u>\$ 7,195</u>	<u>\$ (100,402)</u>	<u>\$ (155,904)</u>	<u>\$ 70,987</u>	<u>\$ 226,891</u>

CITY OF SOUTH MIAMI, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES:				
Rents and royalties	\$ 723,998	\$ 723,998	758,022	34,024
Other	145,468	145,468	145,468	-
Total revenues	869,466	869,466	903,490	34,024
EXPENDITURES:				
Debt service:				
Principal	488,569	1,201,180	1,201,180	-
Interest and fiscal charges	656,895	987,203	987,203	-
Total expenditures	1,145,464	2,188,383	2,188,383	-
Excess (deficiency) of revenues over expenditures	(275,998)	(1,318,917)	(1,284,893)	34,024
OTHER FINANCING SOURCES (USES):				
Transfer in	275,998	275,998	275,998	-
Proceeds from refunding debt	-	7,575,000	7,575,000	-
Payment to bond escrow agent	-	(6,287,113)	(6,287,113)	-
Total other financing sources (uses)	275,998	1,563,885	1,563,885	-
Net change in fund balance	\$ -	\$ 244,968	\$ 278,992	\$ 34,024

TRUST AND AGENCY FUNDS

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

Pension Trust Funds

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

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

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

CITY OF SOUTH MIAMI, FLORIDA
 COMBINING STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2011

	General Employees Pension Plan	Police Officers Pension Plan	Section 185 Police Officers Pension Trust Fund	Total
ASSETS:				
Cash and cash equivalents	\$ 220,238	\$ 254,425	\$ 6,282	\$ 480,945
Investments, at fair value:				
U.S. Government securities	468,648	541,398	142,390	1,152,436
Corporate obligations	746,270	862,115	82,862	1,691,247
Common stocks	2,291,247	2,646,922	239,173	5,177,342
International equity	192,192	222,026	35,506	449,724
Mutual funds	5,857,666	6,766,966	-	12,624,632
 Total cash, cash equivalents and investments	 9,776,261	 11,293,852	 506,213	 21,576,326
Receivables:				
Employer contribution	156,260	150,942	-	307,202
Employee contribution	17,279	17,256	-	34,535
Dividends and interest	17,206	19,877	-	37,083
Section 185 contribution	-	37,780	72,172	109,952
 Total receivables	 190,745	 225,855	 72,172	 488,772
Other assets:				
Prepaid expenses	990	1,144	-	2,134
 Total assets	 9,967,996	 11,520,851	 578,385	 22,067,232
LIABILITIES:				
Accounts payable	21,716	25,087	-	46,803
Minimum funding liability	-	-	37,780	37,780
Reserve for future benefits	-	-	52,579	52,579
 Total liabilities	 21,716	 25,087	 90,359	 137,162
NET ASSETS:				
Held in trust for employees' pension benefits	\$ 9,946,280	\$ 11,495,764	\$ 488,026	\$ 21,930,070

CITY OF SOUTH MIAMI, FLORIDA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2011

	<u>General Employees Pension Plan</u>	<u>Police Officers Pension Plan</u>	<u>Section 185 Police Officers Pension Trust Fund</u>	<u>Total</u>
ADDITIONS:				
Contributions:				
Employer	\$ 631,033	\$ 604,507	\$ -	\$ 1,235,540
Employees	460,052	442,515	-	902,567
Section 185 contributions	-	37,780	72,172	109,952
	<u>1,091,085</u>	<u>1,084,802</u>	<u>72,172</u>	<u>2,248,059</u>
Total contributions				
Investment income (loss):				
Net appreciation (depreciation) in fair value of investments	(824,743)	(948,057)	14,276	(1,758,524)
Interest and dividends	245,239	281,907	11,042	538,188
	<u>(579,504)</u>	<u>(666,150)</u>	<u>25,318</u>	<u>(1,220,336)</u>
Total investment income (loss)				
Less investment expenses	<u>59,743</u>	<u>68,676</u>	<u>8,014</u>	<u>136,433</u>
Net investment income (loss)	<u>(639,247)</u>	<u>(734,826)</u>	<u>17,304</u>	<u>(1,356,769)</u>
Total additions	<u>451,838</u>	<u>349,976</u>	<u>89,476</u>	<u>891,290</u>
DEDUCTIONS:				
Benefits paid	442,548	436,562	22,000	901,110
Refunds of contributions	218,015	28,671	-	246,686
Administrative expenses	28,648	32,932	15,329	76,909
Minimum benefit funding payment	-	-	37,780	37,780
	<u>689,211</u>	<u>498,165</u>	<u>75,109</u>	<u>1,262,485</u>
Total deductions				
Changes in net assets	(237,373)	(148,189)	14,367	(371,195)
NET ASSETS, beginning of year	<u>10,183,653</u>	<u>11,643,953</u>	<u>473,659</u>	<u>22,301,265</u>
NET ASSETS, end of year	<u>\$ 9,946,280</u>	<u>\$ 11,495,764</u>	<u>\$ 488,026</u>	<u>\$ 21,930,070</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

