

CITY OF MIAMI GARDENS, FLORIDA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

Prepared by:

THE FINANCE DEPARTMENT

CITY OF MIAMI GARDENS, FLORIDA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

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INTRODUCTORY SECTION

CITY OF MIAMI GARDENS, FLORIDA

CITY OFFICIALS

SEPTEMBER 30, 2004

CITY COUNCIL

Shirley Gibson, Mayor
Aaron Campbell Jr., Vice Mayor

Audrey J. King
Barbara Watson
Melvin L. Bratton
Sharon Pritchett
Oscar Braynon

CITY MANAGER

Dr. Danny O. Crew

CITY CLERK

Ronetta Taylor, CMC

CITY ATTORNEY

Sonja K. Knighton
James C. Brady & Associates

FINANCE DIRECTOR

Christopher Wallace, New Community Strategies

CITY AUDITORS

Rachlin Cohen & Holtz LLP
Accountants • Advisors

FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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, 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2004 and the respective changes in financial position, thereof for the year ended to September 30, 2004 in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2005 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

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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 9 and pages 26 through 27, 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.

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
May 28, 2005

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

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 10).

The City was incorporated May 13, 2003, under the Charter and Laws of Miami-Dade County (the "County"). 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 1st of each year and ends September 30th of the next year. Virtually all of the financial information contained in the City's partial years' financial statement results from the budget and terms and conditions that were set as part of the City's incorporation. 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.

Because of the delay in completing the negotiations of the interim and transitional interlocal agreements, both parties agreed to a settlement amount for FY2003 and FY2004, which was to be paid in FY2005. The financial statements reflect the activity of the City for the interim period and the settlement amounts agreed to in September 2004. Readers of these financial statements should use caution in drawing any conclusions about the City's Statement of Net Assets and Statement of Activities. Management does not believe they reflect any meaningful data that would allow readers to understand anything other than the City's revenues and expenses that it recorded during the interim period and the net assets that resulted from the final agreements reached in a subsequent period. The FY2004 budget was largely determined by the taxes levied by the County since the City would not be able to levy its own property tax rate until FY2005. It is Management's belief that FY2005 will be the first year that will contain any meaningful information about the City's financial operations and the level of service that it provides its residents and businesses.

Financial Highlights

The City finished its interim period fiscal year with Net Assets of \$9,583,875, of which \$11,299,499 represents the amount attributable to the General Fund activities. Of that amount, \$10,741,394 is invested in capital assets, and the balance of \$558,105 was unrestricted. The City's Transportation

Fund had Net Assets of \$1,855,963, which is part of the City's Total Net Assets. The balance of \$328,321 represents amounts received for gas tax programs and projects.

The City's Net Assets attributed to the General Fund, net of investment in Capital Assets, declined from its FY2003 amount of \$1,643,213 to its FY2004 year-end amount of \$558,105. This decline was almost entirely attributed to settlements of disputed amounts with Miami-Dade County ("the County") that related to the incorporation of the City and the provision of services by the County during the transitional and interim periods. Agreements were reached with the County in September 2004 that obligated the City to repayment of disputed amounts. A lump sum payment of approximately \$8.7 million was made to the County in December 2004 and the remaining amounts will be repaid over the next 10 years. A prior period adjustment of \$228,001 also reduced the Net Assets of the General Fund. This adjustment occurred as a result of remittances received from the State of Florida that indicated a remittance was for FY2003. The remittance turned out to be for FY 2004.

The City's Net Assets attributed to its Transportation Fund increased by \$1,527,642. This increase is attributed to activities that do not include investments in Capital Assets. The Net Assets available for appropriation in the Transportation Fund are reserved or earmarked for transportation related operations.

The City's revenues that were recorded for FY2004 were almost entirely the result of State of Florida shared revenues that were paid or owed directly to the City. During the year, the City began implementing its own local ordinances that provided for the levy and collection of various taxes, licenses, permits, fees, and charges for services. This represents another positive financial step for the City as it seeks to consolidate the levy and collection of its own revenue streams. Its goal is to diversify its revenue streams and control its own destiny in the future. 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 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 did not have any business-type activities for FY2004.

The City's had no long-term debt as of September 30, 2004, other than that discussed above. However, subsequent to year-end, the City issued \$7.5 million in fixed rate debt with a term of 20 years. This borrowing is anticipated to be used to acquire land for a City Hall and Public Works facility. Additionally, the City also issued subsequent to year-end \$2.5 million in variable rate debt with a term of 5 years. That debt then converts to a fixed rate debt with a maturity of 6 years if it has not been repaid at the end of its fixed rate term. The proceeds from that debt issued will be used to acquire vehicles, equipment, and software over the next 5 years. The City budgeted for the debt service payments in its FY2005 budget.

