



COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF SOUTH MIAMI
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2016

City of South Miami, Florida

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INTRODUCTORY SECTION



March 21, 2017

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, 2016, is hereby submitted for your review. The accuracy of the data, the completeness, and fairness of the presentation, including all disclosures, are the responsibility of 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 in compliance with Government Accounting Standards Board ("GASB") pronouncements, including Statement 34, et al., that requires the preparation of government-wide financial statements on a full accrual basis of accounting for all funds, as well as Management's Discussion and Analysis ("MD&A"). The MD&A is found immediately following the report of the independent certified public accountants.

THE REPORTING ENTITY AND ITS SERVICES

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

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

ECONOMIC OUTLOOK

The City of South Miami is primarily a residential community composed of approximately 13,000 residents, as per the Bureau of Economics and Business Research at the University of Florida. 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 comprised of approximately 45 acres located on the west side of Red Road both north and south of Sunset Drive featuring specialty shops, restaurants and a shopping mall with movie theaters and a bowling alley.

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

In addition to the Miami-Dade County Bus System serving the City, County's Metro-Rail system also provides mass transit for the City with a station located off Sunset Drive and US-1. The Miami International Airport is within 30 minutes from downtown South Miami.

The City is located in the center of Metropolitan Miami-Dade County and 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 a significant tourist trade. The City of South Miami owns a multi-use public parking garage facility, which was completed in November 2007. A major mixed-use development, Red Road Commons, which is adjacent to the South Miami Metro-Rail Station, consists of over 400 residential units, of which 10% are 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 CRA obtains most of its funds through annual contributions from Miami-Dade County and the City from the tax revenue generated from an increment of property assessments within the designated area. The CRA 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 loan was paid in full in November of 2015.

The City remains committed to the current level of services with a high quality level of delivery. There are many priorities that need to be addressed, including a revision of our very outdated land development code, the planning of maintenance and future development of our parks system, preparing for sea level rise related issues, including completion of the sewer system, and the further consolidation and maximizing of efficiencies from the organization of our government structure that need to be addressed in the near future. Should revenues grow, we will be able to evaluate new priorities for the City, and with the authorization of the Commission, we will begin to increase the effectiveness and offered services of the City.

The South Miami Intermodal Transportation Plan is part of a continuing effort to enhance the transportation system and mobility choices for the residents and visitors to the City of South Miami and aims to establish a network of bicycle lanes, sidewalks, trails, roadway improvements, neighborhood and greenways, throughout the City, connecting residential areas with downtown shopping and dining and transit facilities (Metrorail). A main priority of this plan is to provide a safer, more efficient environment for pedestrians, cyclists, and all modal users by promoting neighborhood greenways on residential streets with low volumes of auto traffic and reduce speed, the use of traffic calming devices such as landscaping, speed tables, pavement markings and signage. With the recently City Commission approved plan, the City shall continue with the design and construction of recommended improvements.

The FY 2016-17 Budget, Capital Improvement Program 5-Year Plan, includes a line item for a citywide directional street signs and posts replacement program. The project is funded by the Peoples Transportation Plan ("PTP") and is funded in this fiscal year at \$ 300,000. The scope includes the manufacturing of new signs, and the removal and replacement of existing traffic signs. The traffic sign replacement program is being implemented in phases, and funds will continue to be allocated in subsequent budget years. In FY 2013-14, the City funded a branding plan which established a new logo and new color scheme for the City. Additionally, the City Commission approved the installation of two major entry signs using the new logo, which will welcome visitors to the City boundaries along Red Road and on US-1. The street signs, welcome signs, and many other features of the City will incorporate the new look for the City as we prepare for the next great chapters in the life of South Miami.

The City is committed to completing multiple traffic calming projects throughout the City originally funded in last year's budget; Pinecrest Villas/Snapper Creek and Twin Lakes/Bird Estates. The City will continue working with Miami-Dade County in the ongoing improvement to our roadway, drainage, and traffic calming projects.

To continue maintaining a safe and efficient vehicle fleet, in fiscal year 2016-2017, the City has budgeted the purchase of eight new police vehicles. The continuing upgrades of the City's fleet are required to continue providing expected levels of service to the residents of the City. The older police vehicles that are being replaced are determined to have exceeded their useful life and may have safety or operational problems; the vehicles will be auctioned for sale. Currently and in the future, the City will purchase extended warranties for our vehicles and surplus the vehicles at the end of the warranty program in order to reduce maintenance costs to the City.

MAJOR INDUSTRIES AND/OR SERVICE CENTERS

The City's economy is greatly influenced by the economic condition of the entire Miami-Dade County. The major businesses in the City are service-oriented, with the health care industry professional services, and restaurant and retail shops and education and administrative services being the main employers. Below is the breakdown of businesses within the City by category.

INDUSTRY	SECTOR ESTIMATE
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, 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 FOR ALL SECTORS	5,610

[Source: U.S. Census Bureau 2010 Industry Code Summary](#)

ACCOUNTING SYSTEM, INTERNAL AND BUDGETARY CONTROL

The City follows the generally accepted accounting principles ("GAAP") for state and local governments as set forth by the United States government for governmental accounting and financial reporting. The City's 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 licensed Certified Public Accountants, audited the City's financial statements dated March 21, 2017. 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, 2016, 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 unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. As part of their audit, Keefe McCullough gained an understanding and performed tests of controls on the City's comprehensive framework of controls as required by U.S. generally accepted auditing standards.

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 against appropriations. The annual budget provides details of the approved appropriation by specific purpose within each object of expense.

DEBT ADMINISTRATION

PUBLIC SAFETY – VEHICLES: On March 1, 2011, the City Commission passed Ordinance 12-11-2085 and subsequently purchased six police vehicles financed through the issuance of a note authorized by that Ordinance, payable to SunTrust Bank totaling \$ 158,257. The note called for annual payments of principal and interest of \$ 33,741 at an annual interest rate of 2.5451%. The note matured on March 10, 2016.

MULTI-SPACE DIGITAL PARKING METERS: The City previously removed the outdated traditional single head parking meters within certain areas, in favor of the modern technology multi-space parking stations, with upgraded Wi-Fi connectivity. These multi-space parking meters were approved for financing in January 2011, for a five-year period by 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 equaled \$ 88,678, which was paid in full on January 7, 2016.

STORMWATER TRUST FUND: The City previously entered into an agreement with the Federal Emergency Management Agency ("FEMA") to fund a Ludlam Glades canal dredging project pursuant to Ordinance number 10-02-1778 for a total cost of approximately \$ 3.2 million. Additionally, pursuant to Ordinance 17-06-1885, the City entered into an Interlocal Agreement with Miami-Dade County for the City's share of that project cost which was determined to be \$270,363 payable over a ten-year period. Payable in annual equal installments of \$ 27,036 plus interest. The debt was retired in FY 2015-16.

PUBLIC SAFETY – COMMUNICATIONS SYSTEMS: Previously the City entered into an inter-local agreement with Miami-Dade County for the acquisition and operation of certain communications system for use by the police department. The project cost was approximately \$ 247,000 and payable over ten-years.

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 an additional principal payment of \$851,648 in FY 2010-11, in an effort to reduce the amount of interest paid through the duration of the loan and pay-off the debt in advance of its maturity. The bonds carried an interest rate of 5.99%. The bonds were paid in full in November of 2015.

2015 REFINANCING – BRANCH BANKING & TRUST COMPANY (BB&T): On May 19, 2015, the City Commission adopted Ordinance 11-15-2218 authorizing the issuance of its Capital Improvement Refunding Revenue Note, Series 2015, in the principal amount not to exceed \$ 5,000,000, for the purpose of refinancing certain of the City's outstanding indebtedness. In 2012, the City of South Miami in conjunction with the City's Financial Advisor, requested bank loan proposals on a 15-year and-20 year basis to refund all of the City's outstanding 2001A and 2002A revenue bonds. The City closed on the refinancing loan with BB&T in 2015, with an attractive 17-year loan at a fixed interest rate of 2.80%. The refunding provided present value savings of approximately \$ 828,000 or 17% of the principal amount refunded. The 2015 Series Note is scheduled to mature in September 2032.

FLORIDA MUNICIPAL LOAN COUNCIL (FMLC): The City had several loans outstanding with the Florida Municipal Loan Council (“FMLC”). The 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.

Since the refinancing with BB&T, which absorbed some of the FMLC debt, the only remaining FMLC loan is the South Miami Parking Garage 2006, which the City borrowed \$5.6 million to finance the construction and improvements of a city-owned parking garage for public parking. The loan interest varies from 4.00% to 5.00% as provided in the amortization schedule. The investment income from the note receivable and loan proceeds not expended, future garage revenues, and non-ad valorem revenues are used to repay the loan. On August 16, 2011, the City contributed \$ 3,775,000 to reduce a portion of the outstanding debt through the SunTrust refinancing, hence reducing the required annual principal and interest contribution amount.

SUNTRUST BANK: On August 16, 2011, the City agreed to issue a loan with SunTrust Bank which in furtherance of the Settlement Agreement 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 then FMLC 2002A and 2006 revenue bonds, (ii) the payment of the settlement amount owed to the IRS pursuant to the Settlement Agreement relating to the Municipal Parking Garage, and costs related thereto, and (iii) the payment of costs of issuance of the Series 2011 Note for a total \$ 7.575 million. The 2011 SunTrust Loan was issued at a fixed interest rate of 4.55% and matures on October 1, 2026.

RETIREMENT BENEFITS

The City sponsors two defined benefit pension plans, the General Employees' Pension Fund and the Police Officers Retirement Trust Fund. These two pension plans are administered through one independent Pension Board. The Pension Board hires an outside pension plan administrator to administer the plans. Each year, an independent actuary, engaged by the Board calculates the amount of annual contribution that the City must make to each pension plan to ensure that the plans are actuarially sound. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans, as determined by the actuary.

In general, regular full-time employees of the City and employed prior to October 1, 2011 must become participants upon completion of six months of service. Police Officers become eligible, and are required to enter the plan, as of the date of employment.

All regular full-time general employees hired after October 1, 2011 were no longer eligible to enter the General Employees' Pension Fund. These employees must have elected a retirement contribution percentage of their salary, which is matched by the City up to 7% of their salary, to the 401(a) / 457(b) combination deferred compensation plan. As part of the FY 10-11 pension reform, the City provided members of the previous pension system an opt-out window, providing the employees with an opportunity to enter the newly defined 401(a)/457(b)-retirement pan.

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

Effective October 1, 2016, the Commission approved Ordinance No. 22-16-2255 to allow for all general eligible employees, including members of management, to join the defined benefit pension plan. In general, the ordinance created new tiers of membership that allows employees hired on or after October 1, 2016 to participate in the plan. Also, these new tiers provide for employees hired prior October 1, 2016, and not previously members, to elect participation in the plan. Other general provisions of the plan were also amended as part of this ordinance.

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, 2015. 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, 2015. 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 communications 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, 2015. 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 unit 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 Financial 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 submitting it to GFOA.

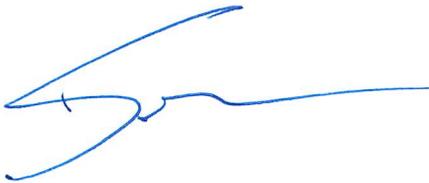
ACKNOWLEDGEMENTS,

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

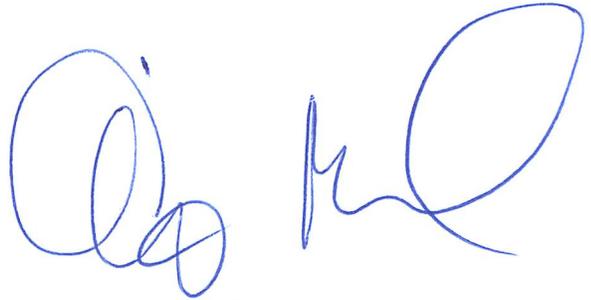
We express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report, and to the various Departments who contributed the necessary statistical data. Our thanks and appreciation is also extended to the accounting firm of Keefe McCullough for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

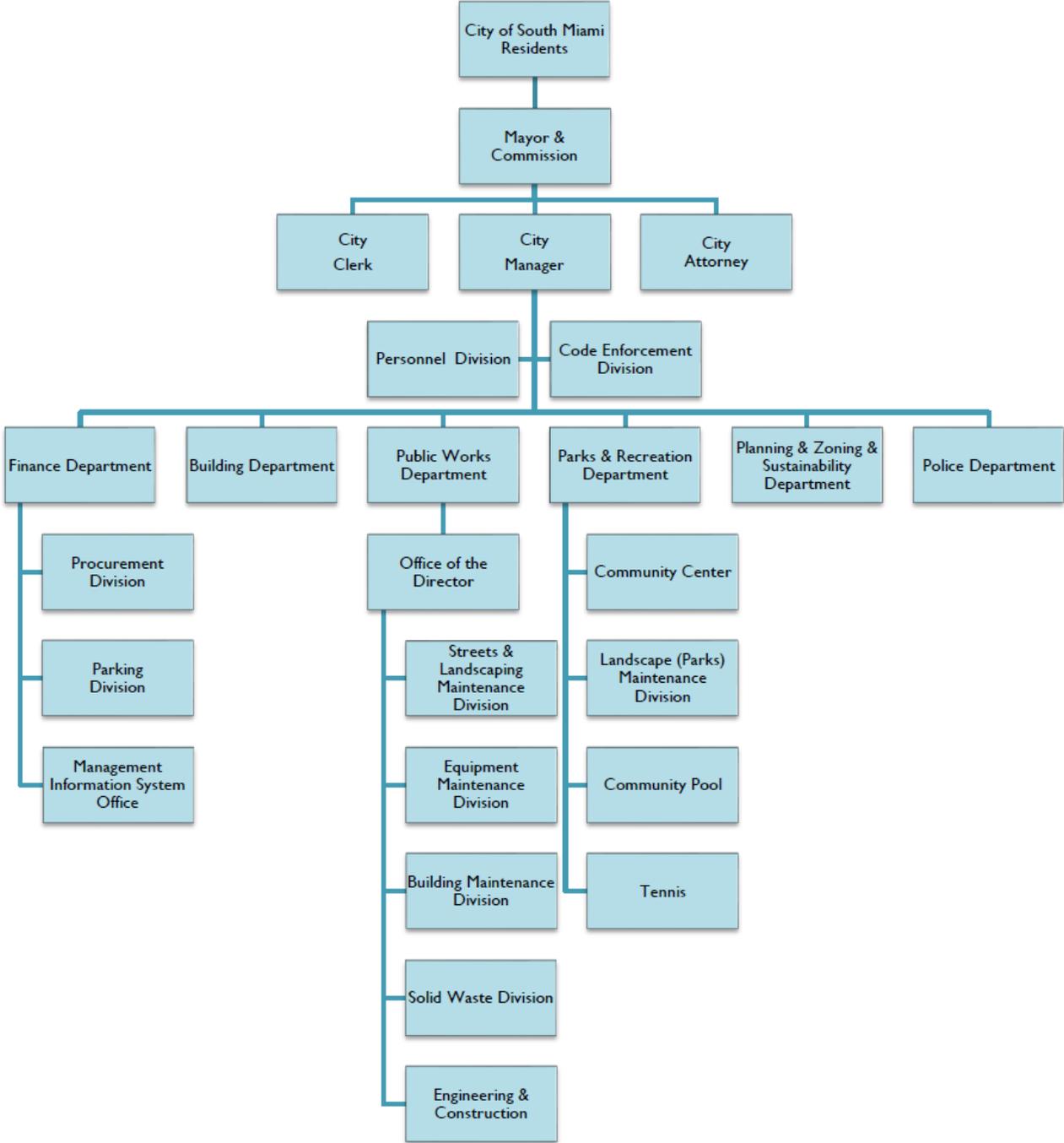


Steven J. Alexander
City Manager



Alfredo Riverol, CPA, CGFM, CGMA, Cr.FA
Chief Financial Officer

CITY OF SOUTH MIAMI ORGANIZATIONAL CHART





**COMMISSION – MANAGER FORM OF GOVERNMENT
LIST OF PRINCIPAL OFFICIALS**

ELECTED OFFICIALS



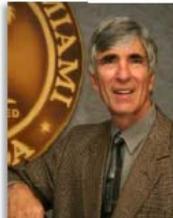
Mayor
Philip K. Stoddard, Ph.D.



