

**SOUTH MIAMI COMMUNITY
REDEVELOPMENT AGENCY
(A Component Unit of the City of
South Miami, Florida)**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

As of and for the Year Ended September 30, 2014

And Report of Independent Auditor

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
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Report of Independent Auditor

To the Members of the Board of Directors
South Miami Community Redevelopment Agency
City of South Miami, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Miami Community Redevelopment Agency (the "CRA"), a component unit of the City of South Miami, Florida, as of and for the year ended September 31, 2014, and the related notes to the financial statements, which collectively comprise the CRA'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the CRA, a component unit of the City of South Miami, Florida, as of September 31, 2014, and the respective changes in its financial position for the year then ended in accordance 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 budgetary comparison information, as listed in the table of contents, 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 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 about 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015 on our consideration of the CRA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRA's internal control over financial reporting and compliance.



Coral Gables, Florida
March 25, 2015

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

SEPTEMBER 30, 2014

Our discussion and analysis of the South Miami Community Redevelopment Agency (the "CRA") financial performance provides an overview of the CRA's financial activities for the year ended September 31, 2014 and 2013. Please read it in conjunction with the CRA's financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended September 30, 2014

- The CRA's total assets exceeded its total liabilities at September 30, 2014 by \$3,552,555.
- The governmental activities revenues totaled \$1,163,260, including \$1,025,084 from incremental tax receipts, \$4,949 from interest income, \$33,227 from rents and royalties and \$100,000 from transfers from the City of South Miami. Expenses, including transfers to the City of South Miami, Florida were \$1,151,548.
- At the end of the year, the CRA reported a fund balance of \$267,742, a decrease of \$223,430 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the CRA's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Government-Wide Financial Statements:

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the CRA's finances in a manner similar to that of a private sector business.

The statement of net position presents information on all the CRA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of a governmental entity's financial position. The CRA's mission is not to collect assets but to eliminate blighted conditions and increase the tax base; thus, while assets can provide an indicator of stability, the CRA's intent is not to hold assets over a significant time period.

The statement of activities presents information showing how the CRA's net position changed during the 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.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The CRA is comprised of only one governmental fund.

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

SEPTEMBER 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 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 CRA's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

The governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 14 through 21 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the CRA's annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with the budget. This required supplementary information is on pages 22 and 23 of this report.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time to be a useful indicator of a governmental entity's financial position. The following table reflects the condensed government-wide statement of net position as of September 30, 2014 and September 30, 2013:

South Miami Community Redevelopment Agency Statement of Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 373,360	\$ 608,388
Capital assets (net)	3,659,220	3,688,169
Total assets	<u>4,032,580</u>	<u>4,296,557</u>
Current liabilities	402,772	395,970
Long-term liabilities	77,253	359,744
Total liabilities	<u>480,025</u>	<u>755,714</u>
Net position		
Net investment in capital assets	3,299,475	3,062,239
Restricted for:		
Community redevelopment	253,080	478,604
Total net position	<u>\$ 3,552,555</u>	<u>\$ 3,540,843</u>

Governmental Activities:

Governmental activities for the year ended September 30, 2014 increased the CRA's net position by \$11,712 as reflected in the table below:

South Miami Community Redevelopment Agency Statement of Activities

	Governmental Activities	
	2014	2013
REVENUES		
General revenues:		
Incremental tax receipts	\$ 1,025,084	\$ 1,064,907
Rents and royalties	33,227	63,681
Interest income and other	4,949	7,948
Total revenues	<u>\$ 1,063,260</u>	<u>\$ 1,136,536</u>

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

South Miami Community Redevelopment Agency
Statement of Activities (continued)

	Governmental Activities	
	2014	2013
EXPENSES:		
Governmental activities:		
General government and community development	\$ 1,086,787	\$ 1,446,509
Interest on long-term debt	31,588	38,201
Total expenses	<u>1,118,375</u>	<u>1,484,710</u>
Change in net position before transfers	<u>(55,115)</u>	<u>(348,174)</u>
Transfers from primary government	100,000	-
Transfers to primary government	<u>(33,173)</u>	<u>(33,173)</u>
Change in net position	11,712	(381,347)
Net position at beginning of year	<u>3,540,843</u>	<u>3,922,190</u>
Net position at end of year	<u><u>\$ 3,552,555</u></u>	<u><u>\$ 3,540,843</u></u>

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The CRA's Governmental Fund revenues were \$176 more than the final budget projections. Expenditures were \$235,325 less than final appropriations.

