

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

**BASIC FINANCIAL STATEMENTS**

September 30, 2011

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of South Miami, Florida)  
BASIC FINANCIAL STATEMENTS  
September 30, 2011

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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 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 30, 2011, 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, 2011, 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 May 24, 2012, 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 on pages 3 through 8, 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CRA's financial statements as a whole. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
May 24, 2012

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of South Miami, Florida)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2011

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, 2011 and 2010. 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, 2011:

- The CRA's total assets exceeded its liabilities at September 30, 2011 by \$ 4,162,425.
- The governmental activities revenues totaled \$ 1,340,302, including \$ 1,292,225 from incremental tax receipts, \$ 14,242 from interest income and \$ 33,835 from rents and royalties. Expenses, including transfers to the City of South Miami, Florida were \$ 1,151,421.
- At the end of the year, the CRA reported a fund balance of \$ 1,505,494, a decrease of \$ 877,034 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, 2011

**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 the 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 23 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 24 and 25 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, 2011 and 2010:

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of South Miami, Florida)  
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September 30, 2011

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

South Miami Community Redevelopment Agency  
Statement of Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 1,539,931	\$ 3,267,777
Capital assets (net)	3,792,386	3,787,050
Total assets	5,332,317	7,054,827
Current liabilities	293,143	1,968,200
Long-term liabilities	876,749	1,113,083
Total liabilities	1,169,892	3,081,283
Net assets:		
Invested in capital assets, net of related debt	2,679,294	1,624,557
Unrestricted	1,483,131	2,348,987
Total net assets	\$ 4,162,425	\$ 3,973,544

Governmental Activities:

Governmental activities for the year ended September 30, 2011 increased the CRA's net assets by \$ 188,881 as reflected in the table below:

South Miami Community Redevelopment Agency  
Statement of Activities

	Governmental Activities	
	2011	2010
<b>REVENUES:</b>		
General Revenues:		
Incremental tax receipts	\$ 1,292,225	\$ 1,198,077
Rents and royalties	33,835	42,645
Interest income	14,242	2,835
Total revenues	1,340,302	1,243,557

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

South Miami Community Redevelopment Agency  
Statement of Activities  
(continued)

	Governmental Activities	
	2011	2010
<b>EXPENSES:</b>		
Governmental activities:		
General government and community redevelopment	986,386	517,443
Interest on long-term debt	95,281	148,750
Total expenses	1,081,667	666,193
Change in net assets before transfers	258,635	577,364
Transfers to primary government	(69,754)	(235,662)
Change in net assets	188,881	341,702
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>3,973,544</b>	<b>3,631,842</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 4,162,425</b>	<b>\$ 3,973,544</b>

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

The CRA's Governmental Fund revenues were \$ 21,923 less than the final budget projections. Expenditures were \$ 1,526,754 less than final appropriations.

During the fiscal year 2011, 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, 2011

**CAPITAL ASSETS**

Capital assets held by the CRA are summarized as follows:

South Miami Community Redevelopment Agency Capital Assets (net of accumulated depreciation)		
	2011	2010
Land	\$ 2,515,439	\$ 2,481,154
Building and improvements	1,276,947	1,305,896
	\$ 3,792,386	\$ 3,787,050

Additional information on the CRA's capital assets can be found in Note 3 on page 21 of this report.

**DEBT ADMINISTRATION**

At the end of the year, the CRA had \$ 1,113,092 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 21 and 22 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. 62<sup>nd</sup> Street on the North, Sunset Drive on the South, S.W. 62<sup>nd</sup> Avenue on the West, and S.W. 57<sup>th</sup> 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 more in incremental revenue for the fiscal year ending September 30, 2011 than it did in fiscal year ending September 30, 2010. The taxable value and the millage rate will be slightly lower for the fiscal year ending September 30, 2012.