Vice Mayor
Bob Welsh



Commissioner
Gabriel Edmond



Commissioner
Walter A. Harris



Commissioner
Josh Liebman

CHARTERED OFFICIALS



City Clerk
Maria M. Menendez, CMC, FCRM



City Manager
Steven Alexander



City Attorney
Thomas Pepe, Esq.



MANAGEMENT TEAM

DEPUTY CITY MANAGER
Shari Kamali (2014)

POLICE CHIEF
Rene Landa (2010)

CHIEF FINANCIAL OFFICER
Alfredo Riverol, CPA CGFM, CGMA, Cr.FA (2010)

PLANNING & ZONING DIRECTOR
Jane Tompkins (2016)

CHIEF ADMINISTRATIVE OFFICER
Maria Virquez (2000)

PUBLIC WORKS DIRECTOR
Kelly Barket, Jr. (2011)

PARKS & RECREATION DIRECTOR
Quentin Pough (2014)

CHIEF PROCUREMENT OFFICER
Steven Kulick (2011)

BUILDING DIRECTOR
Victor Citarella, PE (2008)



Government Finance Officers Association

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, 2015

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 2%, 2%, and 3%, respectively, of the assets, net position and total additions of the Fiduciary Funds. Those financial statements were audited by other auditor's whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Police Officers Retirement Trust Fund - Section 185 Plan, is based solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the retirement system and other post-employment health care benefits schedules on pages 4 through 13 and pages 52 through 55, 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.

Other Information

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

City of South Miami, Florida

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017, 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* in considering the City's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 21, 2017

The management of the City of South Miami (the "City") 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, 2016. 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 supplementary 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, 2016:

- The assets of the City of South Miami exceeded its liabilities at the close of the most recent fiscal year by \$ 44,080,542 (net position). Of this amount, \$ 11,529,394 is unrestricted.
- The City's \$21,442,446 in revenues exceeded the \$19,750,309 in expenses for governmental activities, providing a \$ 1,692,137 increase in net position.
- At the end of the current year, fund balance for the General Fund was \$ 13,145,560, or 73% of total general fund operating revenues. Of this amount \$ 7,501,909 is reserved for prepaid expenditures, subsequent year's budget, and contingencies.
- The current year's unassigned fund balance for the General Fund is \$ 5,643,651, or 31% of total general fund operating revenues.
- The General Fund's fund balance increased by \$ 1,243,393 for the year ended September 30, 2016.
- The City's total debt, excluding compensated absences, decreased by \$ 852,904.

Overview of the Financial Statements

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

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

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

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

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

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

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

Additionally, the City has four separate single-employer defined contribution pension plans, 401(a) plans for the City Manager, Chief of Police, senior level staff, and all new general employees and a voluntary Section 457(b) defined contribution plan for all interested employees. The 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 of South Miami, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of South Miami are divided into two categories: governmental funds and fiduciary funds.

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

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

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

Budgetary comparison statement was provided for the General Fund and the Stormwater Drain Trust Fund to demonstrate compliance with the budget. The basic governmental funds financial statements can be found on pages 16 to 19 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of South Miami's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 20 to 21 of this report. Individual fund data for the Fiduciary Funds is provided in the form of combining statements elsewhere in this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 to 47 of this report.

Required supplementary 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 pension and other post-employment benefits to its employees pension, and budgetary comparison schedules for the General Fund and Stormwater Drain Trust – Special Revenue Fund.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund financial statements and budgetary comparison schedules can be found beginning on page 56 of this report.

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

Government-Wide Financial Analysis

Statement of Net Position: As noted earlier, net position 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 Position summary presentation as reflected below:

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

The City's net position was \$ 44,080,542 in fiscal year 2016 (see Table 1). This amount came solely from governmental activities because the City has no business-type activities. Restricted net position and net investment in capital assets amounted to 74% of total net position. The largest portion of net position (62%) is invested in capital assets (land, buildings, streets, sidewalks, and equipment).

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The respective fraction of net position (12%) is restricted for debt service, public safety or capital projects. The remaining balance of unrestricted net position (\$11,529,394) may be used to meet government's ongoing obligations to citizens and creditors.

Table 1
City of South Miami
Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 32,342,777	\$ 31,645,833
Capital assets (net)	<u>38,977,542</u>	<u>39,221,830</u>
Total assets	<u>71,320,319</u>	<u>70,867,663</u>
Deferred outflow of resources	<u>2,418,720</u>	<u>1,463,369</u>
Current and other liabilities	3,643,499	3,631,724
Long term liabilities	<u>14,386,666</u>	<u>13,809,490</u>
Total liabilities	<u>18,030,165</u>	<u>17,441,214</u>
Deferred inflow of resources	<u>11,628,332</u>	<u>12,501,413</u>
Net position:		
Net invested in capital assets	27,343,283	26,818,862
Restricted	5,207,865	5,279,640
Unrestricted	<u>11,529,394</u>	<u>10,289,903</u>
Total net position	\$ <u>44,080,542</u>	\$ <u>42,388,405</u>

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 position. The restricted net position decreased in 2016 by \$ 71,775, and the unrestricted governmental activities net position increased by \$ 1,239,491. Capital assets increased during the current year due to the completion of a couple infrastructure projects. The increase in liabilities is mainly due to the net pension liability and net OPEB obligation.

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

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

Some other basic impacts on expenses are reflected below:

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

Statement of Activities: As noted earlier, the statement of activities presents information showing how the City's net position changed during the most recent fiscal year. The following table reflects the City's revenues and expenses for fiscal year 2016 compared to 2015 with the resulting change in net assets:

Table 2
City of South Miami
Changes in Net Position

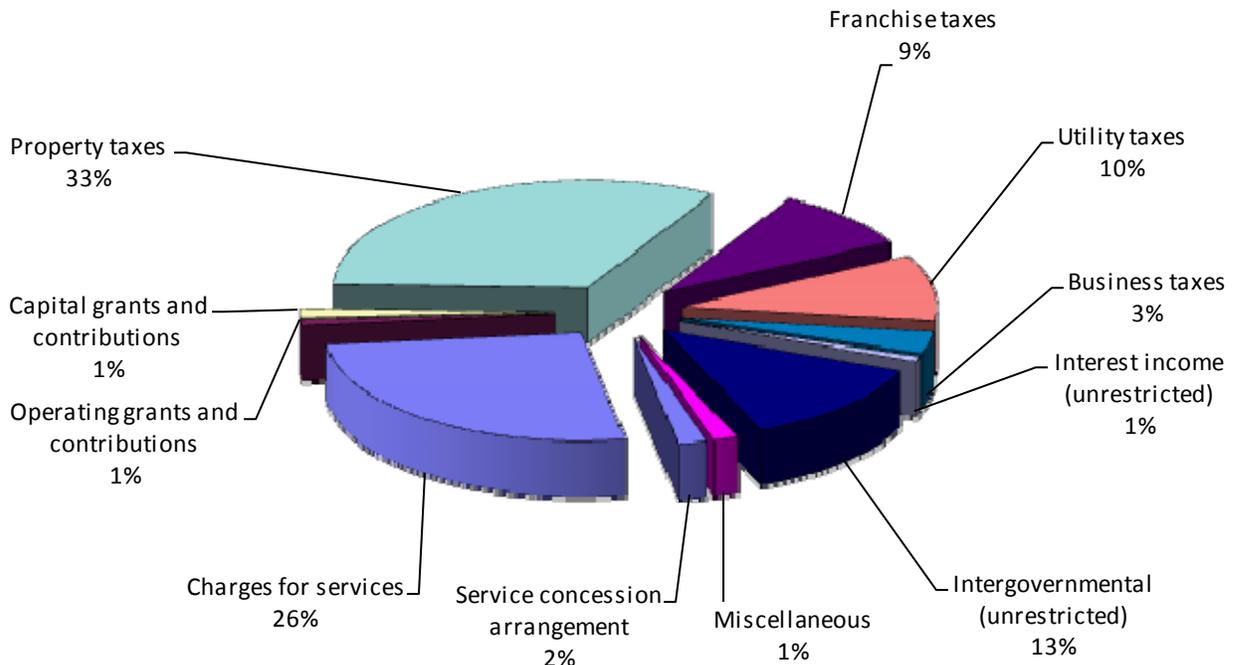
	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 5,578,164	\$ 5,475,617
Operating grants and contributions	186,523	114,895
Capital grants and contributions	305,476	152,486
General revenues:		
Property taxes	6,989,133	6,597,894
Franchise taxes	1,951,036	1,895,916
Utility taxes	2,112,340	2,182,432
Business taxes	704,878	676,228
Service concession arrangement	405,087	392,512
Interest income (unrestricted)	162,273	130,883
Intergovernmental (unrestricted)	2,709,775	2,683,313
Miscellaneous	337,761	254,215
Total revenues	21,442,446	20,556,391

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Expenses:		
General government	\$ 4,373,449	\$ 3,492,202
Public safety	7,612,526	7,362,004
Public works	4,166,038	4,067,666
Community services	985,132	712,396
Culture and recreation	2,082,261	2,095,783
Interest on long-term debt	530,903	585,854
Total expenses	<u>19,750,309</u>	<u>18,315,905</u>
Change in net position	1,692,137	2,240,486
Net position, beginning	<u>42,388,405</u>	<u>40,147,919</u>
Net position, ending	<u>\$ 44,080,542</u>	<u>\$ 42,388,405</u>

The City's total revenues increased by 4.3%, to \$ 21,442,446 (see Table 2), mainly due to the increase in property tax revenues. Nearly 33% of the City's revenues come from property taxes, another 15% comes from intergovernmental and grants, and 26% from charges for services (see chart that follows). The City's management took major actions in 2016 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.

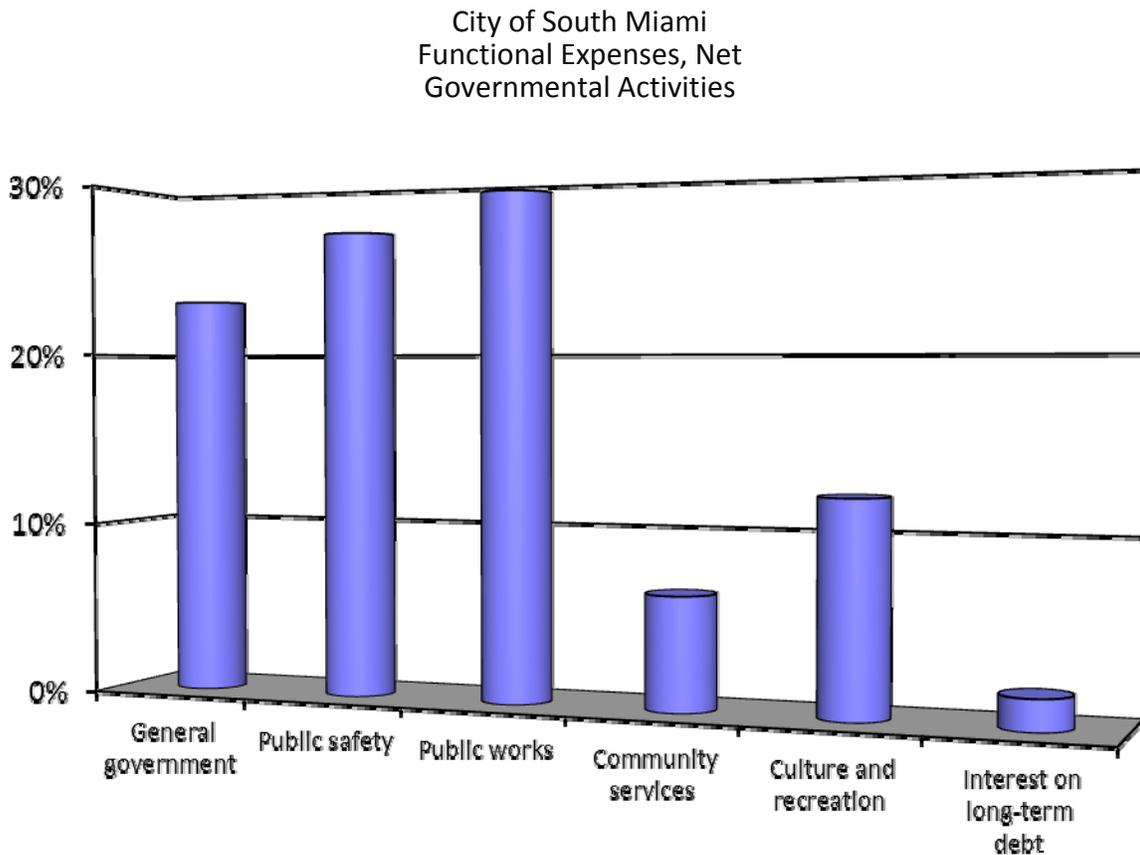
**City of South Miami
Program and General Revenues**



The total cost of all programs and services increased by \$ 1,434,404 or 7.8% (see Table 2). The City's expenses cover a range of services. As shown in Table 2 above, governmental expenses are largely weighted in three functions, namely the public safety, general government, and public works. At \$ 7,612,526, public safety expense represents 39% of the statement of activities' total expenses for the City in 2016. General Government category expense total for 2016 was \$ 4,373,449, or 22% of total expenses. The General Government category includes all other City departments except public safety, culture and recreation, public works, and non-departmental. Lastly, public works expended \$ 4,166,038, or 21% of expenses. 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 graph below, shows the financial cost that is placed on the City's taxpayers by each of these services:



The cost of all governmental activities this year, including \$ 530,903 in interest expense on long-term debt, was \$ 19,750,309. Some of that cost was financed by those who directly benefited from the programs through charges for services (\$ 5,578,164).

The City financed the remaining \$ 13,680,146 "public benefit" portion of governmental activities from property taxes, utility taxes and with other revenues, such as interest and unrestricted intergovernmental revenue.

Governmental Funds' Financial Analysis

As the City completed the year, its governmental funds reported combined fund balances of \$ 19,158,937, with the general fund representing \$ 13,145,560. Of the total fund balances; \$322,994 is non-spendable, \$ 5,207,865 is restricted, \$ 4,940,643 is committed, \$ 3,177,654 is assigned and \$ 5,509,781 is unassigned fund balance.

The General Fund's fund balance increased by \$ 1,243,393 after transfers of a net -\$ 931,053. General fund revenues were fairly consistent for the years ended 2016 and 2015. Please refer to the General Fund Budget Highlights section below for further information.

During the current year, the City’s Debt balance decreased by \$ 852,904. There was approximately \$ 1,337,000 in principal and interest expenditures, which were mostly funded through rents and royalties. The Community Redevelopment Agency expended a total of \$ 77,254, which was the outstanding balance of the related debt. Total Debt Service Fund expenditures of \$ 1,162,435 were mostly financed with rent and royalties revenues and General Fund transfer.

General Fund Budgetary Highlights

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

The base revenue budget for fiscal year 2016 was \$ 17,861,563. The difference between the estimated revenues, and the actual revenues, in the General Fund was \$8,141 for fiscal year 2016.

Actual revenues, at \$ 17,860,510 came in higher than the final budget of \$ 17,852,369.

Comparing the final budget to the actual expenditure amount for fiscal year 2016; the final expenditure budget of \$ 18,296,195 with actual expenditures being \$ 15,715,178, were below the final amended budget by \$ 2,581,017. All expenditures were in line with the projected expectations. Please refer to page 48 and 49 for further details.

