

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

BASIC FINANCIAL STATEMENTS
September 30, 2010

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
BASIC FINANCIAL STATEMENTS
September 30, 2010

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BASIC FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each 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 30, 2010, which collectively comprise the CRA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CRA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the CRA as of September 30, 2010, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2011, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

South Miami Community Redevelopment Agency

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule on pages 3 through 8 and 23 through 24 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

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
June 15, 2011

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

Our discussion and analysis of South Miami Community Redevelopment Agency (the "CRA") financial performance provides an overview of the CRA's financial activities for the year ended September 30, 2010 and 2009. 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, 2010:

- The CRA's total assets exceeded its liabilities at September 30, 2010 by \$ 3,973,544.
- The governmental activities revenues totaled \$ 1,243,557, including \$ 1,198,077 from incremental tax receipts, \$ 2,835 from interest income and \$ 42,645 from other income. Expenses, including transfers to the City of South Miami, Florida were \$ 901,855.
- At the end of the year, the CRA reported a fund balance of \$ 2,382,528, a decrease of \$ 244,992 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 a private sector business.

The statement of net assets presents information on all the CRA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of 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 assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 and 10 of this report.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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.

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 governmental activities.

The governmental fund financial statements can be found on pages 11 through 14 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 15 through 22 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 23 and 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 assets as of September 30, 2010 and 2009:

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

South Miami Community Redevelopment Agency
Statement of Net Assets

| | Governmental Activities | |
|--|-------------------------|--------------|
| | 2010 | 2009 |
| Current and other assets | \$ 3,267,777 | \$ 3,222,009 |
| Capital assets (net) | 3,787,050 | 3,345,115 |
| Total assets | 7,054,827 | 6,567,124 |
| Current liabilities | 1,968,200 | 754,274 |
| Long-term liabilities | 1,113,083 | 2,181,008 |
| Total liabilities | 3,081,283 | 2,935,282 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 1,624,557 | 1,012,010 |
| Unrestricted | 2,348,987 | 2,619,832 |
| Total net assets | \$ 3,973,544 | \$ 3,631,842 |

Governmental Activities:

Governmental activities for the year ended September 30, 2010 increased the CRA's net assets by \$ 341,702 as reflected in the table below:

South Miami Community Redevelopment Agency
Statement of Activities

| | Governmental Activities | |
|--------------------------|-------------------------|--------------|
| | 2010 | 2009 |
| REVENUES: | | |
| General Revenues: | | |
| Incremental tax receipts | \$ 1,198,077 | \$ 1,516,620 |
| Interest income | 2,835 | 8,429 |
| Other | 42,645 | 44,893 |
| Total revenues | 1,243,557 | 1,569,942 |

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

South Miami Community Redevelopment Agency
Statement of Activities
(continued)

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2010 | 2009 |
| EXPENSES: | | |
| Governmental activities: | | |
| General government and community redevelopment | 517,443 | 694,663 |
| Interest on long term debt | 148,750 | 149,497 |
| Total expenses | 666,193 | 844,160 |
| Change in net assets before transfers | 577,364 | 725,782 |
| Transfers to primary government | (235,662) | (391,980) |
| Change in net assets | 341,702 | 333,802 |
| NET ASSETS AT BEGINNING OF YEAR | 3,631,842 | 3,298,040 |
| NET ASSETS AT END OF YEAR | \$ 3,973,544 | \$ 3,631,842 |

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

The CRA's Governmental Fund revenues were \$ 55,520 less than the final budget projections. Expenditures were \$ 1,053,756 less than final appropriations.

During the fiscal year 2010, the CRA had community redevelopment and capital outlay expenditures which were incurred primarily to make improvements within the CRA designated area of City. 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, 2010

CAPITAL ASSETS

Capital assets held by the CRA at the end of the current year are summarized as follows:

| South Miami Community Redevelopment Agency Capital Assets (net of accumulated depreciation) | | |
|--|--------------|--------------|
| | 2010 | 2009 |
| Land | \$ 2,481,154 | \$ 2,481,154 |
| Building and improvements | 1,305,896 | 863,961 |
| | \$ 3,787,050 | \$ 3,345,115 |

Additional information on the CRA's capital assets can be found in Note 3 on pages 19 and 20 of this report.

