

**CITY OF MIAMI GARDENS, FLORIDA**

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

Prepared by:

THE FINANCE DEPARTMENT

# CITY OF MIAMI GARDENS, FLORIDA

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## **INTRODUCTORY SECTION**

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# **CITY OF MIAMI GARDENS, FLORIDA**

## **CITY OFFICIALS**

SEPTEMBER 30, 2006

### **CITY COUNCIL**

Shirley Gibson, Mayor  
Oscar Braynon, II, Vice Mayor

Aaron Campbell, Jr., Council Member  
Barbara Watson, Council Member  
Melvin L. Bratton, Council Member  
Sharon Pritchett, Council Member  
Ulysses Harvard, Council Member

### **CITY MANAGER**

Dr. Danny O. Crew

### **CITY CLERK**

Ronetta Taylor, CMC

### **CITY ATTORNEY**

Sonja K. Knighton Dickens  
Arnstein and Lehr, LLP

### **FINANCE DIRECTOR**

Christopher Wallace, New Community Strategies

### **CITY AUDITORS**

Rachlin Cohen & Holtz LLP  
Accountants • Advisors

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**FINANCIAL SECTION**

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Miami Gardens, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Miami Gardens, Florida as of September 30, 2006 and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2007 on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

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Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida  
Page Two

Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10 and pages 29 through 30, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
August 8, 2007

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(MD&A)**

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## Management's Discussion and Analysis

The City of Miami Gardens, Florida, (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 11).

The City was incorporated May 13, 2003, under the Charter and Laws of Miami-Dade County (the "County"), and is the County's third largest municipality, behind Miami and Hialeah. The County must approve all new incorporations and annexations. The County also largely determines the framework, service provisions or service denials, continuing obligations, and powers and duties of the City. Florida Law determines the City and the County's fiscal years. The fiscal year begins October 1<sup>st</sup> of each year and ends September 30<sup>th</sup> of the next year. Some of the conditions of the incorporation of the City included an understanding that the City and the County would operate under an interim interlocal agreement for the partial fiscal year and a transitional interlocal agreement that would cover the period of time beginning October 1, 2003, and ending at an agreed to time in the future, at which point the City would have taken over the provision of certain services from the County. The transitional agreement would contemplate a timeframe that would permit an orderly transfer of services. This agreement would also provide for the transition and accounting of revenues and expenditures that the County and City would negotiate. Both the interim and transitional agreements were not completed until September 2004. At that time, the City and County agreed to certain terms and conditions that would detail the rights and obligations of both parties. The City did not have a position of strength during these negotiations and some of the terms and conditions have an adverse impact upon the City.

This financial statement reflects the second year that the City operated under a budget of its creation and direct control. It also marks the second time that the City was in control of its destiny, to the extent the interlocal agreements with Miami Dade County allow.

### **Financial Highlights**

The City finished its fiscal year with Net Assets of \$19,176,337, and increase of \$3,824,316, or 24.9%, over FY2005. This follows the \$4,964,214 (47.8%) increase in Net Assets achieved in FY2004. Unrestricted Net Assets grew to \$3,552,755 from the FY2005 amount of \$2,682,839, a 32.4% increase. Investment in Capital Assets, net of related debt, increased to \$15,623,582 from \$12,669,182, an increase of \$2,954,400, or about 23%. The City's growth in Net Assets, net of related debt, reflects its strong and diversified tax base and good long-term financial planning.

The City's unreserved General Fund fund balance of \$3,852,028 represents approximately 10% of General Fund expenditures, or slightly more than one month's operating expenses. This is an improvement of about 25% from the prior year's amount. The City's financial plan forecasts this to

grow in each of the next 5 years with a goal of maintaining an unreserved fund balance of about 25% of recurring operating expenditures.

The City has implemented its own local ordinances that provided for the levy and collection of various taxes, licenses, permits, fees, and charges for services. However, because the County issued debt when the area that is currently incorporated was under its control, and because that debt pledged the revenues to which the City would ordinarily be entitled, the City receives only the difference between the tax levied and the amount deducted for its presumed share of debt service payments. This practice results in delay and difficulty in receipting and reporting both the revenues for the utility services taxes and the expenditures related to the debt service. While the City has the option of prepaying its share of outstanding debt, it is not at this time financially practical to do so. Moreover, the County at any point in time has difficulty attributing the amount of debt outstanding to Miami Gardens. Consequently, debt that is owed by the County is not recorded on the City's financial records, though the City will not receive the revenues that will repay that debt. An estimated range of \$15,000,000 to \$20,000,000 of outstanding debt is likely. The remaining term of the indebtedness is approximately 15 years. The City can prepay the debt at any time.

The City utilized two funds in FY2006: the Capital Projects Fund and the General Services Fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City's Capital Project Fund was established with a budget through a dedicated property tax transfer of \$500,000 per year into the fund. This fund serves as an operating fund for the construction of various projects and will receive grants and other project-oriented revenues. The General Services Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City has established a General Services Fund to better account for certain internal transactions such as purchasing, fleet management, information technology and city hall related expenditures such as space and insurance.

The City did not have any business-type activities for FY2006.

The City borrowed \$8.2 million in FY2005. During FY2006, the City utilized approximately \$2.9 million for land acquisition, construction of improvements, and the acquisition of equipment, furnishings, and fixtures.

### **City Achievements**

The City once again expanded its service operations by bringing in-house its Recreation operations and addressed its deficiency in girl's athletics. Also, at year-end, the City acquired its own financial software as the first step in bringing this last remaining outsourced operation in-house. Finally, as part of the subsequent year's budget process, the City of Miami Gardens provided financial resources to takeover law enforcement operations from Miami-Dade County.

While bringing on new operations, we also continued to expand existing services. The City saw an increase of 50% in its Code Enforcement operations, providing more enforcement services that the community so desperately needs. Our Public Works Streets Division also increased its personnel by one-third so that median and rights-of-way maintenance could be improved and bus bench shelters

could be installed and maintained. Because of increased interest in development in the City, Building Services increased its staffing by 50%. Lastly, we began a Capital Improvement program that will be long-lived and will be funded through a dedicated portion of General Fund revenues, grants, and long-term financings.

The City's financial condition again improved as it makes solid and consistent efforts to manage its finances and build up its reserves. The City had expected to take until FY2008 to achieve an unrestricted fund balance relative to its expenditures of 8%. The City achieved a 10% relative unrestricted fund balance position at the end of FY2006, and it expects to continue to improve upon this as it works toward its goal of 25%, or 3 months of operating expenditures.

Because local control of law enforcement services is so important to the community, the City has made provisions for establishing its own police force beginning in FY2007 with an expected total deployment by December of FY2008. Because of the high cost of operating its own police department, the city adopted a property tax increase to pay for these services. The increase received almost no public objection and strong public support.