Capital Assets and Debt Administration

Capital assets: The City of South Miami's investment in capital assets for its governmental activities as of September 30, 2016 and 2015, is detailed below:

	Governmental Activities	
	2016	2015
Land	\$ 14,603,765	\$ 14,603,765
Construction in progress	46,418	93,643
Building and improvements	15,680,212	15,960,074
Machinery and equipment	1,681,678	1,710,580
Land improvements	753,104	706,486
Infrastructure	6,212,365	6,077,536
Intangible assets	-	69,746
	<u>\$ 38,977,542</u>	<u>\$ 39,221,830</u>

City of South Miami, Florida
Management's Discussion and Analysis
September 30, 2016

For fiscal year 2016 the City spent \$ 1,072,481 on capital programs primarily on acquisition of vehicles and equipment, street and park improvements. Additional information on the City's capital assets can be found in Note 7 on page 34 of this report.

Debt Administration: At year-end, the City had approximately \$ 12 million in outstanding debt, as noted below:

	Governmental Activities	
	2016	2015
Florida Municipal Loan Council Bonds	\$ 1,310,000	\$ 1,345,000
Taxable Revenue Note, Series 2011	6,070,000	6,480,000
Refunding Revenue Note, Series 2015	4,707,000	4,948,000
CRA Bond, Series 2006	-	77,254
Notes payable	88,397	178,047
	<u>\$ 12,175,397</u>	<u>\$ 13,028,301</u>

Additional information on the City's outstanding debt can be found in Note 9 on pages 35 through 38 of this report.

Economic Factors and Next Year's Budgets and Ratios

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

Estimated revenues and transfers in fiscal year 2017 General Fund budget are \$ 18,797,241, an increase of \$ 502,266 from actual revenues and transfers of \$ 18,294,975 for fiscal year 2016. 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 2017 budgeted expenditures and transfers are expected to be \$ 21,055,878 or \$ 3,550,182 increase than fiscal year 2016 total actual expenditures and transfers of \$ 17,505,696, if estimates are realized. The City's budgetary General Fund fund balance is expected to decrease by the close of 2017.

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, CGFM, CGMA, Cr.FA, Chief Financial Officer, City of South Miami, 6130 Sunset Drive Miami, Florida 33143.

City of South Miami, Florida
Statement of Net Position
September 30, 2016

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 20,038,342
Receivables	971,577
Prepaid expenses	322,994
Accrued interest receivable	177,139
Notes receivable	7,925,163
Guaranteed rent receivable	2,907,562
Capital assets:	
Capital assets not being depreciated	14,650,183
Capital assets, net of accumulated depreciation	24,327,359
Total assets	<u>71,320,319</u>
Deferred outflow of resources:	
Deferred loss on bond refunding	541,138
Deferred outflows relating to pensions	1,877,582
Total deferred outflow of resources	<u>2,418,720</u>
Liabilities:	
Accounts payable	752,251
Accrued liabilities	169,093
Other liabilities	789,305
Unearned revenue	463,327
Accrued interest payable	222,518
Due within one year:	
Compensated absences payable	460,005
Debt, including bonds and notes payable	787,000
Due in more than one year:	
Compensated absences payable	891,961
Debt, including bonds and notes payable	11,388,397
Net pension liability	1,864,827
Net OPEB obligation	241,481
Total liabilities	<u>18,030,165</u>
Deferred inflow of resources:	
Service concession arrangement	10,832,725
Deferred inflows relating to pensions	795,607
Total deferred inflow of resources	<u>11,628,332</u>
Net position:	
Net investment in capital assets	27,343,283
Restricted for:	
Transportation projects	1,922,205
Law enforcement	1,832,574
Grant projects	632,646
Community services	510,672
Stormwater management	180,319
Park improvements	129,449
Unrestricted	11,529,394
Total net position	<u>\$ 44,080,542</u>

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

City of South Miami, Florida
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
Governmental Activities:					
General government	\$ 4,373,449	\$ 1,210,072	\$ -	\$ -	\$ (3,163,377)
Public safety	7,612,526	3,807,617	103,295	-	(3,701,614)
Public works	4,166,038	32,000	-	128,781	(4,005,257)
Community services	985,132	35,040	53,748	-	(896,344)
Culture and recreation	2,082,261	209,745	29,480	176,695	(1,666,341)
Interest on long-term debt	530,903	283,690	-	-	(247,213)
Total governmental activities	<u>\$ 19,750,309</u>	<u>\$ 5,578,164</u>	<u>\$ 186,523</u>	<u>\$ 305,476</u>	<u>(13,680,146)</u>
General revenues:					
Property taxes					6,989,133
Utility taxes					2,112,340
Business taxes					704,878
Franchise taxes					1,951,036
Service concession arrangement					405,087
Interest income (unrestricted)					162,273
Intergovernmental (unrestricted)					2,709,775
Other					337,761
Total general revenues					<u>15,372,283</u>
Change in net position					1,692,137
Net position, beginning					<u>42,388,405</u>
Net position, ending					<u>\$ 44,080,542</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, 2016

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Stormwater Drain Trust Fund</u>	<u>Other Nonmajor Governmental Funds</u>	
Assets:				
Cash and cash equivalents	\$ 15,208,880	\$ 549,890	\$ 4,279,572	\$ 20,038,342
Receivables	517,786	69,079	384,712	971,577
Due from other funds	1,040,743	9,639	1,870,061	2,920,443
Prepaid expenditures	247,921	-	75,073	322,994
Total assets	\$ <u>17,015,330</u>	\$ <u>628,608</u>	\$ <u>6,609,418</u>	\$ <u>24,253,356</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 584,041	\$ 29,341	\$ 138,869	\$ 752,251
Accrued liabilities	168,841	252	-	169,093
Due to other funds	1,879,700	418,696	622,047	2,920,443
Unearned revenue	454,670	-	8,657	463,327
Other liabilities	782,518	-	6,787	789,305
Total liabilities	<u>3,869,770</u>	<u>448,289</u>	<u>776,360</u>	<u>5,094,419</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	247,921	-	75,073	322,994
Restricted for:				
Community services	-	-	510,672	510,672
Park improvements	-	-	129,449	129,449
Grant projects	-	-	632,646	632,646
Stormwater management	-	180,319	-	180,319
Transportation projects	-	-	1,922,205	1,922,205
Law enforcement	-	-	1,832,574	1,832,574
Committed to:				
Emergency and disaster recovery operating reserve	4,592,865	-	-	4,592,865
Revenue stabilization	50,000	-	-	50,000
Grant match	50,000	-	-	50,000
Insurance	50,000	-	-	50,000
Tax equalization	50,000	-	-	50,000
Building capital	50,000	-	-	50,000
City parks capital	50,000	-	-	50,000
Tree projects	-	-	20,528	20,528
Parking management	-	-	27,250	27,250
Assigned to:				
Capital projects	-	-	816,531	816,531
Subsequent year's budget	2,361,123	-	-	2,361,123
Unassigned (deficit)	5,643,651	-	(133,870)	5,509,781
Total fund balances	<u>13,145,560</u>	<u>180,319</u>	<u>5,833,058</u>	<u>19,158,937</u>
Total liabilities and fund balances	\$ <u>17,015,330</u>	\$ <u>628,608</u>	\$ <u>6,609,418</u>	\$ <u>24,253,356</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 Position
September 30, 2016

Fund Balances - Total Governmental Funds \$ 19,158,937

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

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

Notes receivable	7,925,163
Guaranteed rent receivable	2,907,562
Accrued interest receivable	177,139

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

Cost of capital assets	53,550,501
Less accumulated depreciation	(14,572,959)

Certain deferred outflows of resources are not available to pay current period expenditures and therefore are not reported in the funds:

Deferred loss on bond refunding	541,138
Deferred outflows relating to pensions	1,877,582

Long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Bonds payable	(1,310,000)
Notes payable	(10,865,397)
Accrued interest payable	(222,518)
Net pension liability	(1,864,827)
Deferred inflows relating to pensions	(795,607)
Deferred inflows from service concession arrangement	(10,832,725)
Net OPEB obligation	(241,481)
Compensated absences payable	(1,351,966)

Net Position of Governmental Activities \$ 44,080,542

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, 2016

	Major Funds		Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Stormwater Drain Trust Fund		
Revenues:				
Taxes:				
Ad valorem	\$ 5,839,601	\$ -	\$ 1,149,532	\$ 6,989,133
Utility taxes	2,105,760	6,580	-	2,112,340
Business taxes	704,878	-	-	704,878
Franchise taxes	1,951,036	-	-	1,951,036
Licenses and permits	1,096,706	-	97,259	1,193,965
Intergovernmental	1,702,796	376,794	989,409	3,068,999
Charges for services	2,777,091	-	32,000	2,809,091
Fines and forfeitures	1,071,125	-	5,208	1,076,333
Interest income	122,796	3,323	36,094	162,213
Rents and royalties	299,375	-	757,790	1,057,165
Miscellaneous	218,460	-	167,806	386,266
	17,889,624	386,697	3,235,098	21,511,419
Expenditures:				
Current:				
General government	3,719,627	-	-	3,719,627
Public safety	6,939,428	-	149,943	7,089,371
Public works	3,100,056	80,861	136,873	3,317,790
Culture and recreation	1,886,452	-	86,464	1,972,916
Community services	-	-	636,252	636,252
Capital outlay	-	111,578	2,182,311	2,293,889
Debt service:				
Principal	62,614	27,036	763,254	852,904
Interest and fiscal charges	7,001	142	477,592	484,735
	15,715,178	219,617	4,432,689	20,367,484
Excess (deficiency) of revenues over expenditures	2,174,446	167,080	(1,197,591)	1,143,935
Other Financing Sources (Uses):				
Transfers in	434,465	-	1,365,518	1,799,983
Transfers out	(1,365,518)	(250,000)	(184,465)	(1,799,983)
Total other financing sources (uses)	(931,053)	(250,000)	1,181,053	-
Net change in fund balances	1,243,393	(82,920)	(16,538)	1,143,935
Fund balances - beginning	11,902,167	263,239	5,849,596	18,015,002
Fund balances - ending	\$ <u>13,145,560</u>	\$ <u>180,319</u>	\$ <u>5,833,058</u>	\$ <u>19,158,937</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 1,143,935
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 are depreciated over their estimated useful lives:	
Expenditures for capital assets	1,072,481
Current year provision for depreciation	(1,282,105)
In the statement of activities, only a loss on the sale of assets is reported, whereas, in the governmental funds, the entire proceeds from that sale increase financial resources. Thus the change in net assets differs from the change in fund balance by cost of assets sold, less accumulated depreciation.	
	(34,664)
Principal payments received on notes receivable and payments on guaranteed rent 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 position.	
	(334,601)
Certain revenues do not provide current financial resources and, therefore, are not reported in the governmental funds:	
Net revenues from service concession arrangement	334,601
Change in accrued interest receivable	(33,973)
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 position.	
	852,904
Certain changes related to pension assets and liabilities are not reported in the net change in the governmental funds:	
Change in deferred outflows relating to pensions	1,004,546
Change in deferred inflows relating to pensions	460,420
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:	
Amortization of deferred loss on bond refunding	(49,195)
Change in net OPEB obligation	(46,883)
Change in net pension liability	(1,282,710)
Change in compensated absences payable	(80,645)
Change in accrued interest payable	(31,974)
Change in Net Position of Governmental Activities	\$ <u>1,692,137</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 Position
Fiduciary Funds
September 30, 2016

	Employee Retirement Funds
Assets:	
Receivables:	
Employee contribution	\$ 18,558
Dividends and interest	83,071
Section 185 contribution	141,075
Other receivables	563
Pending trades	29,733
	<hr/>
Total receivables	273,000
	<hr/>
Investments, at fair value:	
Money market funds	361,381
U.S. Government and agency securities	3,704,283
Corporate obligations	6,509,006
Common stocks:	
Domestic equity	5,207,539
International equity	296,642
Mutual funds:	
Equity	15,959,452
International equity	3,424,684
Fixed income	288,504
	<hr/>
Total investments	35,751,491
	<hr/>
Other assets:	
Prepaid expenses	1,809
	<hr/>
Total assets	36,026,300
	<hr/>
Liabilities:	
Accounts payable	62,375
Pending trades payable	26,776
Minimum funding liability	37,780
	<hr/>
Total liabilities	126,931
	<hr/>
Net Position:	
Restricted for pension benefits	\$ <u><u>35,899,369</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 Position
Fiduciary Funds
For the Year Ended September 30, 2016

	Employee Retirement Funds
Additions:	
Contributions:	
Employer	\$ 532,374
Employees	490,452
Section 185 contributions	<u>141,075</u>
Total contributions	<u>1,163,901</u>
Investment income:	
Net appreciation in fair value of investments	2,681,991
Interest and dividends	<u>784,039</u>
Total investment income	3,466,030
Less investment expenses	<u>110,199</u>
Net investment income	<u>3,355,831</u>
Other income	<u>39</u>
Total additions	<u>4,519,771</u>
Deductions:	
Benefits paid	1,219,315
Refunds of contributions	83,481
Administrative expenses	156,954
Minimum benefit funding payment	<u>37,780</u>
Total deductions	<u>1,497,530</u>
Change in net position	3,022,241
Net position restricted for pension benefits, beginning	<u>32,877,128</u>
Net position restricted for pension benefits, ending	<u>\$ 35,899,369</u>

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

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 City of Coral Gables and The Village of Pinecrest. The City is approximately 2.5 square miles in area and has a population of approximately 13,000 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 position 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. Since the governing body is substantially the same as the governing body of the primary government and there is a financial burden on the City due to property tax appropriations to the CRA, the CRA is determined to be a component unit 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 position 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.

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/taxes 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 unearned 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 City'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 *Stormwater Drain Trust 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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* (the "Pension Plan") and the *Police Officers Retirement Trust Fund – Section 185 Plan* that accumulates resources for pension benefit payments to qualified general and public safety employees.

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

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

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: Receivables 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, 2016, there were no receivables deemed uncollectible by management.

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.

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

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the Laws of Florida. There were no material delinquent property taxes in the fiscal year ended September 30, 2016.

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2016 was 4.3 mills (\$ 4.3 mils per \$1,000 of the taxable value).

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. 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. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost of more than the following established thresholds:

Buildings and improvements	\$	50,000
Machinery and equipment	\$	5,000
Land improvements	\$	25,000
Infrastructure	\$	250,000
Intangibles	\$	25,000

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/amortized 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: Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. This is classified as unearned revenue. Unearned revenues at the government-wide level arise only when the City receives resources before it has a legal claim to them.

Compensated Absences:

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

Annual Leave:

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

Note 2 - Summary of Significant Accounting Policies (continued)

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 due 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.

Deferred Outflows and Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion; an unamortized loss on a bond refunding, and certain deferrals relating to pensions, which are discussed further in Note 12. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until then. The City has two items that meet this criterion; service concession arrangements, which are discussed further in Note 8, and certain deferrals relating to pensions, which are discussed further in Note 12.

Long-Term Obligations: In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts 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 deferred outflow or inflow in the statement of net position.

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.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The City's employer contributions are recognized when due and the City has a legal requirement to provide the contributions. Investments are reported at fair value.

Note 2 - Summary of Significant Accounting Policies (continued)

Equity Classifications:

Government-wide financial statements:

Net position in the government-wide financial statements is displayed in three categories: 1) net investment in capital assets, 2) restricted, or 3) unrestricted. Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets, excluding unexpended proceeds. Net position is 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. Remaining net position that does not meet the definition of "restricted" or "net investment in capital assets," is reported as unrestricted.

Fund financial statements:

In the governmental fund financial statements, fund balance is comprised of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances 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 into 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.

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.

Committed: This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Resources accumulated pursuant to stabilization arrangements are reported in this category.

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. The City Commission has by resolution authorized the City Finance Director to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally can only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

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 \$ 4,592,865 (25% of budgeted expenditures) and a Minimum Fund Balance, ranging from 10% to 25%, of the annual General Fund expenditures. This emergency reserve component is available to fund one-time, emergency, unanticipated expenditure requirements or offset unanticipated revenue fluctuations occurring within a fiscal year. The emergency reserve will only be accessed when the result of emergency expenditures or an unexpected revenue reduction would likely result in a negative ending fund balance for the General Fund.

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 and other-post-employment 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 position.