DEBT ADMINISTRATION

At the end of the year, the CRA had \$ 2,162,493 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 pages 20 and 21 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 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, 2010 than it did in fiscal year ending September 30, 2009. The taxable value will decrease for fiscal year ending September 30, 2011 and the millage rate will be slightly higher.

The economic redevelopment of the CRA is based on a productive partnership between the City 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.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2010

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of South Miami Redevelopment 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 Chief Financial Officer, 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 ASSETS
 September 30, 2010

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS: | |
| Cash and cash equivalents | \$ 3,263,453 |
| Prepaid expenses | 4,324 |
| Capital assets: | |
| Capital assets, not being depreciation | 2,481,154 |
| Capital assets, net of accumulated depreciation | <u>1,305,896</u> |
| Total assets | <u>7,054,827</u> |
| LIABILITIES: | |
| Accounts payable | 25,352 |
| Due to other funds of the primary government | 854,818 |
| Other liabilities | 5,079 |
| Accrued interest payable | 21,589 |
| Due within one year: | |
| Bonds payable | 1,049,410 |
| Compensated absences payable | 11,952 |
| Due in more than one year: | |
| Bonds payable | <u>1,113,083</u> |
| Total liabilities | <u>3,081,283</u> |
| NET ASSETS: | |
| Invested in capital assets, net of related debt | 1,624,557 |
| Unrestricted | <u>2,348,987</u> |
| Total net assets | <u>\$ 3,973,544</u> |

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)

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

| FUNCTIONS/PROGRAMS: | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Governmental Activities</u> |
|---|-----------------------|---------------------------------|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Net Revenues (Expenses) and Change in Net Assets</u> |
| Governmental activities: | | | | | |
| General government | \$ 266,124 | \$ - | \$ - | \$ - | \$ (266,124) |
| Community redevelopment | 251,319 | - | - | - | (251,319) |
| Interest on long-term debt | <u>148,750</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(148,750)</u> |
| Total governmental activities | <u>\$ 666,193</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(666,193)</u> |
| General revenues: | | | | | |
| Incremental tax receipts | | | | | 1,198,077 |
| Interest income | | | | | 2,835 |
| Other | | | | | 42,645 |
| Transfers to primary government | | | | | <u>(235,662)</u> |
| Total general revenues and transfers | | | | | <u>1,007,895</u> |
| Change in net assets | | | | | 341,702 |
| Net assets at beginning of year, as restated (Note 8) | | | | | <u>3,631,842</u> |
| Net assets at end of year | | | | | <u>\$ 3,973,544</u> |

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, 2010

ASSETS:

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 3,263,453 |
| Prepaid expenditures | <u>4,324</u> |
| Total assets | <u>\$ 3,267,777</u> |

LIABILITIES:

| | |
|--|----------------|
| Accounts payable | \$ 25,352 |
| Due to other funds of the primary government | 854,818 |
| Other liabilities | <u>5,079</u> |
| Total liabilities | <u>885,249</u> |

FUND BALANCE:

| | |
|------------------------------------|---------------------|
| Reserved for: | |
| Encumbrances | 150,001 |
| Prepaid expenditures | 4,324 |
| Unreserved | <u>2,228,203</u> |
| Total fund balance | <u>2,382,528</u> |
| Total liabilities and fund balance | <u>\$ 3,267,777</u> |

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 BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
 September 30, 2010

FUND BALANCE - GOVERNMENTAL FUND, PAGE 11 \$ 2,382,528

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

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

| | |
|-------------------------------|-----------|
| Governmental capital assets | 3,953,879 |
| Less accumulated depreciation | (166,829) |

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

| | |
|-------------------------------|-----------------|
| Bonds payable | (2,162,493) |
| Accrued interest payable | (21,589) |
| Compensated absences payable* | <u>(11,952)</u> |

NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9 \$ 3,973,544

* Not created in connection with terminated employees

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)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
 For the year ended September 30, 2010

| | |
|---|----------------------------|
| REVENUES: | |
| Incremental tax receipts | \$ 1,198,077 |
| Interest income | 2,835 |
| Other | <u>42,645</u> |
| Total revenues | <u>1,243,557</u> |
| EXPENDITURES: | |
| Current: | |
| General government | 261,860 |
| Community redevelopment | 222,370 |
| Capital outlay, redevelopment | 470,884 |
| Debt service: | |
| Principal | 170,612 |
| Interest | <u>127,161</u> |
| Total expenditures | <u>1,252,887</u> |
| Excess (deficiency) of revenues over expenditures | <u>(9,330)</u> |
| OTHER FINANCING USES: | |
| Transfers to primary government | <u>(235,662)</u> |
| Net change in fund balance | (244,992) |
| FUND BALANCE, beginning of year | <u>2,627,520</u> |
| FUND BALANCE, end of year | <u>\$ <u>2,382,528</u></u> |