<u>CONTENTS</u>	<u>PAGE</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	67-70
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	71-74
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	75-78
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	79-80
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	81-83

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

CITY OF SOUTH MIAMI, FLORIDA

Table 1

NET ASSETS BY COMPONENT
 LAST NINE FISCAL YEARS *
 (ACCRUAL BASIS OF ACCOUNTING)
 (amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
GOVERNMENTAL ACTIVITIES:									
Invested in capital assets, net of related debt	\$ 6,983	\$ 9,139	10,604	\$ 14,302	\$ 16,694	\$ 21,871	\$ 22,520	\$ 23,497	\$ 23,767
Restricted	7,817	6,849	6,255	4,165	4,304	4,249	4,692	4,589	4,680
Unrestricted	2,081	4,117	5,492	7,661	10,003	9,167	7,190	7,011	8,324
Total governmental activities net assets	\$ 16,881	\$ 20,105	\$ 22,351	\$ 26,128	\$ 31,001	\$ 35,287	\$ 34,402	\$ 35,097	\$ 36,771

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

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

Table 2

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXPENSES:									
Governmental activities:									
General government	\$ 4,847	\$ 4,919	\$ 5,828	\$ 5,868	\$ 6,970	\$ 8,155	\$ 8,413	\$ 7,304	\$ 3,912
Public safety	4,990	4,446	4,386	4,280	4,554	4,410	4,523	4,717	7,542
Public works	2,821	3,541	5,258	5,909	5,014	4,535	4,342	4,683	4,337
Community services	-	-	-	-	-	-	-	484	1,098
Culture and recreation	1,399	1,222	1,231	1,366	861	1,021	1,037	1,069	1,140
Interest on long-term debt	380	416	531	613	487	676	960	1,055	929
Total governmental activities expenses	14,437	14,544	17,234	18,036	17,886	18,797	19,275	19,312	18,958
PROGRAM REVENUES:									
Governmental activities:									
Charges for services:									
General government	1,831	3,312	3,336	3,036	2,200	3,952	3,584	3,453	371
Public safety	2,513	404	304	748	457	459	407	476	4,608
Public works	346	372	326	316	343	399	466	408	574
Community services	-	-	-	-	-	-	-	-	34
Culture and recreation	105	272	279	161	182	1,229	296	242	199
Interest on long-term debt	-	-	-	-	-	-	-	493	244
Operating and capital grants and contributions	4,194	1,856	3,931	4,526	4,458	3,288	2,266	718	1,159
Total governmental activities program revenues	8,989	6,216	8,176	8,787	7,640	9,327	7,019	5,790	7,189
Net (expense)/revenue: Governmental activities	(5,448)	(8,328)	(9,058)	(9,249)	(10,246)	(9,470)	(12,256)	(13,522)	(11,769)
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	7,685	7,114
Utility taxes	1,718	1,645	1,633	1,776	1,829	1,965	2,092	2,087	2,070
Business taxes	-	-	-	-	553	552	581	630	606
Franchise taxes	730	815	813	1,008	1,116	1,116	1,197	1,101	1,066
Service concession arrangement	-	-	-	-	-	-	-	335	359
Intergovernmental (unrestricted)	2,427	1,992	1,245	1,310	1,297	1,282	1,200	2,051	1,980
Interest income (unrestricted)	158	249	375	594	809	396	226	218	140
Other	-	-	-	168	524	341	139	110	108
Total governmental activities	9,850	11,333	11,304	13,026	15,004	13,756	14,486	14,217	13,443
CHANGES IN NET ASSETS:									
Governmental activities	\$ 4,402	\$ 3,005	\$ 2,246	\$ 3,777	\$ 4,758	\$ 4,286	\$ 2,230	\$ 695	\$ 1,674