### **Overview of the Financial Statements**

The financial statement focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to assess the particulars of the City's financial operations and also provide for annual comparisons of the City's financial performance. The statements can also facilitate comparisons with other units of government.

### **Government-wide Financial Statements**

The Government-wide Financial statements (see pages 11 to 12) are designed to be corporate-like in that all governmental and business-type activities (though the City as yet does not operate any business-type activities) are consolidated into columns that add up to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities (see page 12) is focused on both the gross and net cost of various activities (including governmental, including component units and business-type), which are supported by the City's taxes and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or components.

### **Fund Financial Statements**

Traditional users of government financial statements will find the Fund Financial Statement presentations more familiar. The focus in those statements is on Major Funds.

The City's Major Fund (see pages 13 to 14) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed.

The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 13). The Government Major Funds Total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) that is reflected on the page following each statement (see page 15). The flow of current financial resources will reflect interfund transfers and other financial sources, as well as capital expenditures. The reconciliation will eliminate these transactions and incorporate the capital asset and long-term obligations into the Government Activities column (in the Government-wide statements).

### Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – buildings, roads, curbs, sidewalks) have not been reported nor depreciated in government financial statements. New pronouncements in Governmental Accounting require that these assets be valued and reported within the Government column of the Government-wide Statements. The City received a significant amount of streets and rights-of-way at the same time from the County, but the value of those assets had not yet been determined. During FY2006, the City added \$792,136 in infrastructure assets. The City also added \$2,949,014 in general fixed assets.

## GOVERNMENT-WIDE STATEMENTS

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2006</u>	<u>2005</u>	
Current and other assets	\$ 16,750	\$ 15,003	11.6%
Capital assets	16,117	12,669	27.2%
Total assets	<u>32,867</u>	<u>27,672</u>	18.8%
Current and other liabilities	2,213	769	187.8%
Noncurrent liabilities	11,478	11,551	-0.6%
Total liabilities	<u>13,691</u>	<u>12,320</u>	11.1%
Net assets	<u>\$ 19,176</u>	<u>\$ 15,352</u>	24.9%
Invested in capital assets, net of related debt	\$ 15,623	\$ 12,669	23.3%
Unrestricted	<u>3,553</u>	<u>2,683</u>	32.4%
Total net assets	<u>\$ 19,176</u>	<u>\$ 15,352</u>	24.9%

The largest portion of the City's net assets, excluding capital assets, is Cash and Investments, and totaled \$14,406,369, an increase of \$3,018,130 from the prior year of \$11,388,239. Of that amount, \$7.8 million was restricted debt proceeds that must be used for the purposes described in the footnotes starting at page (16).

The City's Capital Assets, net of related debt, totaled \$15.6 million, most of it in the form of non-depreciable assets such as land and infrastructure. This was an increase of nearly \$3 million from the prior year. Unrestricted net assets also increased 32.4% to end the year at approximately \$3.6 million. The City also had \$11.5 million in long-term liabilities, slightly lower from FY2005.

The Unrestricted Net Asset balance of \$3,552,755 is intended to be a corporate-style measurement of well being (or a bottom line) for the City and its related governmental and business-type activities. This is an improvement over the FY2005 amount of \$2,682,839. Notably, the City as recently as FY2004 had negative net assets of (\$1,157,519).

### Current Year Impacts

### Statement of Activities

The following schedule presents the revenues and expenses for the current year:

	<u>Governmental Activities</u>		<u>Percent</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 6,350	\$ 5,348	18.7%
Operating grants and contributions	6,992	11	63463.6%
Capital grants and contributions	-	3,327	-100.0%
General revenue:			
Taxes	22,772	21,224	7.3%
Other	16,240	10,477	55.0%
Total revenues	<u>52,354</u>	<u>40,387</u>	29.6%
Expenses:			
General government	15,147	4,597	229.5%
Public safety	27,380	25,540	7.2%
Public works	140	2	6900.0%
Parks and recreation	3,841	3,063	25.4%
Code enforcement	693	571	21.4%
Non-departmental	1,026	1,574	-34.8%
Interest on long-term debt	303	76	298.7%
Total expenses	<u>48,530</u>	<u>35,423</u>	37.0%
Increase in net assets	<u>\$ 3,824</u>	<u>\$ 4,964</u>	-23.0%

## Conditions and Impacts That Can Affect the City's Financial Operations

Many factors and conditions can influence the current and long-term finances of the City:

**Conditions of Incorporation.** Miami-Dade County enjoys powers vested to it by Florida's Constitution. Miami-Dade County was created as a consolidated form of government wherein the County was to provide municipal services in addition to those services traditionally provided by Florida counties. In the creation or dissolution of municipal charters, the County acts in the capacity normally exercised by the State. The County has the ability to create and dissolve most municipalities located within its boundaries. In the creation of any municipality, the County likewise can burden the City with conditions that may be onerous or uncompetitive. In the creation of the City's Charter, the County has required the City to continue to pay for specialized police services in perpetuity under a formula determined by the County. Because this formula is applied against a budget adopted by the County, the City essentially has little control over this cost. As of July 2007, this requirement is in dispute as the State Legislature adopted legislation banning such conditions as part of an incorporation. The City was also required to utilize the County's police services for the first four years of its incorporation, and the cost of this service is likewise largely outside of the City's control. The City cannot provide other services such as utilities and the City must rely upon other entities for their availability. Some of these services, such as water and sewer, may affect the City's ability to attract development and redevelopment. The County also receives much of the City's utility service taxes directly since they were previously pledged to debt issued by the County. The County deducts what it feels is the City's portion of its debt service payments and then remits the net amount to the City.

**Limits On Tax Base Growth.** Under Florida's Constitution, residential properties that are owner-occupied and have a homestead exemption are limited to annual assessment increases of 3% or less. The effect of this limitation burdens the City's tax base by exempting from taxation large portions of residential properties. The South Florida housing market has experienced substantial increases in the value of residential properties. The City, as well as other taxing authorities, cannot capture this increase in the tax base. Typically, municipalities in the South Florida market experience increases in annual expenditures well in excess of this 3% cap. Consequently, the City will be challenged to diversify its tax base while keeping its expenditures under control. The City has the ability to tax property up to 10 mills, or \$1 for each \$1,000 of taxable value. It is not anticipated that the City will reach that tax rate cap anytime soon. Management expects that most of its tax rate capacity will be unused for several years. It has also become apparent that since the City incorporated, developers have found the location desirable and have sought development rights to some of the remaining vacant land. The City will benefit from new development. Additionally, the Florida Legislature passed legislation in its 2007 session that may add additional exemptions to homestead properties if approved by votes in the January 2008 election for that purpose. The new exemption, if approved, would negatively impact the City by reducing its property tax base. Moreover, effective with the City's FY2009 budget, the Florida Legislature also will require the City to "roll-back" its tax rate a rate that will produce the same property tax revenue for the prior year. This "roll-back" rate will be calculated each fiscal year. The City Commission can vote with a super majority to increase that amount, but ultimately the legislation will limit the ability of the City to increase its revenues from property taxes.