The City's major expenses in FY2004 were for payments to the County for services provided by them during the transitional period. The City also took over the Parks facilities from the County and began providing the services at those parks. During FY2004, the City also began providing school crossing guard services thru an outsourced contract. The County's law enforcement department had provided those services. The City hired its own employees to provide this important service for the 2006 school year. The City's other General Fund expenditures were for a range of General Governmental services. The City also received Parks and Recreational facilities worth approximately \$10.6 million from the County, as well as a significant amount of streets and rights-of-way that had not yet been valued by years end.

City Achievements

The City hired its first permanent City Manager who became instrumental in resolving many of the outstanding financial and operational issues related to incorporation and transitioning of services from the County to the City. The City Manager then hired key executives and professional to guide development of the programs and services that the City would soon provide.

The City settled its outstanding issues with the County in September 2004. Assets owned by the County were transferred to the City prior to year-end.

A more permanent City Hall location was chosen and space was leased to house the City's operations for the next few years.

Most importantly, the City adopted its first true budget and levied its first property tax for FY2005. The new tax rate, though slightly higher than the rate paid when the area was unincorporated, is still one of the lowest in Miami-Dade County. The City Commission set the direction and tone for the City's future and the City made significant progress in adding personnel to deliver the many different services the City will provide.

The City also made important inroads in its communications with its residents and businesses by holding many community meetings, developing a City newsletter, and activating a website with relevant and timely information.

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.

Comparative Financial Statement Information

The City has chosen to not present comparative financial statement information for FY2003 and FY2004 because it believes that providing such information would be at best meaningless and at worse misleading. The first two fiscal years since the City's inception have been marked by financial transactions that do not truly reflect the activity of the City. Rather, these years are noted for the manner in which the City was incorporated and the fact that key agreements between the City and the County were not completed until the very end of the second fiscal year.

Government-wide Financial Statements

The Government-wide Financial statements (see pages 10 to 11) 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 11) 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 12 to 13) 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 25). During FY2004, the City had only two funds, the General Fund and the Transportation Fund, both considered Major Funds. This structure changed for FY2005 to include other funds reflective of the City's maturation into a full-service municipality. 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 14). 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 acquired over \$10.7 million in new assets, almost all of which were parks and recreational facilities transferred to the City from the County. The City also received a significant amount of streets and rights-of-way at the same time from the County. The value of that infrastructure will not be known until the FY2006 fiscal year.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Assets

The largest portion of the City's net assets, net of capital assets, is Cash and Investments, and totaled \$10,367,514. Most of the cash is owed at year-end to the County (\$8.7 million). The City's General Fund owed its Transportation Fund \$2.9 million. This amount of cash could also have been apportioned to the Transportation Fund since it had not been spent during the year.

The Unrestricted Net Asset balance of (\$1,157,519) 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. Most of that amount is to be used for future transportation related expenditures.

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. The City is also required to utilize the County's police services for the next few years 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. This delay adversely affects the City's cash flow. The City may be required to delay payment to the County for its police services contract until such time that the County can remit to the City the balance of its utility service taxes.

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.

Economic Conditions. The City is located in South Florida. Demand for residential and commercial property has been very strong for several years. Demand for housing has increased substantially and this trend is expected to continue for some time. 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 it is almost certain that the City will quickly expand its service delivery to its residents and businesses. The City will be tasked with maintaining its low tax rate while controlling the cost of delivering these services. During its FY2005 budget process, the City greatly expanded its service efforts.

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 will have 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 will face continual pressure on these costs. Costs for insurance and retirement are expected to continue to climb.

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 \$2.4 million, up from FY2003's \$1.97 million. The City expects to increase its fund balance in FY2005 as well.

Business-type Funds

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

Budgetary Results

The City had developed an interim period budget that came about from the unincorporated area study. Budgetary performance is not considered meaningful by management for this interim period. Significant negative variances in Revenues, coupled with significant positive variances in

Expenditures, resulted in a deficiency of revenues over expenditures of \$857,106. This should not be viewed as poor budgetary planning or performance. Rather, it reflects the manner in which the County incorporated the City and the timing and nature of the Settlements made at fiscal year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had approximately \$10,741,394 in Capital Assets, mostly comprised of land and buildings transferred to the City from the County at fiscal year-end. All of the land and buildings were parks and recreation facilities.