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

Table 3

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:										
Reserved	\$ 1,884	\$ 6,558	\$ 6,258	\$ 6,288	\$ 5,130	\$ 5,720	\$ 6,476	\$ 4,462	\$ 2,160	\$ -
Unreserved	1,920	3,088	3,825	4,319	4,796	5,268	3,523	4,473	6,325	-
Nonspendable	-	-	-	-	-	-	-	-	-	186
Committed	-	-	-	-	-	-	-	-	-	1,785
Assigned	-	-	-	-	-	-	-	-	-	1,982
Unassigned	-	-	-	-	-	-	-	-	-	5,546
Total General Fund	\$ 3,804	\$ 9,646	\$ 10,083	\$ 10,607	\$ 9,926	\$ 10,988	\$ 9,999	\$ 8,935	\$ 8,485	\$ 9,499
All other governmental funds:										
Reserved	\$ 344	\$ 1,358	\$ 1,494	\$ 1,705	\$ 1,854	\$ 1,986	\$ 2,313	\$ 1,921	\$ 215	\$ -
Unreserved, reported in:										
Special Revenue Funds	460	130	607	579	750	2,612	2,460	2,507	4,075	-
Nonspendable	-	-	-	-	-	-	-	-	-	4
Restricted	-	-	-	-	-	-	-	-	-	4,676
Committed	-	-	-	-	-	-	-	-	-	10
Total all other governmental funds	\$ 804	\$ 1,488	\$ 2,101	\$ 2,284	\$ 2,604	\$ 4,598	\$ 4,773	\$ 4,428	\$ 4,290	\$ 4,690

Note: Information for fiscal years 2002 through 2010 have not been restated for Governmental Accounting Standards Board (GASB) Statement No. 54 classifications.

Table 4

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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES:										
Taxes and franchise fees	\$ 5,277	\$ 5,547	\$ 7,423	\$ 8,050	\$ 9,178	\$ 9,992	\$ 9,772	\$ 10,829	\$ 9,416	\$ 8,787
Charges for services	1,819	2,276	2,332	2,532	2,532	2,197	2,818	3,063	3,175	3,968
Utility taxes	2,510	1,718	1,669	1,634	1,776	1,829	1,965	2,092	2,087	2,070
Intergovernmental	3,856	2,427	1,992	5,176	5,686	5,593	4,419	3,315	2,471	3,091
Licenses and permits	695	1,163	1,285	1,101	1,202	1,102	1,137	495	470	964
Fines and forfeitures	282	763	355	304	442	349	330	326	415	483
Interest income	160	158	248	375	594	809	396	226	219	140
Rents and royalties	-	-	-	-	-	-	-	-	1,129	1,007
Grants	-	3,964	1,856	-	-	-	-	-	-	-
Other	437	824	389	488	403	774	2,246	1,159	268	495
Total revenues	15,036	18,840	17,549	19,480	21,813	22,645	23,083	21,505	19,650	21,005
EXPENDITURES:										
General government	5,190	4,768	3,598	5,648	5,745	6,660	7,238	6,759	6,709	3,217
Public safety	4,872	4,877	4,281	4,270	4,194	4,253	4,332	4,358	4,572	7,243
Public works	1,604	2,490	3,116	4,660	5,409	5,109	5,284	5,100	4,329	4,148
Program expenditures	1,226	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	484	1,065
Culture and recreation	940	1,297	1,176	1,199	1,339	837	977	979	1,035	1,089
Nondepartmental	-	-	1,138	-	-	-	-	-	-	-
Debt service:										
Principal	800	326	533	391	612	2,183	2,444	1,284	1,038	2,599
Interest and fiscal charges	149	382	418	538	614	614	920	909	887	1,167
Capital outlay	1,759	4,965	2,363	3,032	7,538	8,827	4,654	2,320	1,412	1,100
Total expenditures	16,540	19,105	16,623	19,738	25,451	28,483	25,849	21,709	20,466	21,628
Excess (deficiency) of revenues over expenditures	(1,504)	(265)	926	(258)	(3,638)	(5,838)	(2,766)	(204)	(816)	(623)
OTHER FINANCING SOURCES (USES):										
Transfers in	327	6,858	-	-	-	-	-	641	485	820
Transfers out	(337)	(419)	-	-	-	-	-	(641)	(485)	(820)
Issuance of debt	2,200	20	547	961	3,277	8,679	1,953	538	228	748
Proceeds from refunding debt	-	-	-	-	-	-	-	-	-	7,575
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-	(6,287)
Total other financing sources (uses)	2,190	6,459	547	961	3,277	8,679	1,953	538	228	2,036
Net change in fund balances	\$ 686	\$ 6,194	\$ 1,473	\$ 703	\$ (361)	\$ 2,841	\$ (813)	\$ 334	\$ (588)	\$ 1,413
Debt service as a percentage of noncapital expenditures	6.4%	5.0%	6.7%	5.6%	6.8%	14.2%	15.9%	11.8%	10.0%	18.3%