**Economic Conditions.** The City is located in South Florida. Demand for residential and commercial property has been very strong for several years. However, as has happened nationwide, sales of new homes and existing homes has drastically fallen and this will temper the growth in the City's tax base

in the short term. Long-term, the City has bright prospects. The City is largely built-out, but there is a fair amount of vacant land left for development. Additionally, the City will likely face redevelopment opportunities that could positively impact the City's long-term financial outlook. The City is strategically located between the Miami and Fort Lauderdale markets and is at the crossroads of the areas major trafficways. Tempering this potential, however, is the problem of providing affordable housing to families in a real estate market that has been and will continue to experience double-digit annual increases. A large portion of the City's housing stock was constructed over 30 years ago. The area has been largely neglected over the years and the City expects to spend considerable effort and money in improving community conditions. This should help the City's tax base.

**Introduction of New Programs.** One of the impetuses for creating the City was the dearth of responsive services in the Community. Code enforcement and recreational opportunities have been particular areas of local concern and the City has quickly expanded its service delivery to its residents and businesses. Also, the City has taken steps to startup its own police department beginning in FY2007. It is expected that the full implementation will be complete by December of FY2008. However, the City has raised its property tax rate beginning in FY2007 to provide the funding necessary for this essential service. This will significantly increase the fixed costs of operating the City.

**Personnel Costs.** The cost of attracting and keeping experienced and competent personnel in South Florida has dramatically increased over the last two decades. The City has had to compete with the roughly 90 municipalities that exist in Miami-Dade, Broward, and Palm Beach counties. The level and amount of benefits offered to employees in this market is substantial and the employer contributions for these benefits are typically very high. As the City expands its services, it faces continual pressure on these costs. Costs for insurance and retirement are expected to continue to climb. Since the City will now be providing law enforcement services, the pressure on personnel costs can be expected to be even greater.

**Inflation.** While overall inflation appears to be reasonably modest, the City is and will be exposed to certain costs that historically been much higher than the consumer price index typically used to measure inflation. Chief among these costs are insurances and wages. Reduced inflation rates generally mirror reduced interest rates. Currently, investment options available to the City pay very little investment income.

## **THE CITY FUNDS**

### **Governmental Funds**

As of the year-end, the Governmental Funds (as presented on the balance sheet) reported a combined fund balance of \$14.5 million, a modest increase over the \$14.2 million from FY2005.

### **Business-type Funds**

Currently, the City does not have any Business-type funds.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of year-end, the City had approximately \$15.6 million in Capital Assets, net of related debt, up from the FY2005 amount of \$12,655,329. This reflects the City's continued commitment improvements in its long-term assets in the community.

### Debt

The City owes Miami-Dade County certain amounts as a result of an interlocal agreement entered into with the County in FY2004. Additionally, the City issued \$7.5 million in special revenue debt to finance a portion of the costs of purchasing and renovating existing buildings and constructing new public facilities, purchasing land for, and financing architectural, engineering, environmental, legal, and other planning costs related thereto for, the sites of City Hall, Public Works Department facilities and other public facilities, widening roads and making other road improvements, and paying the costs of issuance of the bonds. During FY2006, the City began using these funds for their intended purpose. These funds were expended in FY2007 and a second \$14.4 million public facilities bond was issued.

The City also issued \$2.5 million in additional special revenue debt for the purpose of financing its equipment needs for 5 years in FY 2005 and \$5.6 million (lease-purchase) for police start-up equipment in FY 2007.

The table below summarizes the activity of the City's long-term obligations for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Obligation:					
Due to Miami-Dade County	\$ 3,166,470	\$ -	\$ 351,830	\$ 2,814,640	\$ 351,830
Series 2005 Land Acquisition Revenue Bonds	7,500,000	-	-	7,500,000	256,401
Series 2005 Equipment Revenue Bond	700,000	-	-	700,000	-
Total obligations	<u>11,366,470</u>	<u>-</u>	<u>351,830</u>	<u>11,014,640</u>	<u>608,231</u>
Other liabilities:					
Compensated absences	<u>184,832</u>	<u>519,933</u>	<u>241,606</u>	<u>463,159</u>	<u>-</u>
Total other liabilities	<u>184,832</u>	<u>519,933</u>	<u>241,606</u>	<u>463,159</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 11,551,302</u>	<u>\$ 519,933</u>	<u>\$ 593,436</u>	<u>\$ 11,477,799</u>	<u>\$ 608,231</u>

## FINANCIAL INFORMATION CONTACTS

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City's Finance Director, William Alonso, CPA, at 305-622-8000, or at the City of Miami Gardens Finance Department, 1515 NW 167<sup>th</sup> Street, #5-200, Miami Gardens, Florida 33169.

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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF MIAMI GARDENS, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 6,700,169
Restricted cash	7,706,200
Receivables, net	494,590
Due from other governments	1,848,884
Capital assets not being depreciated	11,831,564
Capital assets being depreciated, net	<u>4,285,818</u>
Total assets	<u>32,867,225</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	1,566,024
Retainage payable	109,259
Due to other governments	1,448
Unearned revenue	403,358
Security deposits	133,000
Noncurrent liabilities:	
Due within one year	574,723
Due in more than one year	<u>10,903,076</u>
Total liabilities	<u>13,690,888</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	15,623,582
Unrestricted	<u>3,552,755</u>
Total net assets	<u>\$ 19,176,337</u>

See notes to basic financial statements.

# CITY OF MIAMI GARDENS, FLORIDA

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Total	Total			Total
Governmental activities:				
General government:				
Public safety	\$ 15,147,644	\$ 182,220	\$ 2,676,956	\$ (12,288,468)
Public works	27,380,817	468,697	30,821	(26,881,299)
Parks and recreation	139,572	-	4,048,562	3,908,990
Code enforcement	3,840,917	430,788	119,934	(3,290,195)
Non-departmental	692,569	5,268,614	115,533	4,691,578
Interest on long-term debt	1,026,122	-	-	(1,026,122)
Total governmental activities	302,767	-	-	(302,767)
	\$48,530,408	\$6,350,319	\$ 6,991,806	\$ (35,188,283)
General revenues:				
Property taxes				11,635,651
Franchise fees based on gross receipts				4,069,708
Utility taxes				7,067,495
Unrestricted intergovernmental revenue				14,643,583
Miscellaneous				860,212
Unrestricted investment earnings				735,950
Total general revenues				39,012,599
Change in net assets				3,824,316
Net assets, beginning				15,352,021
Net assets, ending				\$ 19,176,337

See notes to basic financial statements.