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, 2011

**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, 2011

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,535,607
Prepaid expenses	4,324
Capital assets:	
Capital assets, not being depreciated	2,515,439
Capital assets, net of accumulated depreciation	<u>1,276,947</u>
Total assets	<u>5,332,317</u>
<b>LIABILITIES:</b>	
Accounts payable	29,358
Other liabilities	5,079
Accrued interest payable	8,334
Due within one year:	
Bonds payable	236,343
Compensated absences payable	14,029
Due in more than one year:	
Bonds payable	<u>876,749</u>
Total liabilities	<u>1,169,892</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	2,679,294
Unrestricted	<u>1,483,131</u>
Total net assets	<u>\$ 4,162,425</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, 2011

FUNCTIONS/PROGRAMS:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities Net Revenues (Expenses) and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 592,758	\$ -	\$ -	\$ -	\$ (592,758)
Community redevelopment	393,628	33,835	-	-	(359,793)
Interest on long-term debt	<u>95,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,281)</u>
Total governmental activities	<u>\$ 1,081,667</u>	<u>\$ 33,835</u>	<u>\$ -</u>	<u>\$ -</u>	(1,047,832)
General revenues:					
Incremental tax receipts					1,292,225
Interest income					14,242
Transfers to primary government					<u>(69,754)</u>
Total general revenues and transfers					<u>1,236,713</u>
Change in net assets					188,881
Net assets at beginning of year					<u>3,973,544</u>
Net assets at end of year					<u>\$ 4,162,425</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, 2011

<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,535,607
Prepaid expenditures	<u>4,324</u>
Total assets	<u>\$ 1,539,931</u>
<b>LIABILITIES:</b>	
Accounts payable	\$ 29,358
Other liabilities	<u>5,079</u>
Total liabilities	<u>34,437</u>
<b>FUND BALANCE:</b>	
Nonspendable:	
Prepaid expenditures	4,324
Restricted for:	
Grant projects	100,000
Community redevelopment	<u>1,401,170</u>
Total fund balance	<u>1,505,494</u>
Total liabilities and fund balance	<u>\$ 1,539,931</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, 2011

FUND BALANCE - GOVERNMENTAL FUND, PAGE 11	\$ 1,505,494
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund:</p>	
Governmental capital assets	3,988,164
Less accumulated depreciation	(195,778)
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund:</p>	
Bonds payable	(1,113,092)
Accrued interest payable	(8,334)
Compensated absences payable*	<u>(14,029)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$ <u><u>4,162,425</u></u>

\* 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, 2011

<b>REVENUES:</b>	
Incremental tax receipts	\$ 1,292,225
Rents and royalties	33,835
Interest income	<u>14,242</u>
Total revenues	<u>1,340,302</u>
<b>EXPENDITURES:</b>	
Current:	
General government	590,681
Community redevelopment	337,526
Capital outlay	61,438
Debt service:	
Principal	1,049,401
Interest and fiscal charges	<u>108,536</u>
Total expenditures	<u>2,147,582</u>
Deficiency of revenues over expenditures	<u>(807,280)</u>
<b>OTHER FINANCING USES:</b>	
Transfers to primary government	<u>(69,754)</u>
Net change in fund balance	(877,034)
FUND BALANCE, beginning of year	<u>2,382,528</u>
FUND BALANCE, end of year	<u>\$ <u>1,505,494</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, 2011

NET CHANGE IN FUND BALANCE -  
 GOVERNMENTAL FUND, PAGE 13 \$ (877,034)

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	34,285
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.	1,049,401
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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	(2,077)
Change in accrued interest payable	13,255
	11,178

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 10	\$ <u>188,881</u>
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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, 2011

**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**  
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**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2011

**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 balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the 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.

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.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY  
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 NOTES TO BASIC FINANCIAL STATEMENTS  
 September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Pension Plan and Post-Employment Benefits:

The City of South Miami provides a defined benefit pension plan and post-employment healthcare coverage, including medical and dental benefits, to eligible individuals which consists of an implicit subsidy. 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, 2011.

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.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY  
(A Component Unit of the City of South Miami, Florida)  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2011, encumbrances outstanding totaled \$ 136,159.

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.

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fund financial statements:*

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

The classifications 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) are legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact. In fiscal year 2011, this represents \$ 4,324.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. In fiscal year 2011, this represents \$ 1,501,170.

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 (ordinance or resolution) that was employed when the funds were initially committed. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

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.

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

SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY  
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NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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.

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 implemented this Statement in the current fiscal year.