During fiscal year September 30, 2014 the CRA had community redevelopment and capital outlay expenditures which were incurred primarily to make improvements within the CRA-designated area of the City of South Miami. The blighted area is quickly becoming an economically vibrant business and residential district.

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

SEPTEMBER 30, 2014

CAPITAL ASSETS

Capital assets held by the CRA are summarized as follows:

South Miami Community Redevelopment Agency
Capital Assets (net of accumulated depreciation)

	2014	2013
Land	\$ 2,470,119	\$ 2,470,119
Building and improvements	1,189,101	1,218,050
	\$ 3,659,220	\$ 3,688,169

Additional information on the CRA's capital assets can be found in Note 3 on page 19 of this report.

DEBT ADMINISTRATION

At the end of the year, the CRA had \$359,745 in outstanding debt secured by the CRA's tax increment revenues. Additional information on the CRA's long-term debt can be found in Note 5 on page 20 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The South Miami Community Redevelopment area known as the "CRA Area" is bounded by S.W. 62nd Street on the north, Sunset Drive on the south, S.W. 62nd Avenue on the west, and S.W. 57th Avenue on the east. The CRA Area has become a vibrant business and residential district through substantive capital investment and close cooperation between the city of South Miami and the local business community. Redevelopment decisions are guided by the CRA Board of Directors which consists of the South Miami City Commission and two CRA Area residents. Funding for redevelopment is obtained through the process of the tax increment financing. Through this process, any increases in the city of South Miami and Miami-Dade County property tax base directly resulting from redevelopment in the CRA Area are set aside and re-used for additional redevelopment. Each year the CRA's annual budget is approved by both the City of South Miami and by Miami-Dade County.

The taxable value is only one component in the computation of incremental taxes; the other component is the millage rate. The CRA received less in incremental revenue for the fiscal year ending September 30, 2014 than it did in the fiscal year ending September 30, 2013.

The economic redevelopment of the CRA is based on a productive partnership between the City of South Miami and the business community to achieve positive results in attracting new businesses and residential development to the area. During the next fiscal year, the CRA plans to continue its commercial and residential business rehabilitation, street improvements, scholarships, and other various improvements within the CRA Area.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of South Miami CRA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the CRA Director, City of South Miami, 6130 Sunset Drive, South Miami, Florida, 33143.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Governmental Activities
ASSETS:	
Cash	\$ 369,136
Due from primary government	36
Prepaid expense	4,188
Capital assets:	
Capital assets, not being depreciated	2,470,119
Capital assets, net of accumulated depreciation	<u>1,189,101</u>
Total assets	<u>4,032,580</u>
LIABILITIES:	
Accounts payable	25,426
Accrued liabilities	3,309
Due to primary government	75,467
Other liabilities	1,416
Due within one year:	
Bonds payable	282,492
Compensated absences payable	14,662
Due in more than one year:	
Bonds payable	<u>77,253</u>
Total liabilities	<u>480,025</u>
NET POSITION:	
Net investment in capital assets	3,299,475
Restricted for:	
Community redevelopment	<u>253,080</u>
Total net position	<u><u>\$ 3,552,555</u></u>

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2014

FUNCTIONS/PROGRAMS:	Program Revenues			Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				Net Revenues (Expenses) and Change in Net Position
Community redevelopment	\$ 1,086,787	\$ 33,227	-	\$ (1,053,560)
Interest on long-term debt	31,588	-	-	(31,588)
Total Governmental Activities	\$ 1,118,375	\$ 33,227	\$ -	\$ -
General revenues:				
Incremental tax receipts				1,025,084
Interest income				4,881
Miscellaneous income				68
Transfers from primary government				100,000
Transfers to primary government				(33,173)
Total general revenues and transfers				1,096,860
Change in net position				11,712
Net Position - beginning				3,540,843
Net Position - ending				\$ 3,552,555