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

Table 5

Fiscal Year (2)	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)
2002	\$ 733,156	\$ 85,367	\$ 818,523	6.3730	\$ 818,523	100.00%
2003	\$ 798,292	\$ 81,734	\$ 880,026	7.3730	\$ 880,026	100.00%
2004	\$ 919,791	\$ 83,712	\$ 1,003,503	7.2130	\$ 1,003,503	100.00%
2005	\$ 1,125,391	\$ 86,708	\$ 1,212,099	6.6810	\$ 1,212,099	100.00%
2006	\$ 1,363,371	\$ 82,658	\$ 1,446,029	5.8810	\$ 1,446,029	100.00%
2007	\$ 1,578,948	\$ 86,150	\$ 1,665,098	4.8180	\$ 1,665,098	100.00%
2008	\$ 1,621,815	\$ 69,137	\$ 1,690,952	5.2790	\$ 1,690,952	100.00%
2009	\$ 1,455,867	\$ 78,411	\$ 1,534,278	4.9526	\$ 1,534,278	100.00%
2010	\$ 1,350,917	\$ 71,712	\$ 1,422,629	4.9526	\$ 1,422,629	100.00%
2011	\$ 1,347,024	\$ 66,751	\$ 1,413,775	4.6662	\$ 1,413,775	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.

(2) Year of levy.

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

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

Fiscal Year (2)	City of South Miami										Overlapping Rates (1)									
	School Millages					Regional Millages					County Wide Millages					Other				
	Basic Direct Rate	Debt Service Rate	MDC School Board - Operating	School Board - Debt Service	MDC	Everglades Project	South Florida Water Management District	Florida Inland Navigation District	County Wide - Operating	County Wide - Debt Service	Fire & Rescue - Operating	Fire & Rescue - Debt Service	MDC Library District	Childrens Trust Authority	Total City-Wide					
2002	6.3730	-	8.4820	0.7700	0.1000	0.5970	0.0385	5.8890	0.3900	2.5820	0.0790	0.4860	0.0000	25.7865						
2003	7.3730	-	8.4180	0.6820	0.1000	0.5970	0.0385	5.9690	0.2850	2.5820	0.0790	0.4860	0.5000	27.1095						
2004	7.2130	-	8.0900	0.5970	0.1000	0.5970	0.0385	5.9350	0.2850	2.5920	0.0690	0.4860	0.4442	26.4467						
2005	6.6810	-	7.9470	0.4910	0.1000	0.5970	0.0385	5.8350	0.2850	2.6090	0.0520	0.4860	0.4288	25.5503						
2006	5.8810	-	7.6910	0.4140	0.1000	0.5970	0.0385	5.6150	0.2850	2.6090	0.0420	0.4860	0.4223	24.1808						
2007	4.8180	-	7.5700	0.3780	0.0894	0.5346	0.0345	4.5796	0.2850	2.2067	0.0420	0.3842	0.4223	21.3443						
2008	5.2790	-	7.5330	0.2640	0.0894	0.5346	0.0345	4.8379	0.2850	2.1851	0.0420	0.3822	0.4212	21.8879						
2009	4.9526	-	7.6980	0.2970	0.0894	0.5346	0.0345	4.8379	0.2850	2.1851	0.0420	0.3822	0.5000	21.8383						
2010	4.9526	-	7.8640	0.3850	0.0894	0.5346	0.0345	5.4275	0.4450	2.5753	0.0200	0.2840	0.5000	23.1119						
2011	4.6662	-	7.7650	0.2400	0.0624	0.3739	0.0345	4.8050	0.2850	2.4496	0.0131	0.1795	0.5000	21.3742						