# CITY OF MIAMI GARDENS, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>General</u>	<u>Transportation</u>	<u>Development Services</u>	<u>Capital Projects</u>	<u>Impact Fees</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash	\$ 5,087,137	\$ 842,326	\$ 685,745	\$ 7,722	\$ 77,239	\$ 6,700,169
Restricted cash	7,706,200	-	-	-	-	7,706,200
Accounts receivables, net	494,590	-	-	-	-	494,590
Due from other funds	2,044,850	845,369	1,991,327	-	1,104,662	5,986,208
Due from other governments	1,558,156	265,748	-	24,980	-	1,848,884
Total assets	<u>\$ 16,890,933</u>	<u>\$ 1,953,443</u>	<u>\$ 2,677,072</u>	<u>\$ 32,702</u>	<u>\$ 1,181,901</u>	<u>\$ 22,736,051</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ 636,560	\$ 248,393	\$ 224,758	\$ 456,313	\$ -	\$ 1,566,024
Retainage payable	82,509	-	-	26,750	-	109,259
Due to other funds	3,941,358	709,791	356,694	978,365	-	5,986,208
Due to other governments	1,448	-	-	-	-	1,448
Deferred revenue	403,358	-	-	-	-	403,358
Security deposits	133,000	-	-	-	-	133,000
Total liabilities	<u>5,198,233</u>	<u>958,184</u>	<u>581,452</u>	<u>1,461,428</u>	<u>-</u>	<u>8,199,297</u>
Fund balances:						
Reserved	7,840,672	1,023,598	2,095,620	2,060,254	1,181,901	14,202,045
Unreserved, undesignated reported in:						
General fund	3,852,028	-	-	-	-	3,852,028
Transportation	-	(28,339)	-	-	-	(28,339)
Capital projects (deficit)	-	-	-	(3,488,980)	-	(3,488,980)
Total fund balances	<u>11,692,700</u>	<u>995,259</u>	<u>2,095,620</u>	<u>(1,428,726)</u>	<u>1,181,901</u>	<u>14,536,754</u>
Total liabilities and fund balances	<u>\$ 16,890,933</u>	<u>\$ 1,953,443</u>	<u>\$ 2,677,072</u>	<u>\$ 32,702</u>	<u>\$ 1,181,901</u>	

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 funds.

16,117,382

Long-term liabilities are not due and payable in the current period and therefore not reported in the funds (see Note 2)

(11,477,799)

Net assets of governmental activities

\$ 19,176,337

See notes to basic financial statements.

# CITY OF MIAMI GARDENS, FLORIDA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>	<u>Transportation</u>	<u>Development Services</u>	<u>Capital Projects</u>	<u>Impact Fees</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>						
Property taxes	\$ 11,635,651	\$ -	\$ -	\$ -	\$ -	\$ 11,635,651
Utility taxes	7,067,495	-	-	-	-	7,067,495
Intergovernmental	11,010,648	3,632,935	-	-	-	14,643,583
Charges for services	613,632	-	-	-	-	613,632
Licenses and permits	1,015,378	-	4,001,000	-	-	5,016,378
Impact fees	-	-	-	-	252,236	252,236
Fines and forfeitures	468,073	-	-	-	-	468,073
Franchise fees	4,069,708	-	-	-	-	4,069,708
Grant revenue	2,569,043	4,065,829	69,000	287,934	-	6,991,806
Other income	592,821	66,108	-	-	201,283	860,212
Interest	733,714	2,237	-	-	-	735,951
Total revenues	<u>39,776,163</u>	<u>7,767,109</u>	<u>4,070,000</u>	<u>287,934</u>	<u>453,519</u>	<u>52,354,725</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government:	4,197,580	7,421,327	2,509,224	189,292	7,180	14,324,603
Public safety	27,380,817	-	-	-	-	27,380,817
Public works	110,756	-	-	-	-	110,756
Parks and recreation	3,819,835	-	-	-	-	3,819,835
Code enforcement	677,899	-	-	-	-	677,899
Non-departmental	898,984	-	-	-	-	898,984
Capital outlay	856,923	1,307,804	116,146	1,903,748	-	4,184,621
Debt service:						
Principal	351,830	-	-	-	-	351,830
Interest and fiscal charges	302,767	-	-	-	-	302,767
Total expenditures	<u>38,597,391</u>	<u>8,729,131</u>	<u>2,625,370</u>	<u>2,093,040</u>	<u>7,180</u>	<u>52,052,112</u>
Excess (deficiency) of revenues over expenditures	<u>1,178,772</u>	<u>(962,022)</u>	<u>1,444,630</u>	<u>(1,805,106)</u>	<u>446,339</u>	<u>302,613</u>
<b>Other financing sources (uses):</b>						
Transfers in	894,594	185,505	-	376,380	-	1,456,479
Transfers out	<u>(561,885)</u>	<u>(593,544)</u>	<u>(301,050)</u>	<u>-</u>	<u>-</u>	<u>(1,456,479)</u>
Total other financing sources (uses)	<u>332,709</u>	<u>(408,039)</u>	<u>(301,050)</u>	<u>376,380</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,511,481	(1,370,061)	1,143,580	(1,428,726)	446,339	302,613
Fund balances, beginning	<u>10,181,219</u>	<u>2,365,320</u>	<u>952,040</u>	<u>-</u>	<u>735,562</u>	<u>14,234,141</u>
Fund balances (deficit), ending	<u>\$ 11,692,700</u>	<u>\$ 995,259</u>	<u>\$ 2,095,620</u>	<u>\$ (1,428,726)</u>	<u>\$ 1,181,901</u>	<u>\$ 14,536,754</u>

See notes to basic financial statements.

# CITY OF MIAMI GARDENS, FLORIDA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Amounts reported for governmental activities in the statement of activities  
(Page 11) are different because:

Net change in fund balances - total governmental funds (Page 14) \$ 302,613

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 3,741,149	
Depreciation expense	<u>(292,949)</u>	
Net adjustment		3,448,200

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

The detail of the differences are as follows:

Debt payments	351,830
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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 governmental funds:

The details of the difference are as follows:

Compensated absences	<u>(278,327)</u>
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Change in net assets of governmental activities (Page 11) \$ 3,824,316

See notes to basic financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Miami Gardens, Florida ("the City"), located in Miami-Dade County, Florida, is a municipal corporation in the State of Florida. The City, which was incorporated on May 13, 2003, by Miami-Dade County ("the County"), operates under a Council/Manager form of government. In addition to the general government function, the City provides its residents and businesses with police, parks and recreation, public works, and development (building, planning and zoning, code enforcement) services. The City operated under a tentative transition agreement with the County for this inception accounting period ended September 30, 2003. During the transition period, the City provided legislative and executive functions and the County continued to provide the municipal services that had existed and been provided by the County under its Unincorporated Municipal Service Area ("UMSA") budget. The transition was finalized in September 2004.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

#### A. Financial Reporting Entity

The financial statements were prepared in accordance with government accounting standards which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the City, organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose it will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Assets* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not have any business-type activities.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### B. Government-Wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmental-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 recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, and other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Transportation Fund* is a Special Revenue Fund and accounts for the revenues received from gas taxes and expenditures related to transportation efforts.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Development Services Fund* is a Special Revenue Fund and accounts for the revenues and expenditures related to the City's Planning and Zoning Department and its Building Department.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City's Capital Project Fund was established with the FY 04-05 budget through a dedicated property tax transfer of \$500,000 per year into the fund. This fund serves as an operating fund for the construction of various projects and will receive grants and other project-oriented revenues.