Date of Management's Review: Subsequent events were evaluated by management through March 21, 2017, which is the date the financial statements were available to be issued.

Note 3 – Stewardship, Compliance and Accountability

The debt service fund has a deficit fund balance of \$ 62,985, which is primarily the result of insufficient assets to fund the amounts that are due to other funds. The intent of the City Commission is to keep the fund balance in the Debt Service Fund at zero and that any reserve would be included in the Emergency Reserve and General Fund.

Note 4 – Deposits and Investments

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

Note 4 – Deposits and Investments (continued)

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, 2016, the carrying amount of the City's book balance for deposits held with financial institutions totaled \$ 9,187,002 and the bank balance was \$ 9,329,047.

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, 2016, the City had the following cash equivalents:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Maturity Less than 1 Year</u>
Repurchase agreement*	\$ 10,849,838	\$ 10,849,838
Total at amortized cost	\$ 10,849,838	

* Amortized cost approximates fair value.

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

<u>Category</u>	
Deposits	\$ 9,187,002
Petty cash	1,502
Cash equivalents	<u>10,849,838</u>
	<u>\$ 20,038,342</u>

Note 4 – Deposits and Investments (continued)

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 position and the statement of changes in fiduciary net position. 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.

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 Plan and Fund have an investment policy that targets investments of 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, 2016 from a nationally recognized rating agency:

Standard and Poor's Rating	General Employees and Police Officers Pension Plan	Police Officers Retirement Trust Fund - Section 185	Total
AAA	\$ 2,401,576	\$ 17,022	\$ 2,418,598
AA	622,830	13,560	636,390
A	2,680,246	33,755	2,714,001
BBB	2,928,820	43,275	2,972,095
Not rated	1,579,817	180,892	1,760,709
	\$ 10,213,289	\$ 288,504	\$ 10,501,793

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.

Note 4 – Deposits and Investments (continued)

The Plan and Fund’s investments in fixed income securities had maturities as follows:

Investment Type	Fair Value	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Corporate obligations	\$ 6,509,006	\$ 213,634	\$ 4,126,440	\$ 1,178,466	\$ 990,466
U.S. Government and agency securities	3,704,283	421	1,383,078	532,919	1,787,865
Fixed income	<u>288,504</u>	<u>5,481</u>	<u>148,003</u>	<u>85,109</u>	<u>\$ 49,911</u>
Totals	<u>\$ 10,501,793</u>	<u>\$ 219,536</u>	<u>\$ 5,657,521</u>	<u>\$ 1,796,494</u>	<u>\$ 2,828,242</u>

Concentration of Credit Risk:

The investment policy of the Plan and Fund limits investments in the stock of any one issuing company to 5% of the Fund’s or Plan’s assets at cost and to 5% of the outstanding capital stock of that company. Furthermore, investments in equities shall not exceed 70% of the Fund’s assets at market value, and foreign equity investments shall not exceed 20% of the Fund’s assets at market value. For fixed income securities, not more than 5% of the Fund’s fixed income portfolio at cost shall be invested in the securities of any single corporate issuer.

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, 2016, and consistent with their investment policies, 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. As of the year end, investment balances in foreign investments are within policy limits. The Plan and Fund do not have exposure to foreign credit risk and the City has no formal policy relating to foreign currency risk.

Fair Value Hierarchy: Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 - Unadjusted price quotations in active markets/exchanges for identical assets.
- Level 2 - Observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

Note 4 – Deposits and Investments (continued)

- Level 3 - Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priorities to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

The Plan and Fund categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. Investments are recorded at fair value, and primarily uses the market approach to valuing each security. Security pricing is provided by a third-party, and is reported daily to the Plan and Fund by its custodians.

The Plan and the Fund has the following recurring fair value measurements as of September 30, 2016:

Investment Type	Fair Value at September 30, 2016	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 19,672,640	\$ 19,672,640	\$ -	\$ -
Corporate obligations	6,509,006	-	6,509,006	-
Common stocks	5,504,181	5,504,181	-	-
U.S. Government and agency securities	<u>3,704,283</u>	<u>-</u>	<u>3,704,283</u>	<u>-</u>
	35,390,110	<u>\$ 25,176,821</u>	<u>\$ 10,213,289</u>	<u>\$ -</u>
Investments measured at amortized cost:				
Money market funds	<u>361,381</u>			
Total	<u>\$ 35,751,491</u>			

City of South Miami, Florida
Notes to the Basic Financial Statements
September 30, 2016

Note 5 - Receivables

Receivables at September 30, 2016 were as follows:

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Stormwater Drain Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	
Receivable type:				
Intergovernmental	\$ 155,625	\$ -	\$ 384,712	\$ 540,337
Franchise fees	103,467	-	-	103,467
Utility taxes	131,046	-	-	131,046
Accounts	<u>127,648</u>	<u>69,079</u>	<u>-</u>	<u>196,727</u>
Total	<u>\$ 517,786</u>	<u>\$ 69,079</u>	<u>\$ 384,712</u>	<u>\$ 971,577</u>

Note 6 - Interfund Balances and Transfers

Interfund balances at September 30, 2016 and the amount of interfund transfers for the fiscal year ended are summarized as follows:

	<u>Payable Fund</u>			<u>Total</u>
	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Stormwater Drain Trust Fund</u>	<u>Nonmajor Governmental Funds</u>	
Receivable fund:				
General Fund	\$ -	\$ 418,696	\$ 622,047	\$ 1,040,743
Stormwater Drain Trust Fund	9,639	-	-	9,639
Nonmajor Governmental Funds	<u>1,870,061</u>	<u>-</u>	<u>-</u>	<u>1,870,061</u>
Total receivables	<u>\$ 1,879,700</u>	<u>\$ 418,696</u>	<u>\$ 622,047</u>	<u>\$ 2,920,443</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.

During the year, \$ 1,049,581 and \$ 315,937 was transferred from the General Fund to the Capital Improvements Program Fund and the Debt Service Fund, respectively, to assist with capital improvement projects and debt service requirements. The remaining transfers were to the General Fund from the Stormwater Drain Trust Fund and nonmajor funds to reimburse the General Fund for expenditures incurred.

City of South Miami, Florida
Notes to the Basic Financial Statements
September 30, 2016

Note 7 - Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Increases	Decreases/ Transfers	Balance September 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 14,603,765	\$ -	\$ -	\$ 14,603,765
Construction in progress	93,643	-	47,225	46,418
Total capital assets, not being depreciated	14,697,408	-	47,225	14,650,183
Capital assets, being depreciated:				
Buildings and improvements	19,798,707	112,771	-	19,911,478
Machinery and equipment	7,229,368	553,027	346,954	7,435,441
Land improvements	1,424,876	107,933	-	1,532,809
Infrastructure	9,226,358	345,975	-	9,572,333
Intangible assets	448,257	-	-	448,257
Total capital assets, being depreciated	38,127,566	1,119,706	346,954	38,900,318
Less accumulated depreciation for:				
Buildings and improvements	3,838,633	392,633	-	4,231,266
Machinery and equipment	5,518,788	547,265	312,290	5,753,763
Land improvements	718,390	61,315	-	779,705
Infrastructure	3,148,822	211,146	-	3,359,968
Intangible assets	378,511	69,746	-	448,257
Total accumulated depreciation	13,603,144	1,282,105	312,290	14,572,959
Total capital assets, being depreciated, net	24,524,422	(162,399)	34,664	24,327,359
Governmental activities capital assets, net	\$ 39,221,830	\$ (162,399)	\$ 81,889	\$ 38,977,542

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

General government	\$ 635,593
Public safety	322,395
Public works	192,000
Culture and recreation	103,168
Community services	28,949
Total depreciation expense - governmental activities	\$ 1,282,105

Note 8 - Service Concession Arrangement and Note Receivable

The City owns a municipal garage that started operations in January 2008. The City executed a lease agreement (the "Lease") with an outside party to operate and maintain the municipal 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 municipal garage reverts to the City. Installment payments due to the City under the Lease are as follows:

Note 8 - Service Concession Arrangement and Note Receivable (continued)

- (i) Repayment of principal on certain amounts used in the construction of the municipal garage. These amounts owed to the City by the lessee are shown as notes receivable in the statement of net position in the amount of \$ 7,925,163.
- (ii) Guaranteed rent payments equal to \$ 76,000 per year. The present value of these payments is reflected in the statement of net position using a discount rate of 7.25% in the amount of \$ 2,907,562.

The City has determined that the agreement meets the requirements of GASB Statement No. 60; *Accounting and Financial Reporting for Service Concession Arrangements*.

In accordance with GASB Statement No. 60, the City previously adjusted capital assets to include the municipal garage at fair value of approximately \$ 13 million. Additionally, \$ 10,832,725 is reflected in the government-wide financial statements (Statement of Net Position) as a deferred inflow of resources to be received over the term of the agreement, at net present value. The deferred inflow of resources is recognized annually over the term of the agreement.

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 municipal garage, a mortgage on certain land owned by the lessee and by a personal guarantee from the owner of the lessee. A portion of the notes receivable (original amount of \$ 700,000) requires quarterly payments, including interest at 4.23%, through April 2019.

Future principal and interest payments due to the City under the notes receivable, as of September 30, 2016, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 348,937	\$ 372,544	\$ 721,481
2018	368,961	354,645	723,606
2019	367,577	335,831	703,408
2020	320,936	318,836	639,772
2021	333,440	303,954	637,394
2022-2026	1,929,784	1,268,733	3,198,517
2027-2031	2,429,944	765,388	3,195,332
2032-2036	1,550,496	220,899	1,771,395
2037	275,088	6,189	281,277
	<u>\$ 7,925,163</u>	<u>\$ 3,947,019</u>	<u>\$ 11,872,182</u>

Note 9 - Long Term Liabilities of Governmental Activities

The following is a summary of charges in long-term liabilities of the City for governmental activities for the year ended September 30, 2016.

City of South Miami, Florida
Notes to the Basic Financial Statements
September 30, 2016

Note 9 - Long Term Liabilities of Governmental Activities (continued)

	Balance October 1, 2015	Additions	Reductions	Balance September 30, 2016	Due Within One Year
Governmental Activities:					
Florida Municipal Loan Council Bonds	\$ 1,345,000	\$ -	\$ (35,000)	\$ 1,310,000	\$ 40,000
Taxable Revenue Note, Series 2011	6,480,000	-	(410,000)	6,070,000	490,000
Refunding Revenue Note, Series 2015	4,948,000	-	(241,000)	4,707,000	237,000
CRA Bond, Series 2006	77,254	-	(77,254)	-	-
Notes payable	178,047	-	(89,650)	88,397	20,000
Compensated absences	<u>1,271,321</u>	<u>612,334</u>	<u>(531,689)</u>	<u>1,351,966</u>	<u>460,005</u>
Totals	<u>\$ 14,299,622</u>	<u>\$ 612,334</u>	<u>\$ (1,384,593)</u>	<u>\$ 13,527,363</u>	<u>\$ 1,247,005</u>

Compensated absences attributable to the governmental activities are generally liquidated by the General Fund.

Florida Municipal Loan Council (FMLC Bonds): The City previously borrowed \$ 5,625,000 from the FMLC's debt issue of \$ 22,365,000 Revenue Bonds, Series 2006, to assist with the financing of 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 a lessee in conjunction with the notes receivable (Note 8), future municipal 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 with proceeds from the issuance of the Taxable Revenue Notes, Series 2011.

Annual debt service requirements to maturity for the FMLC Revenue Bonds, Series 2006 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 40,000	\$ 56,919	\$ 96,919
2018	40,000	54,919	94,919
2019	40,000	52,919	92,919
2020	45,000	51,019	96,019
2021	45,000	49,191	94,191
2022-2026	270,000	214,500	484,500
2027-2031	325,000	151,425	476,425
2032-2036	410,000	69,075	479,075
2037	<u>95,000</u>	<u>2,138</u>	<u>97,138</u>
	<u>\$ 1,310,000</u>	<u>\$ 702,105</u>	<u>\$ 2,012,105</u>

Revenue Notes: Previously, the City issued a \$ 7,575,000 Taxable Revenue Note, Series 2011, primarily to partially advance refund \$ 1,725,000 and \$ 3,775,000 of the then 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. Funds were deposited into an irrevocable trust with an escrow agent to provide for the scheduled principal and interest installments of the partially advanced 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. Effective May 2012, the FMLC Series 2002A partially advanced refunded portion was considered defeased. As of September 30, 2016, the outstanding balance of the partially advanced refunded FMLC Series 2006 bonds was \$ 1,310,000.

Note 9 - 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-ad valorem revenues of the City.

In May 2015, the City issued a \$ 4,948,000 Refunding Revenue Note, Series 2015, to refund \$ 1,640,000 and \$ 3,308,000 of the then FMLC 2001A and 2002A revenue bonds, respectively. Semi-annual principal and interest payments are due through September 2032 at a fixed rate of 2.800%; secured by a pledge of all non-ad valorem revenues of the City.

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Series 2011		Series 2015		Total
	Principal	Interest	Principal	Interest	
2017	\$ 490,000	\$ 267,477	\$ 237,000	\$ 130,144	\$ 1,124,621
2018	450,000	247,065	243,000	123,466	1,063,531
2019	480,000	225,616	254,000	116,592	1,076,208
2020	495,000	203,652	259,000	109,438	1,067,090
2021	520,000	179,717	264,000	102,158	1,065,875
2022-2026	2,960,000	509,729	1,436,000	394,450	5,300,179
2027-2031	675,000	15,612	1,658,000	180,096	2,528,708
2032	-	-	356,000	7,490	363,490
Total	\$ 6,070,000	\$ 1,648,868	\$ 4,707,000	\$ 1,163,834	\$ 13,589,702

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 were secured by CRA tax increment financing revenues from the County and the City. The bonds bore interest at 5.99%. Principal and interest payments were due quarterly through February 2016. The revenue bonds matured (paid-in-full) during the fiscal year 2015-2016.

Notes Payable: The City previously 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 required aggregate monthly payments of \$ 10,202, including interest at 2.355% and 2.5451% per annum. Both notes matured (paid-in-full) during the fiscal year 2015-2016.

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. The agreement related to the stormwater drainage project was paid-in-full during fiscal year 2015-2016. As of September 30, 2016, the total balance outstanding, relating to the police radios, was \$ 88,397.

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

Year Ending September 30,	Principal
2017	\$ 20,000
2018	20,000
2019	20,000
2020	28,397
Total	\$ 88,397

Note 9 - Long Term Liabilities of Governmental Activities (continued)

Conduit Debt Obligation: The City of South Miami Health Facilities Authority was created to issue 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 revenues derived from the private-sector hospitals.

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 through 2042. As of September 30, 2016, the outstanding principal amount payable was \$ 701,765,000.

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 10 - Commitments and Contingencies

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

Litigation - General Matters: The City is currently a defendant in several pending claims and other legal proceedings incidental to the operations of the City. The City attorneys are vigorously defending each action. The ultimate liability and likelihood related to these claims is not presently determinable.

Note 11 - 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 Statement 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 position 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 October 1, 2014, the date of the most recent actuarial evaluation, there are five participating retirees in the group health program.

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

Note 11 - Other Post-Employment Benefits (continued)

The General Fund is typically used to liquidate the annual net other post-employment obligations of the City.

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.