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

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
BALANCE SHEET – GOVERNMENTAL FUND

SEPTEMBER 30, 2014

ASSETS:

Cash	\$	369,136
Due from primary government		36
Prepaid expense		4,188
		<hr/>
Total assets	\$	373,360
		<hr/> <hr/>

LIABILITIES:

Accounts payable	\$	25,426
Accrued liabilities		3,309
Due to primary government		75,467
Other liabilities		1,416
		<hr/>
Total liabilities		105,618
		<hr/>

FUND BALANCE:

Non-spendable		4,188
Restricted for:		
Community redevelopment		263,554
		<hr/>
Total fund balance		267,742
		<hr/>
Total liabilities and fund balance	\$	373,360
		<hr/> <hr/>

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF NET POSITION**

SEPTEMBER 30, 2014

FUND BALANCE - GOVERNMENTAL FUND

Amounts reported for governmental activities in the statement
of net position are different because: \$ 267,742

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

Governmental capital assets 3,917,544
Less accumulated depreciation (258,324)

Certain liabilities are not due and payable in the current period and therefore
are not reported in the governmental fund:

Bonds payable (359,745)
Compensated absences payable (14,662)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 3,552,555

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND**

YEAR ENDED SEPTEMBER 30, 2014

REVENUES:	
Incremental tax receipts	\$ 1,025,084
Rents and royalties	33,227
Interest income	4,881
Miscellaneous Income	68
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Total revenues	1,063,260
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EXPENDITURES:	
Community redevelopment	970,583
Capital outlay	85,161
Debt service:	
Principal	266,185
Interest and fiscal charges	31,588
	<hr/>
Total expenditures	1,353,517
	<hr/>
Deficiency of revenues over expenditures	(290,257)
	<hr/>
OTHER FINANCING USES:	
Transfer in	100,000
Transfers out	(33,173)
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Total Other financing Sources(Uses)	66,827
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Net change in fund balance	(223,430)
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Fund balance, beginning of year	491,172
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Fund balance, end of year	\$ 267,742
	<hr/> <hr/>

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

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2014

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (223,430)

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

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

Less current year provision for depreciation (28,949)

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. 266,185

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 the governmental funds:

Change in compensated absences payable (2,094)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,712

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS**

SEPTEMBER 30, 2014

Note 1 - Summary of significant accounting policies

The Financial Reporting Entity - The South Miami Community Redevelopment Agency (the "CRA") is a dependent special district established by the City of South Miami, Florida (the "City") under the authority granted by Florida Statute 163, Section III. The purpose of the CRA is to prevent the spread of and eliminate the existence of slum and blighted conditions within the redevelopment area. The CRA was established by the City of South Miami Ordinance Number 12-97-1633 on April 15, 1997. The Miami-Dade County Board of County Commissioners (the "Board") approved and adopted the South Miami Redevelopment CRA Plan (the "Plan") on May 19, 1998 with the adoption of Ordinances 98-79 and 98-80. On May 3, 2005 the Board approved Resolution R-466-05 amending the Plan and extending the life of the CRA for 15 years beyond the June 1, 2005 sunset provision of the CRA's Interlocal Agreement with the Board.

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable but 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be 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.

Based upon the application of these criteria, the CRA was evaluated and determined to be a component unit of the City. Although it is legally separate from the City, the CRA's sole purpose is to finance and redevelop the City's designated redevelopment areas, and the tax increment financing allocated to the CRA is considered evidence of the City's obligation to provide continuing financial support to the CRA. Consequently, the CRA is reported in the primary government using the blended method.

Additionally, as a result of evaluating the above criteria, management has determined that no units exist for which the CRA is financially accountable and which would require their inclusion in the CRA's basic financial statements.

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 activities of the CRA. 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 CRA had no business-type activities.