Debt

The City had no debt or other obligations of its own outstanding at year-end. However, as noted above and repeated here, 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 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.

Subsequent to year-end, the City issued \$7.5 million in fixed rate debt with a term of 20 years. This borrowing is anticipated to be used to acquire land for a City Hall and Public Works facility. Additionally, the City also issued subsequent to year-end \$2.5 million in variable rate debt with a term of 5 years. That debt then converts to a fixed rate debt with a maturity of 6 years if it has not been repaid at the end of its fixed rate term. The proceeds from that debt issued will be used to acquire vehicles, equipment, and software over the next 5 years. The City budgeted for the debt service payments in its FY2005 budget.

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, Christopher Wallace, at 305-622-8000, or at the City of Miami Gardens Finance Department, 1515 NW 167th Street, Miami Gardens, Florida 33169.

BASIC FINANCIAL STATEMENTS

CITY OF MIAMI GARDENS, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 10,367,514
Receivables, net	973,552
Capital assets not being depreciated	8,217,213
Capital assets being depreciated, net	<u>2,524,181</u>
Total assets	<u>22,082,460</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	301,283
Due to Miami-Dade County	8,492,715
Security deposits	133,000
Noncurrent liabilities:	
Due within one year	351,830
Due in more than one year	<u>3,219,757</u>
Total liabilities	<u>12,498,585</u>
<u>NET ASSETS</u>	
Invested in capital assets	10,741,394
Unrestricted	<u>(1,157,519)</u>
Total net assets	<u>\$ 9,583,875</u>

See notes to basic financial statements.

CITY OF MIAMI GARDENS, FLORIDA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Total</u>	Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>			
Governmental activities:							
General government:	\$ 2,367,976	\$ 139,126	\$ -	\$ -	\$ (2,228,850)	\$ (2,228,850)	
Public safety	514,648	360,971	-	-	(153,677)	(153,677)	
Public works	51,094	-	-	3,234,153	3,183,059	3,183,059	
Parks and recreation	1,534,294	154,075	-	-	(1,380,219)	(1,380,219)	
Non-departmental	11,304,171	-	-	-	(11,304,171)	(11,304,171)	
Total governmental activities	<u>\$ 15,772,183</u>	<u>\$ 654,172</u>	<u>\$ -</u>	<u>\$ 3,234,153</u>	<u>(11,883,858)</u>	<u>(11,883,858)</u>	
General revenues:							
Property taxes					54,591	54,591	
Franchise fees based on gross receipts					316,270	316,270	
Utility taxes					180,069	180,069	
Unrestricted intergovernmental revenue					8,467,581	8,467,581	
Capital assets, transferred from other governments					10,635,959	10,635,959	
Miscellaneous					1,250	1,250	
Unrestricted investment earnings					40,534	40,534	
Total general revenues					<u>19,696,254</u>	<u>19,696,254</u>	
Change in net assets					7,812,396	7,812,396	
Net assets, beginning, as previously reported					1,999,480	1,999,480	
Prior period adjustment (see Note 12)					(228,001)	(228,001)	
Net assets, beginning, as restated					<u>1,771,479</u>	<u>1,771,479</u>	
Net assets, ending					<u>\$ 9,583,875</u>	<u>\$ 9,583,875</u>	

See notes to basic financial statements.

CITY OF MIAMI GARDENS, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 10,367,514	\$ -	\$ 10,367,514
Other receivables, net	973,552	-	973,552
Due from general fund	-	2,902,746	2,902,746
Total assets	<u>\$ 11,341,066</u>	<u>\$ 2,902,746</u>	<u>\$ 14,243,812</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 299,950	\$ 1,333	\$ 301,283
Due to Miami-Dade County	7,447,265	1,045,450	8,492,715
Due to special revenue fund	2,902,746	-	2,902,746
Security deposits	133,000	-	133,000
Total liabilities	<u>10,782,961</u>	<u>1,046,783</u>	<u>11,829,744</u>
Fund balances:			
Reserved	-	1,855,963	1,855,963
Unreserved, undesignated reported in:			
General fund	<u>558,105</u>	<u>-</u>	<u>558,105</u>
Total fund balances	<u>558,105</u>	<u>1,855,963</u>	<u>2,414,068</u>
Total liabilities and fund balances	<u>\$ 11,341,066</u>	<u>\$ 2,902,746</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.	10,741,394
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds (see Note 2)	<u>(3,571,587)</u>
Net assets of governmental activities	<u>\$ 9,583,875</u>