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

(2) Year of levy.

Additional information:

- Property tax rates are assessed per \$ 1,000 of taxable assessed valuation.
- *City property tax rates above (all inclusive) do not have a debt service millage component.*
- *MDC - Miami Dade County*

Tax rate limits:

- City 10.000 mill 10.000 mills
- County 10.000 mill 10.000 mills
- SFWMD 10.000 mill 10.000 mills

Source: Miami-Dade County Department of Property Appraisal

* South Florida Water Management District

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

Table 7

2011		2001		Percentage Total	
Taxpayer	Assessed Valuation	Rank	Assessed Valuation	Rank	Percentage Total Assessed Valuation
Bakery Associates, Ltd.	\$ 83,900	1	\$ 120,000	1	14.7%
RRC 57th Avenue LLC	37,000	2	12,012	2	1.5%
S. Miami Hospital Dev Fund Inc.	18,192	3	10,901	3	1.3%
South Miami Corp.	17,941	4	7,500	4	0.9%
JW Advance LLC	17,135	5	7,277	5	0.9%
Kimco South Miami 634 Inc.	15,607	6	6,118	6	0.8%
Larkin Community Hospital, Inc.	15,369	7	5,880	7	0.7%
Capstone Capital Trust, Inc.	13,230	8	5,300	8	0.7%
Promed Sunset LLC	12,283	9	5,263	9	0.6%
Valencia South Miami LLC	11,793	10	3,998	10	0.5%
	<u>\$ 242,450</u>		<u>\$ 184,249</u>		<u>22.6%</u>

Source: Miami-Dade County Tax Assessors' Office 2011 & 2001 Tax Rolls

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

Table 8

Fiscal Year Ended September 30,	Total Taxes Levied For Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	\$ 5,072	\$ 4,521	89.1%	\$ 86	\$ 4,607	90.8%
2003	\$ 5,259	\$ 4,737	90.1%	\$ 76	\$ 4,813	91.5%
2004	\$ 6,489	\$ 5,718	88.1%	\$ 174	\$ 5,892	90.8%
2005	\$ 7,033	\$ 6,402	91.0%	\$ 49	\$ 6,451	91.7%
2006	\$ 7,936	\$ 6,886	86.8%	\$ 64	\$ 6,950	87.6%
2007	\$ 8,367	\$ 7,185	85.9%	\$ 92	\$ 7,277	87.0%
2008	\$ 7,764	\$ 6,582	84.8%	\$ 42	\$ 6,624	85.3%
2009	\$ 8,616	\$ 7,535	87.5%	\$ 54	\$ 7,589	88.1%
2010	\$ 7,119	\$ 6,763	95.0%	\$ 45	\$ 6,808	95.6%
2011	\$ 6,628	\$ 6,402	96.6%	\$ 53	\$ 6,455	97.4%

Source: Miami-Dade County Tax Collector's Office

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

Discounts allowed:

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

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

Table 9

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Notes Payable	Capital Leases			
2002	\$ 8,751	\$ 148	\$ 487	\$ 9,386	15.54%	\$ 0.8738
2003	\$ 8,555	\$ 99	\$ 319	\$ 8,973	14.32%	\$ 0.8354
2004	\$ 8,415	\$ 139	\$ 503	\$ 9,057	13.98%	\$ 0.8418
2005	\$ 8,270	\$ 863	\$ 511	\$ 9,644	13.68%	\$ 0.8956
2006	\$ 8,115	\$ 3,432	\$ 608	\$ 12,155	16.31%	\$ 1.1161
2007	\$ 16,133	\$ 1,850	\$ 645	\$ 18,628	23.25%	\$ 1.7694
2008	\$ 15,727	\$ 2,039	\$ 526	\$ 18,292	21.27%	\$ 1.6357
2009	\$ 15,303	\$ 2,116	\$ 212	\$ 17,631	20.51%	\$ 1.6512
2010	\$ 14,847	\$ 1,658	\$ 316	\$ 16,821	18.91%	\$ 1.5753
2011	\$ 14,896	\$ 1,135	\$ 227	\$ 16,258	17.88%	\$ 1.3947