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

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 1 - Summary of significant accounting policies (continued)

The CRA utilizes only one fund, the General Fund, which is classified as a governmental fund and accounts for all financial resources of the CRA. Following the governmental fund statements (balance sheet and statement of revenues, expenditures, and change in fund balance) are reconciliations with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

Measurement Focus, Basis of Accounting, and Fund Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Incremental tax receipts are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRA considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues derived from rents and interest income are recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Capital Assets - Capital assets which include land, buildings and improvements, and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the CRA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 1 - Summary of significant accounting policies (continued)

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

<u>Category:</u>	<u>Years</u>
Buildings and improvements	50
Machinery and equipment	8

Defined Benefit/Contribution Pension Plans and Post-Employment Benefits - The City provides a defined benefit pension plan and post-employment healthcare coverage, including medical and dental benefits, to eligible individuals. The estimated liability is recorded in the financial statements of the City. No liability amount is allocated to the CRA fund since the amount is deemed insignificant by management as of September 30, 2014. In addition, the CRA through the City offers a 401(a) Money Purchase Plan and a 457(b) Deferred Compensation Plan to certain eligible employees. Contributions to these pension plans (deferred benefit/contribution) in the aggregate amounted to approximately \$62,000.

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

Sick leave - Effective October 1995, employees may accumulate sick leave without a maximum cap, but the leave will not be paid upon termination or retirement. Employees hired on or before October 1, 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 1, 1995, on a pro rata formula based upon years of service.

The CRA 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 fund only for employees who had terminated their employment as of the end of the fiscal year.

Long-Term Obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, 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. Debt issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts 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.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds for which an annual budget is adopted. Encumbrances are approved by the CRA Board of Directors on an as-needed basis to formally recognize commitments of the CRA's resources. As of September 30, 2014, encumbrances outstanding totaled \$68,895.

Equity Classifications

Government-wide financial statements - Net position in the government-wide financial statements is displayed in three categories, as applicable: 1) net investment in capital assets, 2) restricted, or 3) unrestricted. Net investment in capital assets consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets, excluding unexpended proceeds. Net 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 by 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 - Fund balance is presented in accordance with adopted Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires that governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the CRA is bound to honor constraints on the specific purposes for which amounts in the respective governmental fund can be spent.

The classifications available to the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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 amounts 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 specific purposes pursuant to constraints imposed by formal action of the CRA's Board of Directors. These amounts cannot be used for any other purpose unless the CRA's Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Resources accumulated pursuant to stabilization arrangements are reported in this category. The CRA had no committed fund balance at year-end.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 1 - Summary of significant accounting policies (continued)

Assigned - This classification includes amounts that are constrained by the CRA's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the CRA's Board of Directors delegating their responsibility to the City's Chief Financial Officer or another member of management. The CRA had no assigned fund balance at year-end.

Unassigned - This classification includes amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund. Positive amounts are only reported in the General Fund.

Tax Incremental Revenue - The CRA's primary source of revenue is tax-increment financing. The increment is determined annually and is the amount that is approximately 50% of the difference between:

- a) The amount of ad valorem taxes levied each year by each taxing authority, exclusive of any amount from any debt service millage, on taxable real property contained within the geographic boundaries of the redevelopment area and
- b) The amount of ad valorem taxes which would have been produced by the rate upon which the tax is levied each year by or for each taxing authority, exclusive of any debt service millage, upon the total of the assessed value of the taxable real property in the redevelopment area as shown upon the most recent assessment roll used in connection with the taxation of such property by each taxing authority prior to the effective date of the Miami-Dade County Ordinance #98-80.

Both the City and Miami-Dade County are required to fund this amount annually without regard to tax collections or other obligations.

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 certain 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. Accordingly, actual results could differ from these estimates.

Date of Management's Review - Subsequent events were evaluated by management through March 25, 2015, which is the date the financial statements were available to be issued.

Note 2 - Deposits

The CRA's deposits must be placed with banks and savings and loans which are qualified as public depositories under Chapter 280, Florida Statutes. All of the CRA's deposits are insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act" (the "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, multiplied by the depository's collateral pledging level. The book value and bank balance of the CRA's deposits as of September 30, 2014 were \$369,136 and \$379,305, respectively.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 3 – Capital assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	<u>Balance</u> <u>October 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>September 30,</u> <u>2014</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,470,119	\$ -	\$ -	\$ 2,470,119
Capital assets, being depreciated:				
Building and improvements	1,447,425	-	-	1,447,425
Total capital assets	<u>3,917,544</u>	<u>-</u>	<u>-</u>	<u>3,917,544</u>
Less accumulated depreciation depreciation, for:				
Building and improvements	229,375	28,949	-	258,324
Total capital assets being depreciated, net	<u>1,218,050</u>	<u>(28,949)</u>	<u>-</u>	<u>1,189,101</u>
Governmental activities capital asset, net	<u>\$ 3,688,169</u>	<u>\$ (28,949)</u>	<u>\$ -</u>	<u>\$ 3,659,220</u>

Provision for depreciation was charged to the community redevelopment function of the CRA amounting to \$28,949.