Development of the Annual Required Contribution (ARC)	
Employer normal cost	\$ 37,096
Amortization of unfunded actuarial accrued liability	31,583
Interest on normal cost and amortization	<u>2,747</u>
Annual Required Contribution	71,426
Interest on net OPEB cost	7,784
Adjustment to the ARC	<u>(11,254)</u>
Annual OPEB cost	67,956
Estimated annual employer contribution (pay-as-you-go)*	<u>(21,073)</u>
Change in net OPEB obligation	46,883
Net OPEB obligation - beginning of year	<u>194,598</u>
Net OPEB obligation - end of year	<u><u>\$ 241,481</u></u>

* 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 for 2016 and the two preceding years were as follows:

Fiscal Year Ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
09/30/16	\$ 67,956	31.0%	\$ 241,481
09/30/15	\$ 61,291	26.2%	\$ 194,598
09/30/14	\$ 50,507	34.9%	\$ 149,358

Funding Status and Funding Progress: The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The funded status and an analysis of funding progress as of October 1, 2014, the date of the most recent actuarial valuation, is as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) at Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
10/01/14	\$ -	\$ 530,435	\$ 530,435	0.0%	\$ 7,090,548	7.5%

Note 11 - Other Post-Employment Benefits (continued)

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, 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, 2014
Actuarial cost method	Entry age method
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.00% (includes inflation at 3% per annum)
Healthcare cost trend rates:	
Select rates	7.50% for 2014/15 graded to 5.00% for 2015/16 through 2019/20
Ultimate rate	5.00% per annum

Note 12 - Defined Benefit Pension Plan

Plan Description:

The City sponsors and maintains the General Employees and Police Officers Pension Plan (the "Plan"), a single-employer defined benefit pension plan established by Ordinance No. 528 dated December 7, 1965, effective October 1, 1965. The 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. Through September 30, 2016, the most recent amendment to the Plan occurred on November 1, 2011, which became effective on October 1, 2011.

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.

Note 12 - Defined Benefit Pension Plan (continued)

Benefits:

Normal Retirement:

General Employees: 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. These General Employees are entitled to retirement benefits ranging from 2.25% to 2.75% of their final monthly compensation ("FMC") based on years of credited service.

Police Officers: Attainment of age 60 and completion of 10 years of credited services or completion of 25 years of credited services regardless of age. These police officers are entitled to retirement benefits ranging from 2.00% to 3.00% of the FMC based on 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 3.00%. For general employees, accrued benefits from October 1, 2011 and thereafter are not subject to the cost-of-living supplemental benefit adjustment.

Final average compensation is $1/36^{\text{th}}$ of the final 36 consecutive months of compensation. For police officers, not less than $1/5^{\text{th}}$ of the highest 5 years out of the last 10 years of compensation. Compensation shall mean regular wages and salaries, excluding bonuses, vacation, sick leave, and other additional compensation. Effective October 1, 2011, final average compensation for general employees is $1/60^{\text{th}}$ of the final 60 consecutive months of basic compensation, provided is not less than the final average compensation at September 30, 2011, based on the definition above. 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. Effective October 1, 2011, final average compensation for members covered under the police officers and sergeants collective bargaining agreements is the best of 5 years of basic compensation, provided is not less than the final average compensation as of September 30, 2011 based on the definition above. 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 other forms of additional compensation earned outside of base wages.

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.

Note 12 - Defined Benefit Pension Plan (continued)

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.

Eligibility:

General Employees: The Plan is only available to regular full-time employees who were employed prior to October 1, 2011 and had completed six months of credited service and attainment of age 20.

All general employees who were participating in the Plan as of September 30, 2011 had the option to elect to remain in the Plan or participate in a newly created defined contribution plan under the provisions of Section 457(b) (the "457(b) Plan"). For those participants who elected to discontinue their participation, the Plan refunded their portion of contributions or amounts were rolled over to the 457(b) Plan as additional employee contributions.

Police Officers: Full-time police officers are eligible to participate in the plan as of date of employment.

Employees Covered by Benefit Terms: The Plan has the following classes and number of plan members as of the latest actuarial valuation date of October 1, 2015:

	<u>General Employees</u>	<u>Police Officers</u>
Active plan members	32	48
Terminated vested	4	4
Receiving benefits	25	16
	<u>61</u>	<u>68</u>

Contributions: 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 below. For the year ended September 30, 2016, the aggregate contribution requirement for the City and Plan participants was determined at 12.4% (including 7% for participants) and 27.1% (including 12.1% 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 12% 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. During the fiscal year ended September 30, 2016, the City received \$ 103,295 from the State, which was generated from the insurance premium tax as part of the required funding for the Police Officers Pension Plan, and recorded revenues and expenditures in the General Fund, as appropriate.

Note 12 - Defined Benefit Pension Plan (continued)

The General Fund is typically used to liquidate the annual net pension obligations of the City.

Net Pension Liability: The City’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date as of October 1, 2014.

Actuarial Assumptions:

The total pension liability in the October 1, 2014 actuarial valuation was determined using the following actuarial assumptions:

	General Employees	Police Officers
Actuarial valuation date	10/01/14	10/01/14
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level Percentage of payroll, closed	Level Percentage of payroll, closed
Amortization period	25 years	30 years
Asset valuation method	5-year smoothed	5-year smoothed
Actuarial assumptions:		
Investment rate of return	7.375%	7.375%
Projected salary increases	3.75% - 5.25%	3.75% - 5.25%
Includes inflation at	3.0%	3.0%
Cost-of-living adjustment	3.0%	3.0%

Mortality rates for general employees were based on the RP-2000 Mortality Table, separate for male and female. Mortality rates for police officers were based on RP 2000 Combined Mortality Table with Blue Collar Adjustment, separate for male and female. Mortality rates for disabled members were based on RP 2000 Disabled Mortality Tables, separate for male and female.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 12 - Defined Benefit Pension Plan (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension Plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap	30%	6.6%
Smaller Mid Cap	15%	7.8%
Foreign Equity	15%	3.3%
Real estate	10%	7.1%
Fixed Income	30%	2.7%
	100%	

Discount Rate:

A discount rate of 7.375% was used to measure the total pension liability. This discount rate was based on the expected rate of return on the plan investments of 7.375%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined current contribution rates and the member contribution rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future expected benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2014	\$ 32,819,270	\$ 32,237,153	\$ 582,117
Service cost	686,435	-	686,435
Interest	2,381,731	-	2,381,731
Differences between expected and actual experience	(502,259)	-	(502,259)
Contributions - employer and state	-	834,251	(834,251)
Contributions - employee	-	562,835	(562,835)
Net investment income	-	16,750	(16,750)
Benefits payments, including refunds	(1,417,586)	(1,417,586)	-
Administrative expenses	-	(135,093)	135,093
Other	-	4,454	(4,454)
Net changes	1,148,321	(134,389)	(1,282,710)
Balances as of September 30, 2015	\$ 33,967,591	\$ 32,102,764	\$ 1,864,827

Note 12 - Defined Benefit Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following represents the net pension liability of the City, calculated using the discount rate of 7.375%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%
City's net pension liability (asset)	\$ 6,596,324	\$ 1,864,827	\$ (1,993,996)

Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relating to Pensions: For the year ended September 30, 2016, the City recognized pension expense of \$ 167,079. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions made between measurement date and the reporting date	\$ 570,154	\$ -
Net difference between projected and actual earnings on plan investments	1,307,428	-
Differences between expected and actual experience on liabilities	-	795,607
	<u>\$ 1,877,582</u>	<u>\$ 795,607</u>

The deferred outflows of resources related to the plan, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows/inflows of resources relating to pensions will be recognized in pension expense in future years as follows:

<u>Year Ending September 30,</u>	
2017	\$ 80,429
2018	80,429
2019	80,430
2020	316,192
2021	(45,659)
	<u>\$ 511,821</u>

Note 13 – Defined Contributions Plans

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

A Board of Trustees administers this account, which is made up of representatives of the police officers and the City. 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) and 457(b) Deferred Compensation Plans: The City is a single employer that contributes to four (4) defined contribution pension plans based upon employee classification. The City Commission executed a resolution for the City to make contributions of up to 7% of participating members’ earnings into the plans.

The City contributes into a pension plan established under the Internal Revenue Code Section 401(a) that is available to all eligible employees with the designated contributions of up to 7% of earnings. Additionally, the City contributes 14% for one plan member based on their employment contract. During the year ended September 30, 2016, City contributions on behalf of members in relation to the two (2) specified 401(a) plans were approximately \$74,500.

Also available to eligible employees, the City contributes to a 401(a) plan as a matching contribution to an existing employer elected 457(b) plan. Those City contributions to this plan during the year ended September 30, 2016 were approximately \$ 75,500.

Lastly, the City established a deferred compensation pension plan created in accordance with the Internal Revenue Service Code Section 457(b). Eligible employees can contribute into the plan with a City match up to the 7% limitation as adopted by City Commission. The City provided contributions to this plan for the year ended September 30, 2016 of approximately \$ 15,000.

The 401(a) and 457(b) plans mentioned above are administered by ICMA Retirement Corporation. The City does not exercise any control nor have fiduciary responsibility over the 401(a) and 457(b) plan assets. Therefore, the assets, liabilities, and transactions are not included in the City’s financial statements.

Note 14—Risk Management

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

The City currently has pending litigation with a former employee, for which a liability has not been recorded. A trial judge has entered a final judgment finding for breach of contract. It is the City Attorney’s recommendation that the City appeal the final judgment. While the City does not believe that the plaintiff is entitled to any money or any attorney fees, if the appellate court disagrees with the City's legal assessment of liability and damages, there is a potential estimated liability of approximately \$ 1.2 million, including attorney fees and interest.

Note 15—Subsequent Event

Effective October 1, 2016, the City Commission approved Ordinance No. 22-16-2255 to allow for all general eligible employees, including members of management, to join the defined benefit pension plan, discussed in Note 12. In general, the ordinance created new tiers of membership that allows employees hired on or after October 1, 2016 to participate in the plan. Also, these new tiers provide for employees hired prior to October 1, 2016, and not previously members, to elect participation in the plan. Other general provisions of the plan were also amended as part of this ordinance.

REQUIRED SUPPLEMENTARY
INFORMATION

City of South Miami, Florida
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad valorem	\$ 5,895,435	\$ 5,895,435	\$ 5,839,601	\$ (55,834)
Utility taxes	1,998,630	1,998,630	2,105,760	107,130
Business taxes	645,000	645,000	704,878	59,878
Franchise taxes	2,013,109	2,013,109	1,951,036	(62,073)
Licenses and permits	862,600	862,600	1,096,706	234,106
Intergovernmental	1,649,357	1,649,357	1,702,796	53,439
Charges for services	2,873,000	2,873,000	2,777,091	(95,909)
Fines and forfeitures	1,430,400	1,430,400	1,071,125	(359,275)
Rents and royalties	292,456	292,456	299,375	6,919
Interest income	88,704	88,704	93,682	4,978
Miscellaneous	112,872	103,678	218,460	114,782
Total revenues	17,861,563	17,852,369	17,860,510	8,141
Expenditures:				
Current:				
General government:				
City commission	95,030	95,030	82,314	12,716
City manager	1,970,790	1,980,539	1,597,521	383,018
City clerk	401,823	401,823	371,766	30,057
Legal	466,100	479,024	456,881	22,143
Finance	1,252,397	1,257,398	1,211,145	46,253
Total general government	4,186,140	4,213,814	3,719,627	494,187
Public safety:				
Police	7,065,623	7,074,303	5,745,838	1,328,465
Building, zoning and community development	1,437,827	1,437,827	1,193,590	244,237
Total public safety	8,503,450	8,512,130	6,939,428	1,572,702
Public works	3,266,297	3,275,491	3,100,056	175,435
Culture and recreation	2,212,252	2,227,632	1,886,452	341,180
Debt Service:				
Principal	66,833	66,833	62,614	4,219
Interest and fiscal charges	295	295	7,001	(6,706)
Total expenditures	18,235,267	18,296,195	15,715,178	2,581,017
Excess (deficiency) of revenues over expenditures	(373,704)	(443,826)	2,145,332	2,589,158
Other Financing Sources (Uses):				
Transfers in	384,465	434,465	434,465	-
Transfers out	(1,627,742)	(1,627,742)	(1,790,518)	(162,776)
Total other financing sources (uses)	(1,243,277)	(1,193,277)	(1,356,053)	(162,776)
Net change in fund balance	\$ (1,616,981)	\$ (1,637,103)	\$ 789,279	\$ 2,426,382

See required supplementary information – notes to budgetary comparison schedules.

City of South Miami, Florida
Budgetary Comparison Schedule - General Fund
(continued)
For the Year Ended September 30, 2016

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 \$ 789,279

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 Balance - Governmental Funds:

Net change in fund balance - Emergency Reserve Fund ⁽¹⁾	154,114
Net change in fund balance - Revenue Stabilization Fund ⁽²⁾	50,000
Net change in fund balance - Grant Match Reserve Fund ⁽³⁾	50,000
Net change in fund balance - Insurance Reserve Fund ⁽⁴⁾	50,000
Net change in fund balance - Tax Equalization Reserve Fund ⁽⁵⁾	50,000
Net change in fund balance - Building Capital Reserve Fund ⁽⁶⁾	50,000
Net change in fund balance - City Parks Acquisition, Development, Operations and Maintenance Fund ⁽⁷⁾	<u>50,000</u>

General Fund net change in fund balance per the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds \$ 1,243,393

- (1) See budget to actual comparison schedule on page 67.
- (2) See budget to actual comparison schedule on page 68.
- (3) See budget to actual comparison schedule on page 69.
- (4) See budget to actual comparison schedule on page 70.
- (5) See budget to actual comparison schedule on page 71.
- (6) See budget to actual comparison schedule on page 72.
- (7) See budget to actual comparison schedule on page 73.

See required supplementary information – notes to budgetary comparison schedules.

City of South Miami, Florida
Budgetary Comparison Schedule - Stormwater Drain Trust Fund
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Utility taxes	\$ 10,000	\$ 10,000	\$ 6,580	\$ (3,420)
Intergovernmental	375,000	375,000	376,794	1,794
Interest income	1,600	1,600	3,323	1,723
Total revenues	<u>386,600</u>	<u>386,600</u>	<u>386,697</u>	<u>97</u>
Expenditures:				
Current:				
Public works	135,394	149,834	80,861	68,973
Capital outlay	100,000	215,597	111,578	104,019
Debt Service:				
Principal	27,036	27,036	27,036	-
Interest and fiscal charges	1,500	1,500	142	1,358
Total expenditures	<u>263,930</u>	<u>393,967</u>	<u>219,617</u>	<u>174,350</u>
Excess (deficiency) of revenues over expenditures	<u>122,670</u>	<u>(7,367)</u>	<u>167,080</u>	<u>174,447</u>
Other Financing Sources (Uses):				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (127,330)</u>	<u>\$ (257,367)</u>	<u>\$ (82,920)</u>	<u>\$ 174,447</u>

See required supplementary information – notes to budgetary comparison schedules.

Note 1 - Budgets and Budgetary Accounting

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). All governmental funds adopted a budget, with the exception of the Tree Trust Fund and the Parks Impact Fees 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 not expended nor specifically designated to be carried over, lapse at the end of the fiscal year.