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

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

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

Table 10

Fiscal Year	Revenue Bonds	Less: Amounts Available in Debt Service Reserves	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2002	\$ 8,751	\$ -	\$ 8,751	1.07%	\$ 0.815
2003	\$ 8,555	\$ 140	\$ 8,415	0.96%	\$ 0.783
2004	\$ 8,415	\$ 150	\$ 8,265	0.82%	\$ 0.768
2005	\$ 8,270	\$ 155	\$ 8,115	0.67%	\$ 0.754
2006	\$ 8,115	\$ 160	\$ 7,955	0.55%	\$ 0.730
2007	\$ 16,133	\$ 165	\$ 15,968	0.96%	\$ 1.517
2008	\$ 15,727	\$ 275	\$ 15,452	0.91%	\$ 1.382
2009	\$ 15,303	\$ 229	\$ 15,074	0.98%	\$ 1.412
2010	\$ 14,847	\$ 250	\$ 14,597	1.03%	\$ 1.367
2011	\$ 14,896	\$ 279	\$ 14,617	1.03%	\$ 1.254

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

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

(1) See Table 5 - Assessed Value and Estimated Actual Value of Taxable Property.

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

CITY OF SOUTH MIAMI, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2011

Table 11

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Amount Applicable to South Miami</u>
Miami-Dade County Schools (2)	\$ 288,720	2.31%	\$ 6,669
Miami-Dade County (3)	<u>1,062,146</u>	2.31%	<u>24,536</u>
Subtotal overlapping debt	1,350,866		31,205
City of South Miami direct debt	<u>16,258</u>	100.00%	<u>16,258</u>
Total direct and overlapping debt	<u><u>\$ 1,367,124</u></u>		<u><u>\$ 47,463</u></u>

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

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

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 132,004	\$ 136,522	\$ 150,526	\$ 181,814	\$ 216,904	\$ 249,765	\$ 253,643	\$ 229,116	\$ 213,394	\$ 212,066
Total net debt applicable to limit (1)	<u>8,751</u>	<u>8,555</u>	<u>8,415</u>	<u>8,270</u>	<u>8,115</u>	<u>16,133</u>	<u>15,727</u>	<u>15,303</u>	<u>14,847</u>	<u>14,896</u>
Legal debt margin	<u>\$ 123,253</u>	<u>\$ 127,967</u>	<u>\$ 142,111</u>	<u>\$ 173,544</u>	<u>\$ 208,789</u>	<u>\$ 233,632</u>	<u>\$ 237,916</u>	<u>\$ 213,813</u>	<u>\$ 198,547</u>	<u>\$ 197,170</u>
Total net debt applicable to the limit as a percentage of debt limit	6.63%	6.27%	5.59%	4.55%	3.74%	6.46%	6.20%	6.68%	6.96%	7.02%

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed valuation of taxable real and personal property	<u>\$ 1,413,775</u>
Bonded debt limit - 15% of assessed value	\$ 212,066
Total ad valorem debt - Revenue Bonds	<u>\$ 14,896</u>
Amount of debt applicable	<u>14,896</u>
Legal debt margin	<u>\$ 197,170</u>

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

Table 13

Fiscal Year	Population (1)	Personal Income (Amounts Expressed in Thousands) (2)	Per Capita Personal Income (2)	Median Age (1)	School Enrollment (3)	Unemployment Rate (1)
2002	10,741	\$ 60,402	\$ 26,398	35.6	1,708	6.5
2003	10,741	\$ 62,665	\$ 27,050	35.6	1,708	5.9
2004	10,759	\$ 64,765	\$ 27,744	35.6	1,708	5.4
2005	10,768	\$ 70,514	\$ 29,955	37.4	1,708	4.5
2006	10,891	\$ 74,534	\$ 31,347	37.4	1,708	3.8
2007	10,528	\$ 80,112	\$ 33,712	37.8	6,123	3.8
2008	11,183	\$ 85,979	\$ 36,081	38.2	5,957	5.8
2009	10,678	\$ 85,979	\$ 29,689	40.7	5,701	11.8
2010	10,678	\$ 88,955	\$ 29,689	40.7	3,500	12.1
2011	11,657	\$ 90,915	\$ 36,357	40.7	3,450	12.3

Source: (1) Bestplaces.net/city/South_Miami.