This *Impact Fees Fund* is a Special Revenue Fund and accounts for impact fees assessed on residential and non-residential new development. They are designated for the use of Police protection and Parks.

Additionally, the City reports the following fund type:

The *Internal Service Fund* accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City has established a General Services Fund to better account for certain internal transactions such as purchasing, fleet management, information technology and city hall related expenditures such as space and insurance. This fund has been combined into the general fund.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

#### D. Assets, Liabilities, and Net Assets or Equity

##### 1. Deposits

The City's cash and cash equivalents include cash on hand, and time and demand deposits.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements or routine cash management practices, the net outstanding of which at the end of the year are referred to as "due to/from other funds".

##### 3. Capital Assets

Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost or component of more than \$5,000 and an estimated useful life in excess of three years. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2006.

The City has not yet valued infrastructure assets transferred to the City from Miami-Dade County. Infrastructure assets constructed since the City's inception have been recorded at actual cost.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Improvements other than buildings	30
Furniture and equipment	3-15

##### 4. Compensated Absences

It is the City's policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City service. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations that occurred prior to September 30, 2006 and were subsequently paid with current available financial resources.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosures of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ with actual results.

##### 6. Fund Equity

In the fund financial statement, governmental funds report reservations of fund balance for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

##### 7. Reservations of Fund Balance

Portions of the City's Fund Balances are legally reserved for particular purposes. The table below identifies the reservations of fund balance and explains their purpose:

<u>Fund</u>	<u>Fund Balance Reserved</u>	<u>Reason for reservation</u>
General Fund	\$7,706,200	Proceeds of long-term debt issued for the purpose of acquiring certain assets.
	<u>134,472</u>	Encumbrances
Total General Fund	<u>\$7,840,672</u>	
Transportation Fund	<u>\$ 995,259</u>	Represents the cumulative excess of revenues over expenditures in this fund. This fund balance can only be used for transportation related purposes as described in various enabling legislative acts.
Development Services	1,689,470	Represents the cumulative excess of revenues over expenditures in this fund. By law or court decision, this fund balance can only be used for expenditures related to development activities within the City.
	<u>406,150</u>	Encumbrances
Total Development Services Fund	<u>2,095,620</u>	

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 7. Reservations of Fund Balance (Continued)

Capital Projects Fund	2,060,254	Encumbrances
Impact Fee Fund	1,181,901	Represents amounts paid by developers or property owners to offset the capital impact to certain parks, recreation, or law enforcement needs. This fund balance must be used for the purposes for which the money was collected or returned to the property owner.

### NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

The details of this \$11,477,799 difference are as follows:

Notes payable	\$ 8,200,000
Obligation Due to Miami-Dade County	2,814,640
Compensated absences	463,159
	<u>\$11,477,799</u>

### NOTE 3. DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State of Florida Chief Financial Officer, to hold public funds. Under Florida law, the State Chief Financial Officer requires all Florida qualified public depositories to deposit with the Chief Financial Officer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 4. RECEIVABLES

Receivables as of September 30, 2006, for the City's general fund, including the allowance for uncollectible accounts are as follows:

Utility and Franchise Taxes	\$ 494,590
Less allowance for uncollectibles	<u>-</u>
Net receivables	<u>\$ 494,590</u>

### NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds:		
Transportation Fund	General Fund	\$ 845,369
Development Services Fund	General Fund	1,991,327
Impact Fees Fund	General Fund	1,104,662
General Fund	Capital Projects Fund	978,365
General Fund	Transportation Fund	709,791
General Fund	Development Services Fund	<u>356,694</u>
		<u>\$ 5,986,208</u>

At September 30, 2006, the City's General Fund owed the City's other funds a net amount of \$1,896,945. This interfund receivable resulted from the City's pooled cash being recorded entirely in the General Fund. The General Fund's pooled cash included the amount owed to the other funds at year end.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,217,213	\$ 1,337,393	\$ -	\$ 9,554,606
Infrastructure	685,001	792,136	-	1,477,137
Construction in progress	578,573	221,248	-	799,821
Total capital assets, not being depreciated	<u>9,480,787</u>	<u>2,350,777</u>	<u>-</u>	<u>11,831,564</u>
Capital assets, being depreciated:				
Buildings	2,418,746	-	-	2,418,746
Furniture, fixtures and equipment	882,353	1,390,372	-	2,272,725
Total capital assets, being depreciated	<u>3,301,099</u>	<u>1,390,372</u>	<u>-</u>	<u>4,691,471</u>
Less accumulated depreciation for:				
Buildings	(80,625)	(80,625)	-	(161,250)
Furniture, fixtures and equipment	(32,079)	(212,324)	-	(244,403)
Total accumulated depreciation	<u>(112,704)</u>	<u>(292,949)</u>	<u>-</u>	<u>(405,653)</u>
Total capital assets, being depreciated, net	<u>3,188,395</u>	<u>1,097,423</u>	<u>-</u>	<u>4,285,818</u>
Governmental activities capital assets, net	<u>\$ 12,669,182</u>	<u>\$ 3,448,200</u>	<u>\$ -</u>	<u>\$ 16,117,382</u>

Depreciation expense was charged as functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 101,242
Public Works	28,817
Parks and recreation	21,082
Code enforcement	14,670
Non-departmental	<u>127,138</u>
Total depreciation expenses - governmental activities	<u>\$ 292,949</u>