City of South Miami, Florida
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
General Employees and Police Officers Pension Plan - Pension Trust Fund
(Unaudited)

	<u>2015</u>	<u>2014</u>
Total Pension Liability:		
Service cost	\$ 686,435	\$ 669,181
Interest	2,381,731	2,299,340
Differences between expected and actual experience	(502,259)	(598,374)
Benefit payments, including refunds of employee contributions	<u>(1,417,586)</u>	<u>(1,315,113)</u>
Net change in total pension liability	1,148,321	1,055,034
Total pension liability - beginning	<u>32,819,270</u>	<u>31,764,236</u>
Total pension liability - ending (a)	<u>\$ 33,967,591</u>	<u>\$ 32,819,270</u>
Plan Fiduciary Net Position:		
Contributions - employer and state	\$ 834,251	\$ 878,217
Contributions - employee	562,835	593,396
Net investment income	16,750	3,054,164
Benefit payments, including refunds of employee contributions	(1,417,586)	(1,315,113)
Administrative expenses	(135,093)	(100,780)
Other	<u>4,454</u>	<u>6,784</u>
Net change in plan fiduciary net position	(134,389)	3,116,668
Plan fiduciary net position - beginning	32,237,153	29,120,485
Plan fiduciary net position - ending (b)	<u>\$ 32,102,764</u>	<u>\$ 32,237,153</u>
Net pension liability - ending (a) -(b)	<u>\$ 1,864,827</u>	<u>\$ 582,117</u>
Plan fiduciary net position as a percentage of total pension liability	94.51%	98.23%
Covered - employee payroll	\$ 4,086,300	\$ 4,902,128
Net pension liability as a percentage of covered - employee payroll	45.64%	11.87%

Note: This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

City of South Miami, Florida
Required Supplementary Information
Schedule of Contributions
General Employees and Police Officers Pension Plan - Pension Trust Fund
(Unaudited)

Fiscal Year Ended 9/30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contribution as a Percentage of Covered - Employee Payroll
2007	\$ 794,068	\$ 794,068	\$ -	\$ 6,038,899	13.15%
2008	\$ 769,186	\$ 769,186	\$ -	\$ 6,365,269	12.08%
2009	\$ 843,731	\$ 843,731	\$ -	\$ 6,204,089	13.60%
2010	\$ 1,257,246	\$ 1,257,246	\$ -	\$ 7,619,762	16.50%
2011	\$ 1,266,587	\$ 1,273,320	\$ (6,733)	\$ 6,830,908	18.64%
2012	\$ 1,021,975	\$ 1,021,975	\$ -	\$ 5,423,152	18.84%
2013	\$ 860,190	\$ 860,190	\$ -	\$ 4,861,701	17.69%
2014	\$ 878,217	\$ 878,217	\$ -	\$ 4,902,128	17.92%
2015	\$ 834,251	\$ 834,251	\$ -	\$ 4,086,300	20.42%
2016	\$ 570,154	\$ 570,154	\$ -	\$ 4,861,991	11.73%

Notes to Schedule:

Valuation date:	Actuarially determined contributions are calculated as of October 1st - two year(s) prior to the fiscal year end in which contributions are reported.
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	25 years for general employees; 30 years for police officers
Asset valuation method:	5-year smoothed
Inflation:	3.00%
Salary increases:	3.75% - 5.25%
Investment rate of return:	7.375%
Payroll growth assumption:	4.0% per year, but limited to average annual increase over most recent ten years (0.9%) for police officers. None for general employees.
Retirement age:	Experience - based tables of rates that are specific to the type of eligibility condition.
Mortality:	RP 2000 Mortality Tables, RP 2000 Combined Healthy/Participant Mortality Tables with Blue Collar Adjustment, and RP 2000 Disabled Mortality Tables, as applicable.

City of South Miami, Florida
Required Supplementary Information
Schedule of Investment Returns
General Employees and Police Officers Pension Plan - Pension Trust Fund
(Unaudited)

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	0.5%	11.9%

Note: This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

City of South Miami, Florida
Required Supplementary Information
Schedule of Funding Progress
Pay-As-You-Go Approach
Other Post-Employment Health Care Benefits
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (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%
October 1, 2011	\$ -	\$ 354,421	\$ 354,421	0.0%	\$ 5,365,146	6.6%
October 1, 2014	\$ -	\$ 530,435	\$ 530,435	0.0%	\$ 7,090,548	7.5%

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

OTHER FINANCIAL INFORMATION

SPECIAL REVENUE FUNDS

Community Redevelopment Agency Fund: The South Miami Community Redevelopment Agency Fund (the "CRA") is a dependent special district created to prevent the spread of and eliminate the existence of slum and blighted conditions within the redevelopment area.

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

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.

Tree Trust Fund - This fund was created under the City's Land Development Code Section 20-4.5 with the purpose to acquire, protect, and to plant trees on public property.

Hometown District Improvement Trust - 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.

Federal 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.

Grants Fund – This fund accounts for grant funding received that is restricted for specific projects as defined by the grantor agencies.

Parks Impact Fees Fund – This fund accounts for parks impact fees assessed on new residential developments during permitting. Proceeds are to be used solely for land acquisition for parks, facility maintenance and new park construction, retirement of debt that were issued to finance park improvements, and any administrative costs incurred during the fee collection process.

CAPITAL PROJECTS FUND

Capital Improvements Program Fund – This fund is used to account for multi-year expenditures of major capital projects and expenditures for all general government programs. Revenue within this fund is primarily received as a transfer of funds from the general fund based upon the long-term capital budget needs of the various City departments and the recreation programs. Revenues may also include transfers from other financial sources and investment interest.

DEBT SERVICE FUND

Debt Service Fund – This 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 certain notes payable.

City of South Miami, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Special Revenue Funds											Total Nonmajor Governmental Funds
	Community Redevelopment Agency Fund	Local Option Gas Tax	Peoples Transportation Tax	State Forfeiture Fund	Tree Trust Fund	Hometown District Improvement Trust	Federal Forfeiture Fund	Grants Fund	Parks Impact Fees Fund	Capital Improvements Program Fund	Debt Service Fund	
Assets:												
Cash and cash equivalents	\$ 747,820	\$ 73,700	\$ 824,279	\$ 79,015	\$ -	\$ -	\$ 1,769,161	\$ 410,319	\$ 129,449	\$ -	\$ 245,829	\$ 4,279,572
Receivables	-	-	135,462	-	-	-	-	249,250	-	-	-	384,712
Due from other funds	-	118,238	816,102	-	20,528	27,250	-	-	-	887,943	-	1,870,061
Prepaid expenditures	4,188	-	-	-	-	-	-	-	-	-	70,885	75,073
Total assets	\$ 752,008	\$ 191,938	\$ 1,775,843	\$ 79,015	\$ 20,528	\$ 27,250	\$ 1,769,161	\$ 659,569	\$ 129,449	\$ 887,943	\$ 316,714	\$ 6,609,418
Liabilities and Fund Balances:												
Liabilities:												
Accounts payable	\$ 20,006	\$ -	\$ 45,576	\$ -	\$ -	\$ -	\$ -	\$ 1,875	\$ -	\$ 71,412	\$ -	\$ 138,869
Unearned revenue	-	-	-	-	-	-	-	8,657	-	-	-	8,657
Due to other funds	210,355	-	-	-	-	-	15,602	16,391	-	-	379,699	622,047
Other liabilities	6,787	-	-	-	-	-	-	-	-	-	-	6,787
Total liabilities	237,148	-	45,576	-	-	-	15,602	26,923	-	71,412	379,699	776,360
Fund Balances:												
Nonspendable:												
Prepaid expenditures	4,188	-	-	-	-	-	-	-	-	-	70,885	75,073
Restricted for:												
Community services	510,672	-	-	-	-	-	-	-	-	-	-	510,672
Park improvements	-	-	-	-	-	-	-	-	129,449	-	-	129,449
Grant projects	-	-	-	-	-	-	-	632,646	-	-	-	632,646
Transportation projects	-	191,938	1,730,267	-	-	-	-	-	-	-	-	1,922,205
Law enforcement	-	-	-	79,015	-	-	1,753,559	-	-	-	-	1,832,574
Committed to:												
Tree projects	-	-	-	-	20,528	-	-	-	-	-	-	20,528
Parking management	-	-	-	-	-	27,250	-	-	-	-	-	27,250
Assigned to:												
Capital projects	-	-	-	-	-	-	-	-	-	816,531	-	816,531
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	-	(133,870)	(133,870)
Total fund balances	514,860	191,938	1,730,267	79,015	20,528	27,250	1,753,559	632,646	129,449	816,531	(62,985)	5,833,058
Total liabilities and fund balances	\$ 752,008	\$ 191,938	\$ 1,775,843	\$ 79,015	\$ 20,528	\$ 27,250	\$ 1,769,161	\$ 659,569	\$ 129,449	\$ 887,943	\$ 316,714	\$ 6,609,418

City of South Miami, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Special Revenue Funds										Total Nonmajor Governmental Funds	
	Community Redevelopment Agency Fund	Local Option Gas Tax	Peoples Transportation Tax	State Forfeiture Fund	Tree Trust Fund	Hometown District Improvement Trust	Federal Forfeiture Fund	Grants Fund	Parks Impact Fees Fund	Capital Improvements Program Fund		Debt Service Fund
Revenues:												
Taxes:												
Ad valorem	\$ 1,149,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,149,532
Intergovernmental	-	79,350	550,835	-	-	-	-	359,224	-	-	-	989,409
Licenses and permits	-	-	-	-	13,000	-	-	-	84,259	-	-	97,259
Fines and forfeitures	-	-	-	-	-	-	5,208	-	-	-	-	5,208
Charges for services	-	-	-	-	-	32,000	-	-	-	-	-	32,000
Rents and royalties	35,040	-	-	-	-	-	-	-	-	-	722,750	757,790
Interest income	3,064	1,509	10,226	605	-	-	13,985	3,743	598	-	2,364	36,094
Miscellaneous	4,789	-	-	-	-	-	21,937	-	-	-	141,080	167,806
Total revenues	1,192,425	80,859	561,061	605	13,000	32,000	41,130	362,967	84,857	-	866,194	3,235,098
Expenditures:												
Current:												
Public safety	-	-	-	-	-	-	142,837	7,106	-	-	-	149,943
Public works	-	-	-	-	-	-	-	136,873	-	-	-	136,873
Culture and recreation	-	-	-	-	-	-	-	86,464	-	-	-	86,464
Community services	636,252	-	-	-	-	-	-	-	-	-	-	636,252
Capital outlay	11,945	238,821	730,396	-	-	-	-	128,781	-	1,072,368	-	2,182,311
Debt service:												
Principal	77,254	-	-	-	-	-	-	-	-	-	686,000	763,254
Interest and fiscal charges	1,157	-	-	-	-	-	-	-	-	-	476,435	477,592
Total expenditures	726,608	238,821	730,396	-	-	-	142,837	359,224	-	1,072,368	1,162,435	4,432,689
Excess (deficiency) of revenues over expenditures	465,817	(157,962)	(169,335)	605	13,000	32,000	(101,707)	3,743	84,857	(1,072,368)	(296,241)	(1,197,591)
Other Financing Sources (Uses):												
Transfers in	-	-	-	-	-	-	-	-	-	1,049,581	315,937	1,365,518
Transfers out	(159,465)	-	-	-	-	(25,000)	-	-	-	-	-	(184,465)
Total other financing sources (uses)	(159,465)	-	-	-	-	(25,000)	-	-	-	1,049,581	315,937	1,181,053
Net change in fund balances	306,352	(157,962)	(169,335)	605	13,000	7,000	(101,707)	3,743	84,857	(22,787)	19,696	(16,538)
Fund balances, beginning	208,508	349,900	1,899,602	78,410	7,528	20,250	1,855,266	628,903	44,592	839,318	(82,681)	5,849,596
Fund balances, ending	\$ 514,860	\$ 191,938	\$ 1,730,267	\$ 79,015	\$ 20,528	\$ 27,250	\$ 1,753,559	\$ 632,646	\$ 129,449	\$ 816,531	\$ (62,985)	\$ 5,833,058

City of South Miami, Florida
Budgetary Comparison Schedule - Community Redevelopment Agency Fund
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Incremental tax receipts	\$ 1,149,532	\$ 1,149,532	\$ 1,149,532	\$ -
Rents and royalties	33,750	33,750	35,040	1,290
Interest income	3,250	3,250	3,064	(186)
Miscellaneous	-	-	4,789	4,789
Total revenues	1,186,532	1,186,532	1,192,425	5,893
Expenditures:				
Current:				
Community redevelopment	789,461	806,511	636,252	170,259
Capital outlay	355,939	348,929	11,945	336,984
Debt Service:				
Principal	77,253	78,128	77,254	874
Interest and fiscal charges	1,157	292	1,157	(865)
Total expenditures	1,223,810	1,233,860	726,608	507,252
Excess (deficiency) of revenues over expenditures	(37,278)	(47,328)	465,817	513,145
Other Financing Sources (Uses):				
Transfers out	(159,465)	(159,465)	(159,465)	-
Total other financing sources (uses)	(159,465)	(159,465)	(159,465)	-
Net change in fund balance	\$ (196,743)	\$ (206,793)	\$ 306,352	\$ 513,145

City of South Miami, Florida
Budgetary Comparison Schedule - Local Option Gas Tax
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 84,000	\$ 84,000	\$ 79,350	\$ (4,650)
Interest income	<u>2,400</u>	<u>2,400</u>	<u>1,509</u>	<u>(891)</u>
Total revenues	<u>86,400</u>	<u>86,400</u>	<u>80,859</u>	<u>(5,541)</u>
Expenditures:				
Capital outlay	<u>235,000</u>	<u>377,877</u>	<u>238,821</u>	<u>139,056</u>
Total expenditures	<u>235,000</u>	<u>377,877</u>	<u>238,821</u>	<u>139,056</u>
Net change in fund balance	<u><u>\$ (148,600)</u></u>	<u><u>\$ (291,477)</u></u>	<u><u>\$ (157,962)</u></u>	<u><u>\$ 133,515</u></u>

City of South Miami, Florida
Budgetary Comparison Schedule - Peoples Transportation Tax
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 412,337	\$ 412,337	\$ 550,835	\$ 138,498
Interest income	12,500	12,500	10,226	(2,274)
Total revenues	<u>424,837</u>	<u>424,837</u>	<u>561,061</u>	<u>136,224</u>
Expenditures:				
Capital outlay	<u>1,658,000</u>	<u>2,368,974</u>	<u>730,396</u>	<u>1,638,578</u>
Total expenditures	<u>1,658,000</u>	<u>2,368,974</u>	<u>730,396</u>	<u>1,638,578</u>
Net change in fund balance	<u>\$ (1,233,163)</u>	<u>\$ (1,944,137)</u>	<u>\$ (169,335)</u>	<u>\$ 1,774,802</u>

City of South Miami, Florida
Budgetary Comparison Schedule - State Forfeiture Fund
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest income	\$ 500	\$ 500	\$ 605	\$ 105
Total revenues	500	500	605	105
Expenditures:				
Current:				
Public safety	44,000	44,000	-	44,000
Total expenditures	44,000	44,000	-	44,000
Net change in fund balance	\$ (43,500)	\$ (43,500)	\$ 605	\$ 44,105

City of South Miami, Florida
Budgetary Comparison Schedule - Hometown District Improvement Fund
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 28,000	\$ 28,000	\$ 32,000	\$ 4,000
Interest income	55	55	-	(55)
Total revenues	28,055	28,055	32,000	3,945
Expenditures:				
Excess (deficiency) of revenues over expenditures	-	-	-	-
	28,055	28,055	32,000	3,945
Other Financing Sources (Uses):				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	(25,000)	(25,000)	(25,000)	-
Net change in fund balance	\$ 3,055	\$ 3,055	\$ 7,000	\$ 3,945

City of South Miami, Florida
Budgetary Comparison Schedule - Federal Forfeiture Fund
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 5,208	\$ 5,208
Interest income	16,000	16,000	13,985	(2,015)
Miscellaneous	80,000	80,000	21,937	(58,063)
Total revenues	96,000	96,000	41,130	(54,870)
Expenditures:				
Current:				
Public safety	425,432	500,432	142,837	357,595
Capital outlay	70,000	70,000	-	70,000
Total expenditures	495,432	570,432	142,837	427,595
Net change in fund balance	\$ (399,432)	\$ (474,432)	\$ (101,707)	\$ 372,725

City of South Miami, Florida
Budgetary Comparison Schedule - Grants Fund
Special Revenue Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 942,652	\$ 359,224	\$ (583,428)
Interest income	-	-	3,743	3,743
Total revenues	-	942,652	362,967	(579,685)
Expenditures:				
Current:				
General government	-	61,000	-	61,000
Public safety	-	7,279	7,106	173
Public works	-	136,873	136,873	-
Culture and recreation	-	157,000	86,464	70,536
Capital outlay	-	580,500	128,781	451,719
Total expenditures	-	942,652	359,224	583,428
Net change in fund balance	\$ -	\$ -	\$ 3,743	\$ 3,743

City of South Miami, Florida
Budgetary Comparison Schedule - Capital Improvements Program Fund
Capital Projects Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	1,637,000	2,049,035	1,072,368	976,667
Total expenditures	1,637,000	2,049,035	1,072,368	976,667
Excess (deficiency) of revenues over expenditures	(1,637,000)	(2,049,035)	(1,072,368)	976,667
Other Financing Sources (Uses):				
Transfers in	1,049,581	1,049,581	1,049,581	-
Total other financing sources (uses)	1,049,581	1,049,581	1,049,581	-
Net change in fund balance	\$ <u>(587,419)</u>	\$ <u>(999,454)</u>	\$ <u>(22,787)</u>	\$ <u>976,667</u>