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**
 For the Year Ended September 30, 2010

NET CHANGE IN FUND BALANCE -
 GOVERNMENTAL FUND, PAGE 13 \$ (244,992)

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

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

| | |
|--|----------|
| Expenditures for capital assets | 470,884 |
| 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 assets. | 170,612 |
|---|---------|

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 | (4,264) |
| Change in accrued interest payable | (21,589) |
| | <u> </u> |

| | |
|---|--------------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 10 | \$ <u><u>341,702</u></u> |
|---|--------------------------|

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)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2010

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 generally accepted accounting principles, 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 of South Miami, Florida. 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 assets 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, 2010

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.

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

Cash and Cash Equivalents:

The CRA'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.

Prepaid Expenses/Expenditures:

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

Capital Assets:

Capital assets which include land, 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.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
 (A Component Unit of the City of South Miami, Florida)
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 50 |
| Machinery and equipment | 8 |

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 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 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 used in the following fiscal year. Expenditures for compensated absences are recorded in the governmental funds only for employees who had terminated their employment as of the end of the fiscal year.

Long-Term Obligations:

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

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

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2010

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. Encumbrances outstanding at the fiscal year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. As of September 30, 2010, encumbrances outstanding totaled \$150,001.

Equity Classifications:

Government-wide financial statements:

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

Fund financial statements:

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

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 the County are required to fund this amount annually without regard to tax collections or other obligations.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 certain reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from these estimates.

New Accounting Pronouncements:

GASB Statement No. 54:

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

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 (FDIC) or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value and bank balance of the CRA's deposit as of September 30, 2010 was \$ 3,263,453.

NOTE 3 - CAPITAL ASSETS

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

| | Balance October 1, 2009 <u>(as restated)</u> | <u>Increases</u> | <u>Decreases</u> | Balance September 30, 2010 <u></u> |
|--|---|------------------|------------------|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,481,154 | \$ - | \$ - | \$ 2,481,154 |

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2010

NOTE 3 - CAPITAL ASSETS (continued)

| | Balance October 1, 2009 <u>(as restated)</u> | <u>Increases</u> | <u>Decreases</u> | Balance September 30, 2010 |
|---|---|-------------------|------------------|----------------------------------|
| Capital assets, being depreciated: | | | | |
| Building and improvements | 977,541 | 470,884 | - | 1,448,425 |
| Machinery and equipment | <u>24,300</u> | <u>-</u> | <u>-</u> | <u>24,300</u> |
| Total capital assets, being depreciated | <u>1,001,841</u> | <u>470,884</u> | <u>-</u> | <u>1,472,725</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 113,580 | 28,949 | - | 142,529 |
| Machinery and equipment | <u>24,300</u> | <u>-</u> | <u>-</u> | <u>24,300</u> |
| Total accumulated depreciation | <u>137,880</u> | <u>28,949</u> | <u>-</u> | <u>166,829</u> |
| Total capital assets being depreciated, net | <u>863,961</u> | <u>441,935</u> | <u>-</u> | <u>1,305,896</u> |
| Governmental activities capital assets, net | <u>\$ 3,345,115</u> | <u>\$ 441,935</u> | <u>\$ -</u> | <u>\$ 3,787,050</u> |

Provision for depreciation was charged to the community redevelopment function of the CRA.

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

During the course of its operations, the CRA had numerous transactions with the City to finance operations and provide services. To the extent that certain transactions between the CRA and the City have not been paid or received as of September 30, 2010, balances of interfund amounts receivable or payable have been reflected. As of September 30, 2010, the CRA owed the City a net balance of \$ 854,818 for transactions outstanding as of the fiscal year end.

During the year ended September 30, 2010, the CRA made transfers to the City totaling \$ 235,662. These transfers made during the fiscal year were to the City's General Fund for services to pay for salary and benefits of one code enforcement officer and two police officers generally assigned to the CRA area; and for other administrative expenditures including the services of a grant writer.