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2006:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Bonds payable and obligation:					
Due to Miami-Dade County	\$ 3,166,470	\$ -	\$(351,830)	\$ 2,814,640	\$ 351,830
Land Acquisition Revenue Bonds, Series 2005	7,500,000	-	-	7,500,000	222,893
Capital Improvement Revenue Bonds, Series 2005	700,000	-	-	700,000	-
Total bonds payable and obligation	<u>11,366,470</u>	<u>-</u>	<u>(351,830)</u>	<u>11,014,640</u>	<u>574,723</u>
Other liabilities:					
Compensated absences	184,832	519,933	(241,606)	463,159	-
Total other liabilities	<u>184,832</u>	<u>519,933</u>	<u>(241,606)</u>	<u>463,159</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$11,551,302</u>	<u>\$519,933</u>	<u>\$(593,436)</u>	<u>\$11,477,799</u>	<u>\$ 574,723</u>

#### Miami-Dade County Obligation

In September 2004, the City entered into the *Interlocal Agreement with Miami-Dade County for Municipal Services and Establishment of Costs of Those Services, R-2004-68-119*. As part of that interlocal agreement, the City agreed to repay to Miami-Dade County the sum of \$3,518,300, payable in 10 equal annual installments of \$351,830, due each September 1<sup>st</sup>. The following table details the future debt service for this agreement:

	<u>Principal</u>
Fiscal year ending September 30:	
2007	\$ 351,830
2008	351,830
2009	351,830
2010	351,830
2011	351,830
2012-2014	<u>1,055,490</u>
	<u>\$2,814,640</u>

#### Series 2005 \$7,500,000 Land Acquisition Revenue Bond

On June 23, 2005, the City issued \$7,500,000 in special revenue bonds for the purpose of financing a portion of the costs of purchasing and renovating existing buildings and constructing new public facilities, purchasing land for, and financing architectural, engineering, environmental, legal, and other planning costs related thereto for, the sites of City Hall, Public Works Department facilities and other public facilities, widening roads and making other road improvements, and paying the costs of issuance of the bonds. The bonds have a maturity of 20 years and carry a fixed interest rate of 3.73% and require semi-annual payments each October 1<sup>st</sup> and April 1<sup>st</sup>, with the final payment due October 1, 2025. The following table details the future debt service schedule for the bonds:

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 7. LONG-TERM LIABILITIES (Continued)

#### Series 2005 \$7,500,000 Land Acquisition Revenue Bond (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2007	\$ 222,893	\$ 275,593	\$ 498,486
2008	231,207	267,124	498,331
2009	239,831	258,339	498,170
2010	248,777	249,227	498,004
2011	258,056	239,774	497,830
2012-2016	1,442,049	1,044,273	2,486,322
2017-2021	1,731,819	749,102	2,480,921
2022-2026	3,125,368	375,118	3,500,486
	<u>\$7,500,000</u>	<u>\$3,458,550</u>	<u>\$10,958,550</u>

#### Series 2005 \$2,500,000 Capital Improvement Revenue Bond

On July 15, 2005, the City issued \$2.5 million in special revenue debt. The debt is being used to finance vehicle, equipment, and machinery needs of the City over the next 5 years. The bonds bear a variable rate determined by using the one-month LIBOR (London Interbank Offer Rate) minus 55 basis points (.55%) for the first 5 years. The bonds then may convert to a fixed rate term. The fixed rate is pegged to 67.43% of the 5-year U.S. Treasury Bond rate on the day prior to the last advance against the bonds plus 50 basis points (.50%). The bonds may be prepaid without penalty at any time during the variable rate period. If the bonds are not prepaid at the end of the variable rate term, the bonds automatically convert to a fixed rate term of 6 years, with mandatory principal payments beginning on June 1, 2011. Prepayments of principal during the fixed rate term may be subject to a prepayment penalty. The bonds are secured by a pledge on the City's Communications Services Tax and Half-Cent Sales Tax. The City has drawn \$700,000 of the \$2.5 million borrowed. The following table details the future debt service schedule for the bonds, using an assumed variable rate of 4.45% through June 1, 2010 and a fixed rate of 4.3658% thereafter. The assumed rates were determined using the market rates existing subsequent to year-end. Actual rates may be different. A higher rate will result in more interest expense to the City:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2007	\$ -	\$ 31,150	\$ 31,150
2008	-	31,150	31,150
2009	-	31,150	31,150
2010	-	31,150	31,150
2011	116,667	30,561	147,228
2012-2016	583,333	76,401	659,734
	<u>\$700,000</u>	<u>\$231,562</u>	<u>\$931,562</u>

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. PROPERTY TAXES

Property values are assessed on a countywide basis by the Miami-Dade County Property Appraiser as of January 1<sup>st</sup>, the lien date, of each year and are due November 1<sup>st</sup> of the same year. The Property Appraiser certifies taxable value of property within the City and the City levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1<sup>st</sup>. Property taxes levied each November 1<sup>st</sup> by the City and all other taxing authorities within the County are centrally billed and collected by the County, with remittances to the City its proportionate share of collected taxes. Taxes for the fiscal year beginning October 1<sup>st</sup> are billed in the month of November subject to a 1% per month discount for the period November through February, and are due no later than March 31<sup>st</sup> of the subsequent year. On April 1<sup>st</sup>, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1<sup>st</sup>, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the City for its share of those receipts. For the reported period, the City did not levy any property taxes of its own. Instead, under the terms of the incorporation by the County, the City was to operate under a transition period agreement that ultimately was settled with an interlocal agreement (see Note 9).

### NOTE 9. INTERLOCAL AGREEMENTS, COMMITMENTS AND CONTINGENCIES

#### *Risk Management*

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the City carries pooled insurance provided by the Florida League of Cities.

#### *Second Interlocal Agreement With Miami-Dade County for Municipal Services and Establishment of Costs of Those Services, R-2004-68-119*

In August 2004, the City and the County entered into an interlocal agreement that established the continuity of County provided municipal services to the City at such a time as the City wished to assume those services. The interlocal agreement established the cost of services provided by the County and established a timetable for an orderly transition of County-provided municipal services. The interlocal agreement agreed to and clarified other issues including the payment for municipal services and the transfer of municipal revenues that had been collected by the County on behalf of the City. The agreement further provides for the following payments to the County by the City for the provision of municipal services by the County to the City for the period of May 13, 2003, to September 30, 2004:

- \$351,830 due to Miami-Dade County each September 1<sup>st</sup> for 10 years beginning September 1, 2005, and ending September 1, 2015.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. INTERLOCAL AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

#### ***Interlocal Agreement With Miami-Dade County For Perpetual Provision of Specialized Police Services, Resolution R-2004-70-121***

In August 2004, the City entered into an interlocal agreement mandated by Miami-Dade County wherein the City must annually and in perpetuity pay the County for Specialized Police Services. The cost of the service to the City is based upon a formula provided for in the Resolution that is primarily determined by Specialized Police Services activity, workloads level, and population of the City. The County requires this agreement of all newly incorporated municipalities. Existing municipalities do not pay this fee and the City expects to expend efforts in the future to eliminate this agreement.