City of South Miami, Florida
Budgetary Comparison Schedule - Debt Service Fund
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Rents and royalties	\$ 722,752	\$ 722,752	\$ 722,750	\$ (2)
Interest income	1,650	1,650	2,364	714
Miscellaneous	141,080	141,080	141,080	-
Total revenues	<u>865,482</u>	<u>865,482</u>	<u>866,194</u>	<u>712</u>
Expenditures:				
Debt service:				
Principal	686,000	686,000	686,000	-
Interest and fiscal charges	476,924	476,924	476,435	489
Total expenditures	<u>1,162,924</u>	<u>1,162,924</u>	<u>1,162,435</u>	<u>489</u>
Excess (deficiency) of revenues over expenditures	<u>(297,442)</u>	<u>(297,442)</u>	<u>(296,241)</u>	<u>1,201</u>
Other Financing Sources (Uses):				
Transfers in	<u>153,161</u>	<u>153,161</u>	<u>315,937</u>	<u>162,776</u>
Total other financing sources (uses)	<u>153,161</u>	<u>153,161</u>	<u>315,937</u>	<u>162,776</u>
Net change in fund balance	<u>\$ (144,281)</u>	<u>\$ (144,281)</u>	<u>\$ 19,696</u>	<u>\$ 163,977</u>

City of South Miami, Florida
 Budgetary Comparison Schedule - Emergency Reserve Fund
 For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ <u>28,000</u>	\$ <u>28,000</u>	\$ <u>29,114</u>	\$ <u>1,114</u>
Total revenues	<u>28,000</u>	<u>28,000</u>	<u>29,114</u>	<u>1,114</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>153,000</u></u>	\$ <u><u>153,000</u></u>	\$ <u><u>154,114</u></u>	\$ <u><u>1,114</u></u>

City of South Miami, Florida
Budgetary Comparison Schedule - Revenue Stabilization Fund
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>-</u></u>

City of South Miami, Florida
 Budgetary Comparison Schedule - Grant Match Reserve Fund
 For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>-</u></u>

City of South Miami, Florida
Budgetary Comparison Schedule - Insurance Reserve Fund
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>-</u></u>

City of South Miami, Florida
 Budgetary Comparison Schedule - Tax Equalization Reserve Fund
 For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>50,000</u></u>	\$ <u><u>-</u></u>

City of South Miami, Florida
 Budgetary Comparison Schedule - Building Capital Reserve Fund
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
Net change in fund balance	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

City of South Miami, Florida
 Budgetary Comparison Schedule - City Parks Acquisition, Development,
 Operations and Maintenance Fund
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	50,000	-
Net change in fund balance	\$ 50,000	\$ 50,000	\$ 50,000	\$ -

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 and Police Officers Pension Plan - This fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety employees and City 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 Position
Fiduciary Funds
September 30, 2016

	<u>General Employees and Police Officers Pension Plan</u>	<u>Section 185 Police Officers Pension Trust Fund</u>	<u>Total</u>
Assets:			
Receivables:			
Employee contribution	\$ 18,558	\$ -	\$ 18,558
Dividends and interest	83,071	-	83,071
Section 185 contribution	37,780	103,295	141,075
Other receivables	563	-	563
Pending trades	29,733	-	29,733
	<u>169,705</u>	<u>103,295</u>	<u>273,000</u>
Total receivables			
Investments, at fair value:			
Money market funds	299,040	62,341	361,381
U.S. Government and agency securities	3,704,283	-	3,704,283
Corporate obligations	6,509,006	-	6,509,006
Common stocks:			
Domestic equity	4,763,936	443,603	5,207,539
International equity	296,642	-	296,642
Mutual funds:			
Equity	15,959,452	-	15,959,452
International equity	3,424,684	-	3,424,684
Fixed income	-	288,504	288,504
	<u>34,957,043</u>	<u>794,448</u>	<u>35,751,491</u>
Total investments			
Other assets:			
Prepaid expenses	1,809	-	1,809
	<u>1,809</u>	<u>-</u>	<u>1,809</u>
Total assets	<u>35,128,557</u>	<u>897,743</u>	<u>36,026,300</u>
Liabilities:			
Accounts payable	53,201	9,174	62,375
Pending trades payable	26,222	554	26,776
Minimum funding liability	-	37,780	37,780
	<u>79,423</u>	<u>47,508</u>	<u>126,931</u>
Total liabilities			
Net Position:			
Restricted for pension benefits	\$ <u>35,049,134</u>	\$ <u>850,235</u>	\$ <u>35,899,369</u>

City of South Miami, Florida
Combining Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended September 30, 2016

	<u>General Employees and Police Officers Pension Plan</u>	<u>Section 185 Police Officers Pension Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 532,374	\$ -	\$ 532,374
Employees	490,452	-	490,452
Section 185 contributions	<u>37,780</u>	<u>103,295</u>	<u>141,075</u>
Total contributions	<u>1,060,606</u>	<u>103,295</u>	<u>1,163,901</u>
Investment income:			
Net appreciation in fair value of investments	2,634,132	47,859	2,681,991
Interest and dividends	<u>772,383</u>	<u>11,656</u>	<u>784,039</u>
Total investment income	3,406,515	59,515	3,466,030
Less investment expenses	<u>97,678</u>	<u>12,521</u>	<u>110,199</u>
Net investment income	<u>3,308,837</u>	<u>46,994</u>	<u>3,355,831</u>
Other income	<u>-</u>	<u>39</u>	<u>39</u>
Total additions	<u>4,369,443</u>	<u>150,328</u>	<u>4,519,771</u>
Deductions:			
Benefits paid	1,210,301	9,014	1,219,315
Refunds of contributions	83,481	-	83,481
Administrative expenses	129,291	27,663	156,954
Minimum benefit funding payment	<u>-</u>	<u>37,780</u>	<u>37,780</u>
Total deductions	<u>1,423,073</u>	<u>74,457</u>	<u>1,497,530</u>
Change in net assets	2,946,370	75,871	3,022,241
Net position, restricted for pension benefits, beginning	<u>32,102,764</u>	<u>774,364</u>	<u>32,877,128</u>
Net position, restricted for pension benefits, ending	<u>\$ 35,049,134</u>	<u>\$ 850,235</u>	<u>\$ 35,899,369</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.	76-79
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	80-83
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.	84-87
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.	88-89
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.	90-92

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

**City of South Miami, Florida
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)**

Table 1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net investment in capital assets	\$ 16,694	\$ 21,871	\$ 23,894	\$ 23,497	\$ 23,767	\$ 24,318	\$ 24,353	\$ 26,306	\$ 26,819	\$ 27,343
Restricted	4,304	4,249	4,692	4,589	4,680	6,719	6,353	5,963	5,279	5,208
Unrestricted	<u>10,003</u>	<u>9,167</u>	<u>8,931</u>	<u>7,011</u>	<u>8,324</u>	<u>7,956</u>	<u>8,324</u>	<u>9,708</u>	<u>10,290</u>	<u>11,529</u>
Total governmental activities net position	<u>\$ 31,001</u>	<u>\$ 35,287</u>	<u>\$ 37,517</u>	<u>\$ 35,097</u>	<u>\$ 36,771</u>	<u>\$ 38,993</u>	<u>\$ 39,030</u>	<u>\$ 41,977</u>	<u>\$ 42,388</u>	<u>\$ 44,080</u>

City of South Miami, Florida
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 6,970	\$ 8,155	\$ 8,413	\$ 7,304	\$ 3,912	\$ 3,598	\$ 4,032	\$ 4,534	\$ 3,492	\$ 4,373
Public safety	4,554	4,410	4,523	4,717	7,542	7,483	7,853	6,906	7,362	7,613
Public works	5,014	4,535	4,342	4,683	4,337	4,747	3,960	3,708	4,068	4,166
Community services	-	-	-	484	1,098	1,284	1,249	999	712	985
Culture and recreation	861	1,021	1,037	1,069	1,140	1,084	1,668	1,772	2,096	2,082
Interest on long-term debt	487	676	960	1,055	929	946	830	774	586	531
Total governmental activities expenses	<u>17,886</u>	<u>18,797</u>	<u>19,275</u>	<u>19,312</u>	<u>18,958</u>	<u>19,142</u>	<u>19,592</u>	<u>18,693</u>	<u>18,316</u>	<u>19,750</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	2,200	3,952	3,584	3,453	371	287	1,047	1,098	1,176	1,210
Public safety	457	459	407	476	4,608	5,917	1,750	3,913	3,882	3,808
Public works	343	399	466	408	574	525	22	36	28	32
Community services	-	-	-	-	34	31	2,896	-	-	35
Culture and recreation	182	1,229	296	242	199	234	-	-	-	209
Interest on long-term debt	-	-	-	493	244	446	-	406	390	284
Operating and capital grants and contributions	4,458	3,288	2,266	718	1,159	541	515	2,218	267	492
Total governmental activities program revenues	<u>7,640</u>	<u>9,327</u>	<u>7,019</u>	<u>5,790</u>	<u>7,189</u>	<u>7,981</u>	<u>6,230</u>	<u>7,671</u>	<u>5,743</u>	<u>6,070</u>
Net (expense)/revenue: Governmental activities	<u>(10,246)</u>	<u>(9,470)</u>	<u>(12,256)</u>	<u>(13,522)</u>	<u>(11,769)</u>	<u>(11,161)</u>	<u>(13,362)</u>	<u>(11,022)</u>	<u>(12,573)</u>	<u>(13,680)</u>
General Revenues and Other										
Changes in Net Position:										
Governmental activities:										
Taxes:										
Property taxes	8,876	8,104	9,051	7,685	7,114	6,708	6,122	6,406	6,598	6,989
Utility taxes	1,829	1,965	2,092	2,087	2,070	2,052	2,073	2,167	2,182	2,112
Business taxes	553	552	581	630	606	641	620	613	676	705
Franchise taxes	1,116	1,116	1,197	1,101	1,066	1,048	1,574	1,642	1,896	1,951
Service concession arrangement	-	-	-	335	359	370	248	377	393	405
Intergovernmental (unrestricted)	1,297	1,282	1,200	2,051	1,980	2,198	2,279	154	131	162
Interest income (unrestricted)	809	396	226	218	140	181	331	2,183	2,683	2,710
Other	524	341	139	110	108	185	305	427	254	338
Total governmental activities	<u>15,004</u>	<u>13,756</u>	<u>14,486</u>	<u>14,217</u>	<u>13,443</u>	<u>13,383</u>	<u>13,552</u>	<u>13,969</u>	<u>14,813</u>	<u>15,372</u>
Changes in Net Position:										
Governmental activities	\$ <u>4,758</u>	\$ <u>4,286</u>	\$ <u>2,230</u>	\$ <u>695</u>	\$ <u>1,674</u>	\$ <u>2,222</u>	\$ <u>190</u>	\$ <u>2,947</u>	\$ <u>2,240</u>	\$ <u>1,692</u>

City of South Miami, Florida
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(amounts expressed in thousands)

Table 3

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:										
Reserved	\$ 5,720	\$ 6,476	\$ 4,462	\$ 2,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	5,268	3,523	6,251	6,325	-	-	-	-	-	-
Nonspendable	-	-	-	-	186	204	209	242	251	248
Committed	-	-	-	-	1,785	1,689	1,704	1,717	4,579	4,893
Assigned	-	-	-	-	1,982	622	1,065	3,957	1,628	2,361
Unassigned	-	-	-	-	5,546	6,144	6,359	4,867	5,444	5,644
Total General Fund	<u>\$ 10,988</u>	<u>\$ 9,999</u>	<u>\$ 10,713</u>	<u>\$ 8,485</u>	<u>\$ 9,499</u>	<u>\$ 8,659</u>	<u>\$ 9,337</u>	<u>\$ 10,783</u>	<u>\$ 11,902</u>	<u>\$ 13,146</u>
All other governmental funds:										
Reserved	\$ 1,986	\$ 2,313	\$ 1,921	\$ 215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	2,612	2,460	2,472	4,075	-	-	-	-	-	-
Nonspendable	-	-	-	-	4	-	72	71	71	75
Restricted	-	-	-	-	4,676	6,720	5,812	5,963	5,324	5,208
Committed	-	-	-	-	10	9	22	22	28	48
Assigned	-	-	-	-	-	510	721	355	839	816
Unassigned	-	-	-	-	-	-	-	-	(149)	(134)
Total all other governmental funds	<u>\$ 4,598</u>	<u>\$ 4,773</u>	<u>\$ 4,393</u>	<u>\$ 4,290</u>	<u>\$ 4,690</u>	<u>\$ 7,239</u>	<u>\$ 6,627</u>	<u>\$ 6,411</u>	<u>\$ 6,113</u>	<u>\$ 6,013</u>

Note: Information for fiscal years 2007 through 2010 have not been restated for Governmental Accounting Standards Board (GASB) Statement No. 54 classifications.

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)

Table 4

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:										
Taxes, including franchise taxes	\$ 9,992	\$ 9,772	\$ 10,829	\$ 9,416	\$ 8,787	\$ 8,397	\$ 8,316	\$ 8,660	\$ 9,171	\$ 9,646
Charges for services	2,197	2,818	3,063	3,175	3,968	4,089	2,918	2,857	2,949	2,809
Utility taxes	1,829	1,965	2,092	2,087	2,070	2,052	2,074	2,167	2,182	2,112
Intergovernmental	5,593	4,419	3,315	2,471	3,091	2,614	2,702	4,309	2,836	3,069
Licenses and permits	1,102	1,137	495	470	964	667	1,047	1,099	1,176	1,194
Fines and forfeitures	349	330	326	415	483	1,944	926	849	995	1,076
Interest income	809	396	226	219	140	181	153	145	157	162
Rents and royalties	-	-	-	1,129	1,007	1,026	1,072	1,026	768	1,057
Other	774	2,246	1,159	268	495	439	397	519	349	386
Total revenues	<u>22,645</u>	<u>23,083</u>	<u>21,505</u>	<u>19,650</u>	<u>21,005</u>	<u>21,409</u>	<u>19,605</u>	<u>21,631</u>	<u>20,583</u>	<u>21,511</u>
Expenditures:										
Current:										
General government	6,660	7,238	6,759	6,709	3,217	2,838	3,250	3,684	3,638	3,720
Public safety	4,253	4,333	4,358	4,572	7,242	7,071	7,532	6,564	7,043	7,089
Public works	5,109	5,284	5,100	4,329	4,148	3,822	3,338	3,252	3,242	3,318
Community services	-	-	-	484	1,065	1,232	1,220	970	683	636
Culture and recreation	837	977	979	1,035	1,089	1,034	1,607	1,674	1,994	1,973
Debt service:										
Principal	2,183	2,444	1,284	1,038	2,599	802	1,105	1,078	6,015	853
Interest and fiscal charges	614	920	909	887	1,167	660	750	695	694	484
Capital outlay	8,827	4,654	2,320	1,412	1,100	2,241	737	2,484	1,401	2,294
Total expenditures	<u>28,483</u>	<u>25,850</u>	<u>21,709</u>	<u>20,466</u>	<u>21,627</u>	<u>19,700</u>	<u>19,539</u>	<u>20,401</u>	<u>24,710</u>	<u>20,367</u>
Excess (deficiency) of revenues over expenditures	<u>(5,838)</u>	<u>(2,767)</u>	<u>(204)</u>	<u>(816)</u>	<u>(622)</u>	<u>1,709</u>	<u>66</u>	<u>1,230</u>	<u>(4,127)</u>	<u>1,144</u>
Other Financing Sources (Uses):										
Transfers in	-	-	641	485	820	2,359	543	1,008	1,653	1,800
Transfers out	-	-	(641)	(485)	(820)	(2,359)	(543)	(1,008)	(1,653)	(1,800)
Issuance of debt	8,679	1,953	538	228	748	-	-	-	-	-
Proceeds from refunding debt	-	-	-	-	7,575	-	-	-	4,948	-
Payment to bond escrow agent	-	-	-	-	(6,287)	-	-	-	-	-
Total other financing sources (uses)	<u>8,679</u>	<u>1,953</u>	<u>538</u>	<u>228</u>	<u>2,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,948</u>	<u>-</u>
Net change in fund balances	<u>\$ 2,841</u>	<u>\$ (814)</u>	<u>\$ 334</u>	<u>\$ (588)</u>	<u>\$ 1,414</u>	<u>\$ 1,709</u>	<u>\$ 66</u>	<u>\$ 1,230</u>	<u>\$ 821</u>	<u>\$ 1,144</u>
Debt service as a percentage of noncapital expenditures	<u>14.77%</u>	<u>17.07%</u>	<u>11.84%</u>	<u>10.03%</u>	<u>18.26%</u>	<u>7.88%</u>	<u>9.68%</u>	<u>9.77%</u>	<u>28.02%</u>	<u>6.93%</u>