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 May 1, 2020, the maturity date of the bonds.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2010

NOTE 5 - LONG TERM LIABILITIES (continued)

Future principal and interest payments for the bonds Series 2006 are as follows:

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

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

| | <u>Balance October 1, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance September 30, 2010</u> | <u>Due Within One Year</u> |
|----------------------|--|------------------|-------------------|---|------------------------------------|
| CRA Bond Series 2006 | \$ 2,333,105 | \$ - | \$ 170,612 | \$ 2,162,493 | \$ 1,049,410 |
| Compensated absences | 7,688 | 21,182 | 16,918 | 11,952 | 11,952 |
| Total | <u>\$ 2,340,793</u> | <u>\$ 21,182</u> | <u>\$ 187,530</u> | <u>\$ 2,174,445</u> | <u>\$ 1,061,362</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.

NOTE 7 - 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 CRA. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the CRA expects such amounts, if any, to be immaterial.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2010

NOTE 7 - COMMITMENTS AND CONTINGENCIES (continued)

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, 2008 the CRA 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.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

Government-Wide Statement of Net Assets:

During 2010, the City recognized a prior period adjustment totaling \$ 346,917 at the government-wide level. The adjustment represents a decrease to capital assets based on third party inventory procedures conducted during the year.

The net effect of this prior period adjustment in the government-wide Statement of Activities is as follows:

| | | <u>Governmental Activities</u> |
|---|----|------------------------------------|
| Net assets, October 1, 2009, as previously reported | \$ | 3,978,759 |
| Effect of prior period adjustment | | <u>(346,917)</u> |
| Net assets, October 1, 2009, as restated | \$ | <u><u>3,631,842</u></u> |

NOTE 9 - SUBSEQUENT EVENTS

Subsequent to year end, the CRA Board of Directors authorized a partial prepayment of principal, amounting to approximately \$ 851,600, in connection with its Taxable Redevelopment Revenue Bonds - Series 2006 (Note 5). A 1.00% prepayment penalty fee was assessed and paid. As a result of the prepayment, the original maturity of the indebtedness was changed from May 2020 to February 2016. The prepayment amount is included in the 2011 debt service requirement discussed in Note 5.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of South Miami, Florida)
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2010

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|--|---------------------|---------------------|
| REVENUES: | | | |
| Incremental tax receipts | \$ 1,198,077 | \$ 1,198,077 | \$ - |
| Interest income | 11,000 | 2,835 | (8,165) |
| Other | <u>90,000</u> | <u>42,645</u> | <u>(47,355)</u> |
| Total revenues | <u>1,299,077</u> | <u>1,243,557</u> | <u>(55,520)</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General government | 255,840 | 261,860 | (6,020) |
| Community redevelopment | 763,380 | 292,869 | 470,511 |
| Capital outlay, redevelopment | 1,060,149 | 470,884 | 589,265 |
| Debt service: | | | |
| Principal | 170,612 | 170,612 | - |
| Interest | <u>127,161</u> | <u>127,161</u> | <u>-</u> |
| Total expenditures | <u>2,377,142</u> | <u>1,323,386</u> | <u>1,053,756</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,078,065)</u> | <u>(79,829)</u> | <u>998,236</u> |
| OTHER FINANCING USES: | | | |
| Transfers to primary government | <u>(240,645)</u> | <u>(235,662)</u> | <u>4,983</u> |
| Net change in fund balance | <u>\$ (1,318,710)</u> | <u>\$ (315,491)</u> | <u>\$ 1,003,219</u> |

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, 2010

NOTE 1- BUDGETS AND BUDGETARY ACCOUNTING

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

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

- a) Prior to August 1, the City Manager and CRA Director submit 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) Prior to October 1, the budget is legally enacted through the passage of an ordinance.
- 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 represent 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 - amounts as reported on the budgetary comparison schedule, Page 23 | \$ | (315,491) |
| Encumbrances outstanding, September 30, 2009 | | (79,502) |
| Encumbrances outstanding, September 30, 2010 | | <u>150,001</u> |
| Net change in encumbrances | | <u>70,499</u> |
| Net change in fund balance - as reported on the statement of revenues, expenditures, and change in fund in fund balance - governmental fund, Page 13 | \$ | <u><u>(244,992)</u></u> |

**OTHER REPORT OF
INDEPENDENT AUDITORS**



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

We have audited the accompanying financial statements of the governmental activities and each 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, 2010, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated June 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the City of South Miami City Commission, the Board of Directors, CRA management, and Miami-Dade County and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
June 15, 2011