Note 4 - Interfund transfers

During the year ended September 30, 2014, the CRA made transfers to the City totaling \$33,173 and received transfers from the City totaling \$100,000. These transfers made during the fiscal year were to and from the City's General Fund for the payment and reimbursement of administrative expenditures.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 5 - Long term liabilities

The CRA previously issued \$ 2,730,000 of Taxable Redevelopment Revenue Bonds, Series 2006 for the purpose of acquiring various properties located within the boundaries of the South Miami redevelopment area. The revenue bonds are secured by CRA tax increment financing revenues from Miami-Dade County and the City. The bonds bear interest at 5.99%. Principal and interest payments are due quarterly through February 2016.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 282,492	\$ 15,281	\$ 297,773
2016	77,253	1,216	78,469
	<u>\$ 359,745</u>	<u>\$ 16,497</u>	<u>\$ 376,242</u>

The following is a summary of changes in long-term liabilities for the year ended September 30, 2014:

	<u>Balance</u> <u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2014</u>	<u>Due Within One</u> <u>Year</u>
CRA Bond Series 2006	\$ 625,930	\$ -	\$ 266,185	\$ 359,745	\$ 282,492
Compensated absences	12,568	14,269	12,175	14,662	14,662
Total	<u>\$ 638,498</u>	<u>\$ 14,269</u>	<u>\$ 278,360</u>	<u>\$ 374,407</u>	<u>\$ 297,154</u>

Note 6 - Risk management

The CRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CRA, through the City, purchases commercial insurance for the risks of loss to which it is exposed. Policy limits and deductibles are reviewed by management and established at amounts to provide reasonable protection from significant financial loss. Settled claims have not exceeded the retention and excess coverage in force for each of the past three years.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Note 7 – Deposits and Withdrawals

As required by Florida Statute, additional description of CRA financial information during fiscal year 2014 is as follows:

Source of Deposits

Tax increment financing - City	\$ 489,337
Tax increment financing - Miami Dade County	535,747
Interest earnings	4,881
Rent revenue	33,227
Transfer in from the City	100,000
Other	68
Total sources	<u><u>\$ 1,163,260</u></u>

Purpose of Withdrawals

Land acquisition & property management	388,239
Protective services	348,870
Capital improvement	109,961
Administrative	252,398
Legal and other	63,085
Economic development	5,036
Residential Improvement	55,458
Special redevelopment	149,719
Operating	13,924
Total withdrawals	<u><u>\$ 1,386,690</u></u>

Note 8 - Commitments and contingencies

Interlocal Cooperation Agreement with Miami-Dade County - On June 1, 2000, the CRA entered into an Interlocal Cooperation Agreement (the "Interlocal Agreement") with the City and Miami-Dade County in order to delineate their areas of responsibilities with respect to the redevelopment of the CRA redevelopment area.

On January 10, 2005 the CRA Board approved Resolution 02-05-149 and on May 3, 2005, the Miami-Dade County Board approved Resolution R-466-05 amending the Plan for the second phase of redevelopment and extended the life of the CRA for fifteen (15) years beyond the June 1, 2005 sunset provision of the CRA's Interlocal Agreement with the County.