#### ***Interlocal Agreement With Miami-Dade County Providing For the Transfer of Certain Road To The City, Resolution R-2004-72-123***

In August 2004, the City entered into an interlocal agreement with Miami-Dade County wherein the County transferred certain public roads within the City to the City. The City accepted all legal rights, responsibilities, and obligations related to the roads. The value of the roads had not been determined at the time of the agreement, but Management expects the roads will be recorded at several millions of dollars, net of depreciation, and will add significantly to the City's net assets.

#### ***Interlocal Agreement With Miami-Dade County Providing For the Transfer of Certain Parks to the City, Resolution R-982-04 (Miami-Dade County)***

In September 2004, Miami-Dade County transferred to the City sixteen parks previously owned by the County. The value of the parks has been recorded in the City's financial statements and is more thoroughly described within *Note 1.D., Summary of Significant Accounting Policies, Assets, Liabilities and Net Assets or Equity*.

#### ***Interlocal Agreement With Miami-Dade County Providing For Local Police Services to the City, Resolution R-2004-69-120***

In August 2004, the City entered into an interlocal agreement with Miami-Dade County for the provision of Local Police Services to the City by the County. Under the Master Interlocal Agreement with the County, in part described above by R-2004-68-119, the City is obliged to continue Local Police Services with the County through May 13, 2007. The City has made provisions in its fiscal year 2007 budget to begin operating its own police force. The City has adopted property tax increases in part to pay for this new service. It is expected to be complete by the end of fiscal year 2008.

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. INTERLOCAL AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

#### *City's Obligation To Repay Its Share of County's Outstanding Debt, Resolution R-2004-68-119*

As part of the Master Interlocal Agreement with the County, and as a condition to incorporation, the City is obliged to repay its share of certain County debt instruments that had been issued for improvements to the unincorporated areas of the County. The County had pledged certain revenues in support of those debt instruments. The restrictive covenants of those debt instruments prohibit the County from releasing the pledged revenues until the obligations have been paid in full. The City can prepay at any time its share of the outstanding debt and thus have its revenues streams released from this encumbrance. Until that time, the City is required to let the County continue to receive those revenue streams and then forward the City the difference between what was collected and what was paid as the City's share of the outstanding debt. The City's Public Service Tax on utility service will first go to the County to pay the debt service and related costs of the County's *Public Service Tax Revenue Bonds, Series 1999 and Series 2002*. The County will then forward the remainder to the City. The City's Stormwater Assessments will continue to be paid directly to the County until the County's *Stormwater Utility Revenue Bonds, Series 1999*, mature.

#### *Compliance Audits*

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

### NOTE 10. SUBSEQUENT EVENTS

#### *New Debt Issuance*

On December 21, 2006, the City executed a \$5.6 million master lease purchase agreement for the acquisition of police vehicles and other major equipment. This six-year facility is secured by the City's promise to budget and appropriate funds for the periodic repayment of leased amounts based upon a variable rate determined at the time of financing.

On January 12, 2007, the City issued \$14,400,000 in Land Acquisition and Improvement Revenue Bonds to finance a portion of the costs of purchasing land for, and financing architectural, engineering, environmental, legal, and other planning costs related to a City Hall, Public Works facility, Public Safety facility, and other facilities. The bonds are being secured by the City's communication services tax and local government half-cent sales tax. The bonds bear an interest rate of 4.24% with semi-annual payments of \$538,749.67 paid beginning October 11, 2007, and ending December 30, 2026.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other Than MD&A)**

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# CITY OF MIAMI GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 11,417,660	\$ 11,417,660	\$ 11,635,651	\$ 217,991
Utility taxes	8,195,264	8,195,264	7,067,495	(1,127,769)
Intergovernmental	9,413,423	9,413,423	11,010,648	1,597,225
Charges for services	384,664	597,164	613,632	16,468
Licenses and permits	1,162,054	1,192,554	1,015,378	(177,176)
Fines and forfeitures	302,250	502,350	468,073	(34,277)
Franchise fees	4,266,231	4,266,231	4,069,708	(196,523)
Grant revenue	346,456	937,077	2,569,043	1,631,966
Other income	394,421	3,988,318	578,763	(3,409,555)
Interest	305,600	315,200	733,714	418,514
Total revenues	<u>36,188,023</u>	<u>40,825,241</u>	<u>39,762,105</u>	<u>(1,063,136)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Elected officials	405,650	404,595	424,834	(20,239)
City Clerk	174,870	175,222	180,949	(5,727)
Administration	1,280,987	1,463,747	1,948,843	(485,096)
City Attorney	105,000	173,100	174,404	(1,304)
Code enforcement	853,208	849,498	677,899	171,599
Public safety	26,544,797	27,310,288	27,380,817	(70,529)
Public works	-	-	110,756	(110,756)
Parks and recreation	5,155,731	5,085,487	3,819,835	1,265,652
Non-departmental	2,140,340	3,247,058	898,983	2,348,075
Capital outlay	116,700	86,026	170,211	(84,185)
Total expenditures	<u>36,777,283</u>	<u>38,795,021</u>	<u>35,787,531</u>	<u>3,007,490</u>
Excess of revenues over expenditures	<u>(589,260)</u>	<u>2,030,220</u>	<u>3,974,574</u>	<u>1,944,354</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,037,757	-	-	-
Transfers out	(948,498)	(2,298,014)	(1,768,165)	529,849
Total other financing sources (uses)	<u>89,259</u>	<u>(2,298,014)</u>	<u>(1,768,165)</u>	<u>529,849</u>
Net change in fund balances	<u>\$ (500,001)</u>	<u>\$ (267,794)</u>	<u>\$ 2,206,409</u>	<u>\$ 2,474,203</u>

See note to budgetary comparison schedule.

# CITY OF MIAMI GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2006

#### **NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

An annual appropriated budget is prepared for the general fund.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The City Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The City Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2006, there were no supplemental appropriations.
- (e) The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (f) Formal budgetary integration is employed as a management control device for the general fund.
- (g) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

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## **COMPLIANCE SECTION**

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**Report of Independent Certified Public Accountants 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***

Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida

We have audited the financial statements of the governmental activities and each major fund of the City of Miami Gardens, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report dated August 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

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Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida  
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, non-compliance 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 Mayor, City Council, management and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
August 8, 2007

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

Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida

We have audited the basic financial statements of the governmental activities and each major fund of the City of Miami Gardens, Florida (the City) as of and for the fiscal year ended September 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 8, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated August 8, 2007, should be considered in conjunction with this management letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial report have been followed. The recommendation made in the preceding annual financial audit report has not been corrected and is repeated in the schedule of findings and questioned costs as item 2006-1.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. The City did not have any investments in the current fiscal year.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did have a finding indicated as item 2006-1 which is reported in the schedule of findings and questioned costs.