(2) U.S. Department of Commerce, Bureau of Economic Analysis and Bestplaces.net/city/South_Miami.

(3) Miami-Dade County Public Schools Registrar's Office (does not include private schools).

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

Table 14

<u>Employer</u>	<u>2011</u>		Percentage of Total County Employment	<u>2006</u>		Percentage of Total County Employment
	<u>Employees</u>	<u>Rank</u>		<u>Employees</u>	<u>Rank</u>	
Miami-Dade County Public Schools	48,571	1	4.27%	54,387	1	4.81%
Miami-Dade County, Florida	29,000	2	2.39%	32,265	2	2.86%
Federal government	19,500	3	1.61%	20,100	3	1.78%
Florida State government	17,100	4	1.41%	18,900	4	1.67%
University of Miami	16,000	5	1.32%	-	-	-
Baptist Health South Florida	13,376	6	1.10%	10,300	6	0.91%
Jackson Health System	12,571	7	1.03%	11,700	5	1.04%
Publix Super Markets	10,800	8	0.89%	9,367	7	0.83%
American Airlines	9,000	9	0.74%	9,000	8	0.80%
Florida International University	8,000	10	0.66%	-	-	-
Miami Dade College	-		-	5,000	9	0.44%
Bellsouth	-		-	4,800	10	0.42%
	<u>183,918</u>		<u>15.42%</u>	<u>175,819</u>		<u>15.56%</u>

Source: The Beacon Council.

Note: Information prior to 2006 is not available.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FUNCTION:										
General government	17	17	17	17	20	27	29	30	28	25
Public safety:										
Police:										
Officers	56	51	46	49	49	51	45	49	49	51
Civilians	13	12	7	9	6	7	8	8	7	9
Building and zoning	13	13	12	13	18	17	16	18	16	17
Public works	14	16	21	19	24	26	25	24	26	23
Recreation and social services	23	26	32	32	25	9	15	14	13	10
Sanitation	14	12	12	12	10	10	10	10	9	9
Total	150	147	147	151	152	147	148	153	148	144

Source: City of South Miami Finance Department

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

Table 16

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FUNCTION/PROGRAM:										
Public safety:										
Police:										
Number of calls answered	12,631	11,185	10,973	11,005	11,526	11,136	10,655	11,274	10,893	11,609
Number of arrests	2,172	1,134	1,485	1,484	2,530	650	551	765	616	591
Number of uniformed officers	56	51	46	49	49	51	45	49	49	51
Building and zoning:										
Number of building permits issued	1,317	1,294	1,742	1,754	1,927	1,629	1,350	1,158	1,141	1,261
License/permit revenue generated	\$ 694,426	\$ 1,162,733	\$ 1,285,200	\$ 1,101,120	\$ 1,201,948	\$ 1,102,083	\$ 1,689,241	\$ 1,075,710	\$ 1,099,963	\$ 1,570,045
Occupational licenses issued	N/A	N/A	N/A	2,902	3,024	3,112	3,076	3,132	3,450	3,750
Culture and recreation:										
Number of senior meals served	25,500	26,880	28,700	32,730	42,949	38,522	30,712	35,776	28,420	27,300
Recreation revenues collected	\$ 53,139	\$ 55,965	\$ 71,379	\$ 79,209	\$ 76,129	\$ 94,176	\$ 138,456	\$ 184,196	\$ 241,919	\$ 199,147
Sanitation:										
Refuse collected (tons per month)	N/A	N/A	845	1,114	1,348	808	839	777	722	751

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**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FUNCTION/PROGRAM:										
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	74	83	86	76	69	62	62	67	62	62
Public works:										
Streets (miles-paved)	47.41	47.41	47.41	47.41	47.41	47.41	47.41	46.80	46.80	46.80
Culture and recreation:										
Parks	9	8	8	8	10	10	10	10	12	12
Tennis courts	N/A	N/A	N/A	N/A	10	10	10	10	10	10
Baseball/football fields	N/A	N/A	N/A	N/A	6	7	7	7	7	7
Sanitation:										
Number of collection trucks	14	15	19	15	18	15	14	14	14	14

Sources: Various City departments

Note: Indicators are not available for the general government function

N/A: Information not available for these years.