Construction Projects - As part of its purpose to bring economic revitalization to the depressed area of the City through tax increment financing, the CRA has routinely executed several professional service contracts that provide for various services in relation to the planning, design, and construction of various improvement projects.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Incremental tax receipts	\$ 1,025,084	\$ 1,025,084	\$ 1,025,084	\$ -
Rents and royalties	25,000	25,000	33,227	8,227
Interest income	13,000	13,000	4,881	(8,119)
Miscellaneous income	-	-	68	68
Total revenues	<u>1,063,084</u>	<u>1,063,084</u>	<u>1,063,260</u>	<u>176</u>
EXPENDITURES				
Community redevelopment	1,171,663	1,176,267	974,160	202,107
Capital outlay	53,000	118,377	85,161	33,216
Debt service:				
Principal	266,186	266,186	266,185	1
Interest	31,589	31,589	31,588	1
Total expenditures	<u>1,522,438</u>	<u>1,592,419</u>	<u>1,357,094</u>	<u>235,325</u>
Deficiency of revenues over expenditures	<u>(459,354)</u>	<u>(529,335)</u>	<u>(293,834)</u>	<u>(235,149)</u>
OTHER FINANCING USES				
Transfers from primary government	100,000	100,000	100,000	-
Transfers to primary government	<u>(33,173)</u>	<u>(33,173)</u>	<u>(33,173)</u>	<u>-</u>
Net change in fund balance	<u>\$ (492,527)</u>	<u>\$ (562,508)</u>	<u>\$ (227,007)</u>	<u>\$ (235,149)</u>

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2014

Note 1 - Budgets and budgetary accounting

Annual appropriated budgets are adopted on a basis of accounting other than GAAP. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund.

The following procedures are used by the CRA in establishing the budgetary data reflected in the financial statements:

- a) Prior to September 15, during a publicly noticed budget workshop, CRA Director submits to the CRA Board of Directors 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) During the October meeting of the CRA Board of Directors, the budget is legally enacted through the adoption of a CRA budget resolution.
- d) Formal budgetary integration is employed as a management control device during the year for the fund.
- e) In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the schedule represents final authorized amounts. Budgeted amounts are as originally adopted or as amended.

Note 2 - Budget/GAAP reconciliation

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

Net change in fund balance - amount as reported on the budgetary comparison schedule, page 22	\$ (227,007)
Encumbrances outstanding, September 30, 2013	(65,318)
Encumbrances outstanding, September 30, 2014	<u>68,895</u>
Net change in encumbrances	3,577
Net change in fund balance - as reported on the statement of revenues, expenditures, and change in fund balance - governmental fund, page 13	<u>\$ (223,430)</u>



**Report of Independent Auditor 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 Members of the Board of Directors
South Miami Community Redevelopment Agency
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 and the major fund of the South Miami Community Redevelopment Agency (the "CRA"), a component unit of the City of South Miami, Florida, as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CRA'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 CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of CRA'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 CRA's financial statements are free from 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 CRA'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 CRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Behant LLP". The signature is written in a cursive, flowing style.

Coral Gables, Florida
March 25, 2015



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

To the Members of the Board of Directors
South Miami Community Redevelopment Agency
City of South Miami, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities and major fund of the South Miami Community Redevelopment Agency, a component unit of the City of South Miami, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 25, 2015.

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 and Schedule

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in those reports, which is dated March 25, 2015, 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 recommendations made in the preceding audit 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 financial statements. Refer to Note I in the notes to the financial statements regarding the creation of the CRA.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the CRA 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 of the financial statements of the CRA, the results of our tests did not indicate the CRA met any of the specified conditions of a financial emergency contained 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 CRA'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 management.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the CRA for the fiscal year ended September 30, 2014, 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, 2014. Our comparison of these two reports resulted in no material differences.

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

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Behant LLP". The signature is written in a cursive, flowing style.

Coral Gables, Florida
March 25, 2015



Report of Independent Accountant on Compliance With Local Government Investment Policies

To the Members of the Board of Directors
South Miami Community Redevelopment Agency
City of South Miami, Florida

Report on Compliance

We have examined the South Miami Community Redevelopment Agency's (the CRA), a component unit of the City of South Miami, Florida, compliance with the local government investment policy requirements of 218.415, Florida Statutes, during the year ended September 30, 2014. Management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA's compliance based on our examination.

Scope

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 CRA'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 CRA's compliance with specified requirements.

Opinion

In our opinion, the CRA complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Cherry Bekaert LLP

Coral Gables, Florida
March 25, 2015