Date of Management's Review:

Subsequent events were evaluated by management through May 24, 2012, 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 (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 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, 2011 was \$ 1,535,607 and \$ 1,738,263, respectively.

**SOUTH MIAMI COMMUNITY REDEVELOPMENT AGENCY**  
(A Component Unit of the City of South Miami, Florida)  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2011

**NOTE 3 - CAPITAL ASSETS**

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

	Balance October 1, 2010	Increases	Decreases	Balance September 30, 2011
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,481,154	\$ 34,285	\$ -	\$ 2,515,439
Capital assets, being depreciated:				
Building and improvements	1,448,425	-	-	1,448,425
Machinery and equipment	24,300	-	-	24,300
Total capital assets, being depreciated	<u>1,472,725</u>	<u>-</u>	<u>-</u>	<u>1,472,725</u>
Total capital assets	<u>3,953,879</u>	<u>34,285</u>	<u>-</u>	<u>3,988,164</u>
Less accumulated depreciation for:				
Building and improvements	142,529	28,949	-	171,478
Machinery and equipment	24,300	-	-	24,300
Total accumulated depreciation	<u>166,829</u>	<u>28,949</u>	<u>-</u>	<u>195,778</u>
Total capital assets being depreciated, net	<u>1,305,896</u>	<u>(28,949)</u>	<u>-</u>	<u>1,276,947</u>
Governmental activities capital assets, net	<u>\$ 3,787,050</u>	<u>\$ 5,336</u>	<u>\$ -</u>	<u>\$ 3,792,386</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, 2011, the CRA made transfers to the City totaling \$ 69,754. These transfers made during the fiscal year were to the City's General Fund for the reimbursement of administrative expenditures.

**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 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, 2011

**NOTE 5 - LONG TERM LIABILITIES (continued)**

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

Annual debt service requirements to maturity are as follows:

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

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

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2011</u>	<u>Due Within One Year</u>
CRA Bond Series 2006	\$ 2,162,493	\$ -	\$ 1,049,401	\$ 1,113,092	\$ 236,343
Compensated absences	11,952	13,163	11,086	14,029	14,029
Total	<u>\$ 2,174,445</u>	<u>\$ 13,163</u>	<u>\$ 1,060,487</u>	<u>\$ 1,127,121</u>	<u>\$ 250,372</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:

From time to time, 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  
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NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2011

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, 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**  
 For the Year Ended September 30, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Incremental tax receipts	\$ 1,292,225	\$ 1,292,225	\$ -
Rents and royalties	60,000	33,835	(26,165)
Interest income	<u>10,000</u>	<u>14,242</u>	<u>4,242</u>
Total revenues	<u>1,362,225</u>	<u>1,340,302</u>	<u>(21,923)</u>
<b>EXPENDITURES:</b>			
Current:			
General government	609,229	590,681	18,548
Community redevelopment	1,313,328	343,661	969,667
Capital outlay	580,000	41,461	538,539
Debt service:			
Principal	1,049,401	1,049,401	-
Interest	<u>108,536</u>	<u>108,536</u>	<u>-</u>
Total expenditures	<u>3,660,494</u>	<u>2,133,740</u>	<u>1,526,754</u>
Excess (deficiency) of revenues over expenditures	<u>(2,298,269)</u>	<u>(793,438)</u>	<u>1,504,831</u>
<b>OTHER FINANCING USES:</b>			
Transfers to primary government	<u>(52,059)</u>	<u>(69,754)</u>	<u>(17,695)</u>
Net change in fund balance	<u>\$ (2,350,328)</u>	<u>\$ (863,192)</u>	<u>\$ 1,487,136</u>

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, 2011

NOTE 1- BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted on a basis of accounting other than GAAP. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental 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 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 - amounts as reported on the budgetary comparison schedule, Page 24	\$	(863,192)
Encumbrances outstanding, September 30, 2010		(150,001)
Encumbrances outstanding, September 30, 2011		<u>136,159</u>
Net change in encumbrances		<u>(13,842)</u>
Net change in fund balance - as reported on the statement of revenues, expenditures, and change in fund balance - governmental fund, Page 13	\$	<u><u>(877,034)</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 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, 2011, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated May 24, 2012. 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*.

South Miami Community Redevelopment Agency

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  
May 24, 2012