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)
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%
2012	\$ 1,362,014	\$ 64,823	\$ 1,426,837	4.3639	\$ 1,426,837	100.00%
2013	\$ 1,372,600	\$ 60,743	\$ 1,433,343	4.3639	\$ 1,433,343	100.00%
2014	\$ 1,411,443	\$ 69,158	\$ 1,480,601	4.3639	\$ 1,480,601	100.00%
2015	\$ 1,500,767	\$ 69,981	\$ 1,570,748	4.3000	\$ 1,570,748	100.00%
2016	\$ 1,624,996	\$ 67,414	\$ 1,692,410	4.3000	\$ 1,692,410	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

Table 6

Fiscal Year (2)	City of South Miami			Overlapping Rates (1)										Total Direct and Overlapping
	Basic Direct Rate	Debt Service Rate	School Millages		Regional Millages			County Wide Millages				Other		
			School Board - Operating	MDC School Board - Debt Service	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	Children's Trust Authority	
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
2012	4.3639	-	7.7650	0.2330	0.0613	0.3676	0.0345	4.7035	0.2850	2.4496	0.0131	0.1725	0.5000	20.9490
2013	4.3639	-	7.6440	0.3330	0.0587	0.3523	0.0345	4.7035	0.4220	2.4496	0.0127	0.1725	0.5000	21.0467
2014	4.3639	-	7.7750	0.1990	0.0548	0.3294	0.0345	4.6669	0.4500	2.4207	0.0114	0.2840	0.5000	21.0896
2015	4.3000	-	7.4130	0.1990	0.0506	0.3045	0.0320	4.6669	0.4500	2.4207	0.0086	0.2840	0.5000	20.6293
2016	4.3000	-	7.1380	0.1840	0.0471	0.2836	0.0320	4.6669	0.4000	2.4207	0.0075	0.2840	0.5000	20.2638

Notes: (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 mills
- County 10.000 mills
- SFWMD* 10.000 mills

Source: Miami-Dade County Department of Property Appraisal

**City of South Miami, Florida
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)**

Table 7

2016				2007			
Taxpayer	Assessed Valuation	Rank	Percentage Total Assessed Valuation	Taxpayer	Assessed Valuation	Rank	Percentage Total Assessed Valuation
Bakery Associates, Ltd.	\$ 88,800	1	5.25%	Bakery Associates, Ltd.	\$ 96,000	1	5.77%
RRC 57th Avenue LLC	53,130	2	3.14%	Valencia South Miami LLC	23,516	2	1.41%
Larkin Community Hospital, Inc.	25,403	3	1.50%	South Miami Corp.	15,651	3	0.94%
S. Miami Hospital Dev Fund Inc.	19,960	4	1.18%	Health South Doctor's Hospital	14,800	4	0.89%
JW Advance LLC	17,760	5	1.05%	J.W. Advance Development Corp.	13,928	5	0.84%
Kimco South Miami 634 Inc.	16,111	6	0.95%	Capstone Capital Trust Inc.	13,230	6	0.79%
South Miami Corp.	15,066	7	0.89%	Larkin Community Hospital, Inc.	12,278	7	0.74%
Florida Power & Light Company	14,039	8	0.83%	John Hancock-Gannon Joint Venture	10,658	8	0.64%
Capstone Capital Trust, Inc.	13,730	9	0.81%	Florida Power & Light Company	9,433	9	0.57%
HTA Sunset LLC	<u>11,390</u>	10	<u>0.67%</u>	The Gurkin Family LTD Partnership	<u>9,431</u>	10	<u>0.57%</u>
	\$ <u>275,389</u>		<u>16.27%</u>		\$ <u>218,925</u>		<u>13.16%</u>

Source: Miami-Dade County Tax Assessors' Office 2016 & 2007 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 (1)	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (2)	Percent of Levy		Amount	Percent of Levy
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%
2012	\$ 6,596	\$ 6,049	91.7%	\$ 148	\$ 6,197	94.0%
2013	\$ 6,226	\$ 5,373	86.3%	\$ 228	\$ 5,601	90.0%
2014	\$ 6,254	\$ 5,842	93.4%	\$ 26	\$ 5,868	93.8%
2015	\$ 6,855	\$ 5,912	86.2%	\$ 159	\$ 6,071	88.6%
2016	\$ 7,277	\$ 6,362	87.4%	\$ 29	\$ 6,391	87.8%

- (1) Data from Form DR-420 provided to Florida Department of Revenue.
- (2) Provided by City of South Miami Finance Department.

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 (2)	Debt Per Capita (2)
	Revenue Bonds (1)	Notes Payable	Capital Leases			
2007	\$ 16,133	\$ 1,850	\$ 645	\$ 18,628	23.25%	\$ 1.77
2008	\$ 15,727	\$ 2,039	\$ 526	\$ 18,292	21.27%	\$ 1.64
2009	\$ 15,303	\$ 2,116	\$ 212	\$ 17,631	20.51%	\$ 1.65
2010	\$ 14,847	\$ 1,658	\$ 316	\$ 16,821	18.91%	\$ 1.58
2011	\$ 14,896	\$ 1,135	\$ 227	\$ 16,258	17.88%	\$ 1.39
2012	\$ 14,524	\$ 840	\$ 141	\$ 15,505	16.04%	\$ 1.14
2013	\$ 13,767	\$ 587	\$ 96	\$ 14,450	14.35%	\$ 1.05
2014	\$ 12,985	\$ 387	\$ 49	\$ 13,421	12.86%	\$ 0.99
2015	\$ 12,260	\$ 178	\$ -	\$ 12,438	11.15%	\$ 0.91
2016	\$ 11,546	\$ 88	\$ -	\$ 11,634	9.98%	\$ 0.90

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

- (1) Net of deferred gain (loss) on refunding.
- (2) 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

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Less: Amounts Available in Debt Service Reserves</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2007	\$ 16,133	\$ 165	\$ 15,968	0.96%	\$ 1.52
2008	\$ 15,727	\$ 275	\$ 15,452	0.91%	\$ 1.38
2009	\$ 15,303	\$ 229	\$ 15,074	0.98%	\$ 1.41
2010	\$ 14,847	\$ 250	\$ 14,597	1.03%	\$ 1.37
2011	\$ 14,896	\$ 279	\$ 14,617	1.03%	\$ 1.25
2012	\$ 14,524	\$ 1,086	\$ 13,438	0.94%	\$ 0.99
2013	\$ 13,767	\$ 803	\$ 12,964	0.90%	\$ 0.94
2014	\$ 12,985	\$ 451	\$ 12,534	0.85%	\$ 0.92
2015	\$ 12,260	\$ -	\$ 12,260	0.78%	\$ 0.90
2016	\$ 11,546	\$ -	\$ 11,546	0.68%	\$ 0.89

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 Appraisals Office after the Property Appraisals 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, 2016
(amounts expressed in thousands)

Table 11

Government Unit:	Net Debt Outstanding	Estimated Percentage Applicable (1)	Amount Applicable to Primary Government
Miami-Dade Board of County Commissioners (2)	\$ 4,174,578	0.736%	\$ 30,713
Miami-Dade County School Board (2)	<u>3,431,518</u>	0.736%	<u>25,246</u>
Subtotal overlapping debt	7,606,096		55,959
City of South Miami direct debt	<u>11,634</u>	100.00%	<u>11,634</u>
Total direct and overlapping debt	<u><u>\$ 7,617,730</u></u>		<u><u>\$ 67,593</u></u>

Notes: (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.

Source: (2) Miami-Dade County & Miami-Dade County Public Schools, Finance Department.

**City of South Miami, Florida
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)**

Table 12

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 249,765	\$ 253,643	\$ 230,142	\$ 213,394	\$ 212,066	\$ 214,026	\$ 215,001	\$ 222,090	\$ 235,612	\$ 253,862
Total net debt applicable to limit	<u>16,133</u>	<u>15,727</u>	<u>15,303</u>	<u>14,847</u>	<u>14,896</u>	<u>14,524</u>	<u>13,767</u>	<u>12,985</u>	<u>12,260</u>	<u>11,546</u>
Legal debt margin	<u>\$ 233,632</u>	<u>\$ 237,916</u>	<u>\$ 214,839</u>	<u>\$ 198,547</u>	<u>\$ 197,170</u>	<u>\$ 199,502</u>	<u>\$ 201,234</u>	<u>\$ 209,105</u>	<u>\$ 223,352</u>	<u>\$ 242,316</u>
Total net debt applicable to the limit as a percentage of debt limit	6.46%	6.20%	6.65%	6.96%	7.02%	6.79%	6.40%	5.85%	5.20%	4.55%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed valuation of taxable real and personal property	\$ <u>1,692,410</u>
Bonded debt limit - 15% of assessed value	\$ 253,862
Total ad valorem debt - Revenue Bonds	\$ <u>11,546</u>
Amount of debt applicable	<u>11,546</u>
Legal debt margin	\$ <u>242,316</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 (2)	School Enrollment (3)	Unemployment Rate (4)
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
2012	13,576	\$ 96,658	\$ 37,834	36.7	3,397	8.8
2013	13,778	\$ 100,689	\$ 38,860	36.7	3,420	6.7
2014	13,623	\$ 104,373	\$ 39,880	37.1	3,372	6.5
2015	13,656	\$ 111,528	\$ 41,883	37.7	3,440	6.3
2016	12,912	\$ 116,553	\$ 43,278	38.3	3,434	5.4

- Sources: (1) Bureau of Economic and Business Research - University of Florida.
(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).
(4) Miami Dade County Labor Market Report.

**City of South Miami, Florida
Principal Employers - Miami-Dade County, Florida
Current Year and Nine Years Ago**

Table 14

<u>Employer</u>	<u>2016</u>		<u>Percentage of Total County Employment</u>	<u>2007</u>		<u>Percentage of Total County Employment</u>
	<u>Employees</u>	<u>Rank</u>		<u>Employees</u>	<u>Rank</u>	
Miami-Dade County Public Schools	33,477	1	2.83%	50,000	1	4.27%
Miami-Dade County, Florida	25,502	2	2.16%	32,000	2	2.73%
Federal Government	19,200	3	1.62%	20,400	3	1.74%
Florida State Government	17,100	4	1.45%	17,000	4	1.45%
University of Miami	12,818	5	1.08%	9,874	8	0.84%
Baptist Health South Florida	11,353	6	0.96%	10,826	6	0.92%
American Airlines	11,031	7	0.93%	9,000	9	0.77%
Jackson Health System	9,797	8	0.83%	10,500	7	0.90%
City of Miami	3,997	9	0.34%	-	-	-
Florida International University	3,534	10	0.30%	-	-	-
Miami Dade College	-	-	-	6,500	10	0.55%
Publix Super Markets	-	-	-	11,000	5	0.94%
	<u>147,809</u>		<u>12.50%</u>	<u>177,100</u>		<u>15.11%</u>

Source: The Beacon Council.
Miami Dade County Labor Market Report.

**City of South Miami, Florida
Full-Time Equivalent City Government Employees By Function
Last Ten Fiscal Years**

Table 15

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function:										
General government	27	29	30	28	25	18	21	21	21	31
Public safety:										
Police:										
Officers	51	45	49	49	51	51	48	50	52	54
Civilians	7	8	8	7	9	9	8	9	9	7
Building and zoning	17	16	18	16	17	14	12	4	4	4
Public works	26	25	24	26	23	25	24	17	17	19
Recreation and social services	9	15	14	13	10	10	10	10	10	18
Sanitation	<u>10</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>11</u>	<u>11</u>	<u>10</u>
 Total	<u><u>147</u></u>	<u><u>148</u></u>	<u><u>153</u></u>	<u><u>148</u></u>	<u><u>144</u></u>	<u><u>136</u></u>	<u><u>132</u></u>	<u><u>122</u></u>	<u><u>124</u></u>	<u><u>143</u></u>

Source: City of South Miami Finance Department.

City of South Miami, Florida
Operating Indicators By Function
Last Ten Fiscal Years

Table 16

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function/Program:										
Public safety:										
Police:										
Number of calls answered	11,136	10,655	11,274	10,893	11,609	11,744	10,409	10,409	10,416	12,964
Number of arrests	650	551	765	616	591	383	459	463	413	419
Number of uniformed officers	51	45	49	49	51	50	48	50	52	52
Building and zoning:										
Number of building permits issued	1,629	1,350	1,158	1,141	1,261	1,293	1,403	1,447	1,258	1,610
License/permit revenue generated	\$ 1,102,083	\$ 1,689,241	\$ 1,075,710	\$ 1,099,963	\$ 1,570,045	\$ 1,307,269	\$ 1,666,666	\$ 1,710,597	\$ 1,852,375	\$ 1,898,843
Occupational licenses issued	3,112	3,076	3,132	3,450	3,750	3,335	3,356	3,372	3,381	3,301
Culture and recreation:										
Number of senior meals served	38,522	30,712	35,776	28,420	27,300	27,612	27,732	24,968	25,269	25,109
Recreation revenues collected	\$ 94,176	\$ 138,456	\$ 184,196	\$ 241,919	\$ 199,147	\$ 233,624	\$ 200,700	\$ 260,017	\$ 194,363	\$ 209,745
Sanitation:										
Refuse collected (tons per month)	808	839	777	722	751	798	843	840	886	914

Sources: Various City departments

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

City of South Miami, Florida
Capital Asset Statistics By Function/Program
Last Ten Fiscal Years

Table 17

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function/Program:										
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	62	62	67	62	62	64	64	64	64	65
Public works:										
Streets (miles-paved)	47.41	47.41	46.80	46.80	46.80	46.80	46.80	46.80	46.80	46.80
Culture and recreation:										
Parks	10	10	10	12	12	12	11	14	14	15
Tennis courts	10	10	10	10	10	10	10	10	10	10
Baseball/football fields	7	7	7	7	7	7	7	7	7	7
Sanitation:										
Number of collection trucks	15	14	14	14	14	14	14	14	14	14

Sources: Various City departments.

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

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, in accordance with the 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2017. Our report includes a reference to other auditors who 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 of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 21, 2017

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

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

Report on the Financial Statements

We have audited the basic financial statements of City of South Miami, Florida (the "City"), as of and for the year ended September 30, 2016, and have issued our report thereon dated March 21, 2017.

Auditor's Responsibility

We conducted our audit 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 Florida Auditor General*.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards* and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 21, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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. There were no findings and recommendations made in the preceding annual financial report.

Official Title and Legal Authority

Section 10.554(1)(i)4., 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 basic financial statements. The City of South Miami, Florida was incorporated by Chapter 5799, Laws of Florida, Acts of 1907, as amended. The City of South Miami, Florida included the following component unit: the South Miami Community Redevelopment Agency was established under the authority granted by the Florida Statute 163, Section III. It was created by the City of South Miami Ordinance Number 12-97-1633 on April 15, 1997.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City, for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., 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)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, members of the City Commission and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 21, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined City of South Miami, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
March 21, 2017



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