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**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

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Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida  
Page Two

The Rules of the Auditor General (Section 10.554(l)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit found a matter that is required to be disclosed and is indicated as item 2006-1 in the schedule of findings and questioned costs.

The Rules of the Auditor General (Section 10.554(l)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Miami Gardens was incorporated on May 13, 2003 under the Charter and Laws of Miami-Dade County.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City of Miami Gardens for the fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end. There were no findings that identified deteriorating financial conditions.

This management letter is intended solely for the information of the Mayor, City Council, management, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Rachlin Cohen & Holtz LLP*

August 8, 2007  
Miami, Florida

**Report of Independent Certified Public Accountants on Compliance with Requirements to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida

Compliance

We have audited the compliance of the City of Miami Gardens, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal awards programs for the fiscal year ended September 30, 2006. The City's major federal awards programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2006.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

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Honorable Mayor, City Council and City Manager  
City of Miami Gardens, Florida  
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
August 8, 2007

**CITY OF MIAMI GARDENS, FLORIDA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Pass Through Grantor Programs</u>	<u>Federal CFDA Number</u>	<u>Federal Grant/ Contract Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed Through State of Florida Department of Community Affairs:			
Community Development Block Grant	14.218	CD531C0349	\$ 128,062
Community Development Block Grant	14.218	CD531C0350	13,607
Community Development Block Grant	14.218	CD531C0351	<u>50,000</u>
<b><i>Total Department of Housing and Urban Development</i></b>			<u>191,669</u>
<b><u>U.S. Department of Justice</u></b>			
Passed Through Miami-Dade County Department of Human Services:			
Byrne Formula Grant Program	16.579	05JAGC-DADE-19-M8-082	<u>20,570</u>
<b><u>U.S. Department of Agriculture</u></b>			
Passed through the State of Florida Department of Agriculture and Consumer Services:			
Urban & Community Forestry	10.664	06-32	11,500
Urban & Community Forestry	10.664	05H-100	30,000
Urban & Community Forestry	10.664	04-48	<u>30,000</u>
<b><i>Total Department of Agriculture</i></b>			<u>71,500</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed through the State of Florida Department of Transportation:			
Highway Planning and Construction	20.205	AO172	<u>17,450</u>
<b><u>Federal Emergency Management Agency</u></b>			
Passed through the State of Florida Department of Community Affairs			
Disaster Relief Funding Agreement (Hurricane Katrina)	97.036	06-KT-B&-11-23-02-517	199,424
Disaster Relief Funding Agreement (Hurricane Wilma)	97.036	06-WL-K&-11-23-02-594	<u>4,698,597</u>
<b><i>Total Federal Emergency Management Agency</i></b>			<u>4,898,021</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 5,199,210</u>

# CITY OF MIAMI GARDENS, FLORIDA

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

### NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Miami Gardens and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF MIAMI GARDENS, FLORIDA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2006**

**I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS**

Finding 2005-1 is being repeated as item 2006-1 in the accompanying schedule of findings and questioned costs.

**II. PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

N/A

CITY OF MIAMI GARDENS, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

*Unqualified Opinion*

Type of auditor’s report issued:

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes  X  No

Reportable condition(s) identified not considered to be material weakness?

X  Yes \_\_\_\_\_ None reported

Non-compliance material to financial statements noted?

\_\_\_\_\_ Yes  X  No

Federal Awards Programs

Internal control over major awards programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes  X  No

Reportable condition(s) identified not considered to be material weakness?

\_\_\_\_\_ Yes  X  None reported

*Unqualified Opinion*

Type of auditor’s report issued on compliance for major awards Programs:

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

\_\_\_\_\_ Yes  X  No

Identification of major federal awards programs:

Federal Program

CFDA No.

Disaster Relief Funding

97.036

Dollar threshold used to distinguish between

Type A and Type B programs:

\$300,000

Auditee qualified as low risk auditee?

\_\_\_\_\_ Yes  X  No

# CITY OF MIAMI GARDENS, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2006

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Reportable Condition

##### 2006-1 Financial Reporting

###### *Criteria*

The City's books and records should be maintained on a current basis and be inclusive of all of the City's transactions. This is essential to ensure accurate financial reporting.

###### *Condition*

We noted that the books and records of the City were not maintained on a current basis, nor did they properly reflect all the transactions of the City. We noted the following:

- There were a series of transactions posted in the general fund as undefined revenues of approximately \$1.5 million dollars. This account was reconciled during the audit and it was noted that the majority of the revenues classified as undefined were related to ad valorem, electric utility and communication services taxes.
- Various account reconciliations were not performed as of the fiscal year end.
- Capital asset records were not updated.

###### *Cause*

The lack of adequate internal controls over the financial reporting process.

###### *Effect*

The City did not have accurate monthly financial statements and the audit for the fiscal year ended September 30, 2006 could not be completed in a timely manner (completed in August of 2007).

###### *Recommendation*

We recommend that the City strengthen its internal controls over financial reporting and recordkeeping so that process can be effectuated in a timely manner.

###### *Prior Year View of Responsible Officials and Planned Corrective Actions*

The development services transactions resulted from a period of time during which a cash registering and permit subsystem had problems communicating with each other. Rather than not deposit the cash, it was decided to post the revenue to a temporary account to reconcile at a later time. Management does not believe that this issue will recur; however, as the City has quickly grown, it will need to add additional accounting staff to make sure these types of issues are more timely addressed.

# CITY OF MIAMI GARDENS, FLORIDA

## SCHEDULE OF FINDINGS

(Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### Reportable Condition (Continued)

##### 2006-1 Financial Reporting (Continued)

#### *Prior Year View of Responsible Officials and Planned Corrective Actions (Continued)*

Management does not believe it affects decision-making during the year to reconcile its capital asset records other than at year-end. It does acknowledge that the purchasing and accounting staff need to be better trained to recognize the proper accounting entries for retainage amounts owed under construction contracts.

Management also recognizes that the City has quickly grown and that its financial operations need to be brought entirely in-house and greatly expanded. To that end, the City has acquired and is in the process of deploying its own financial accounting system and other subsidiary systems. The City also plans to hire additional accounting staff through its FY2007 budget.

#### *Current Year View of Responsible Officials and Planned Corrective Actions*

The City has been successful in bringing the finance function in-house by hiring its first Finance Director. The new Director has, as his first priority, the establishment of procedures to ensure that all required reconciliations are done on a monthly basis, as well as establishing internal control policies to safeguard City assets. Additional Finance staff is already being hired to implement the required policies and to assist existing staff in updating all City records in order to provide timely financial information.

The City's goal is to have the FY2007 audit completed before the March 31, 2008 deadline. Management is fully aware of the importance of internal controls over financial reporting and recordkeeping, it is for this reason that all available resources will be provided to achieve these goals.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.