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of South Miami, Florida (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the *Police Officers Retirement Trust Fund – Section 185 Plan*, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

City of South Miami, Florida

Compliance and Other Matters

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

This report is intended solely for the information and use of the City management, members of the City Commission, the State of Florida Office of the Auditor General, Federal and State awarding agencies and other grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 29, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE
PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited the compliance of the City of South Miami Florida's (the "City") with the types of compliance requirements described in the *Department of Financial Services' State Project Compliance Supplement*, that could have a direct and material effect on the City's major state project for the year ended September 30, 2011. The City's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state project is the responsibility of City 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 Chapter 10.550, 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2011.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major state project in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the City's internal control over compliance.

City of South Miami, Florida

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City management, members of the City Commission, the State of Florida Office of the Auditor General, State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 29, 2012



INDEPENDENT AUDITORS' REPORT TO CITY MANAGEMENT

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

We have audited the basic financial statements of the City of South Miami, Florida (the "City"), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 29, 2012.

We conducted our audit in accordance with auditing standards generally accepted in United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters; Independent Auditors' Report on Compliance with Requirements Applicable to each Major State Project and on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated March 29, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedules.

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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.

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. In connection with our audit, we did not have any such recommendations.

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

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

City of South Miami, Florida

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of South Miami, Florida was incorporated by Chapter 5799, Laws of Florida, Acts of 1907. The City has one component unit; the City of South Miami Community Redevelopment Agency established by Ordinance number 12-97-1633 of the City of South Miami on April 15, 1997.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Keefe, McCullough & Co., LLP

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
March 29, 2012

CITY OF SOUTH MIAMI, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Year Ended September 30, 2011

State Agency/ State Project	CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
STATE AGENCY NAME:				
Direct Program:				
Florida Department of Environmental Protection				
Statewide Surface Water Restoration	37.039	LP 8975	\$ 481,998	\$ -
and Wastewater Projects		LP 6781	97,100	-
Florida Recreation Development		N/A	<u>44,773</u>	<u>-</u>
Assistance Program	37.017			
Total expenditures of state financial assistance			\$ <u>623,871</u>	\$ <u>-</u>

CITY OF SOUTH MIAMI, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 – CONTINGENCIES

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable state laws and regulations.

CITY OF SOUTH MIAMI, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of City of South Miami, Florida.
2. No material weaknesses relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of City of South Miami, Florida were disclosed during the audit.
4. No material weaknesses relating to the audit of the major State project are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General.
5. The auditors' report on compliance for the major state project for the City of South Miami, Florida expresses an unqualified opinion.
6. There are no findings relative to the major state project for the City of South Miami, Florida reported in Part C of this schedule.
7. The project tested as major program is as follows:

State Project :	State CSFA Number
Department of Environmental Protection - Statewide Surface Water Restoration and Wastewater Projects	37.039

8. The threshold for distinguishing Type A and Type B projects was \$ 300,000 for major state projects.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters to be reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECT

No matters to be reported.

D. OTHER ISSUES

1. No summary schedule of prior year audit findings is required because there were no prior year audit findings related to State projects.
2. No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.

CITY OF SOUTH MIAMI, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (continued)
 For the Year Ended September 30, 2011

E. INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

PRIOR YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS:

	<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
2006-1: Improve the Timeliness on the Preparation and Release of the City's Annual Audited Financial Statements		X
2007-1: Significant Adjusting Journal Entries		X
2009-1: Improve General Grant Administration and Controls		X
2010-1 Implement Formal Monthly Closing Procedures		X

CURRENT YEAR INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS:

No matters to be reported.