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, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 54,591	\$ -	\$ 54,591
Utility taxes	180,069	-	180,069
Intergovernmental	9,073,421	2,628,313	11,701,734
Charges for services	164,850	-	164,850
Licenses and permits	128,351	-	128,351
Fines and forfeitures	360,971	-	360,971
Franchise fees	316,270	-	316,270
Other income	-	1,250	1,250
Interest	39,532	1,002	40,534
Total revenues	<u>10,318,055</u>	<u>2,630,565</u>	<u>12,948,620</u>
Expenditures:			
Current:			
General government:	1,200,859	1,078,357	2,279,216
Public safety	514,355	-	514,355
Public works	50,602	-	50,602
Parks and recreation	1,533,929	-	1,533,929
Non-departmental	7,785,871	-	7,785,871
Capital outlay	89,545	24,566	114,111
Total expenditures	<u>11,175,161</u>	<u>1,102,923</u>	<u>12,278,084</u>
Net change in fund balances	<u>(857,106)</u>	<u>1,527,642</u>	<u>670,536</u>
Fund balances, beginning, as previously stated	1,643,212	328,321	1,971,533
Prior period adjustment (see Note 12)	<u>(228,001)</u>	<u>-</u>	<u>(228,001)</u>
Fund balances, beginning, as restated	<u>1,415,211</u>	<u>328,321</u>	<u>1,743,532</u>
Fund balances, ending	<u>\$ 558,105</u>	<u>\$ 1,855,963</u>	<u>\$ 2,414,068</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, 2004

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

Net change in fund balances - total governmental funds (Page 13)	\$ 670,536
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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	\$ 80,283	
Depreciation expense	(2,795)	
Net adjustment		77,488

The effect of transactions involving capital assets transferred from Miami-Dade County is to increase net assets	10,635,959
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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:

Obligation Due to Miami Dade County	(3,518,300)	
Compensated absences	(53,287)	
		(3,571,587)

Change in net assets of governmental activities (Page 11)	<u>\$7,812,396</u>
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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

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 period understanding continued through much of the subsequent fiscal year and 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* accounts for the revenues received from gas taxes and expenditures related to transportation efforts.

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

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)

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.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds"

3. Capital Assets

At fiscal year end, Miami-Dade County transferred ownership of certain parks and roads to the City. The value of the parks and recreational facilities has been recorded in the City's accounts at the value estimated by the Miami-Dade County Property Appraiser for the 2004 calendar year. Florida's constitution and related State laws require the Property Appraiser of each county in the State to value each property, including property owned by units of local governments, at its fair market value. The values thus established by the Miami-Dade Property Appraiser were reviewed by the City and found to be reasonable. The value of the road and sidewalk infrastructure that was transferred by Miami-Dade County to the City has not yet been established. The City believes that it will have the fair value of that infrastructure established during Fiscal Year 2006.

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 or business-type activities 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 \$2,500 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.

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)

3. Capital Assets (Continued)

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

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 2004.

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
Furniture and equipment	3-10

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 and proprietary fund 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, 2004 and were subsequently paid with current available financial resources.

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.

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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 \$3,571,587 difference are as follows:

Obligation Due to Miami-Dade County	\$3,518,300
Compensated absences	<u>53,287</u>
	<u>\$3,571,587</u>

NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The classification detail at which expenditures may not legally exceed appropriations is at the department level. For the year ended September 30, 2004, expenditures exceeded appropriations in the Non-departmental department by \$5,668,351 as presented in the budgetary comparison schedule following the notes to the basic financial statements.

The departmental budget exceeded appropriations as a result of an agreed-to amount between the City and Miami-Dade County. The original budget adopted by the City was created with substantial input from the County largely during the months immediately following incorporation in 2003. Because interlocal agreements between the City and the County were not formalized until September 2004, the County and the City agreed to an amount to be paid to the County by the City for services of all types that the County provided during fiscal year 2004. The amount was paid in December 2004 but was recorded as a non-departmental expenditures for fiscal year 2004.

NOTE 4. 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 5. RECEIVABLES

Receivables as of September 30, 2004, for the City's general fund, including the allowance for uncollectible accounts are as follows:

Property taxes	\$ 54,590
Intergovernmental	918,527
Other	<u>435</u>
Gross receivables	973,552
Less allowance for uncollectibles	<u>-</u>
Net receivables	<u>\$973,552</u>

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds:		
Special revenue	General Fund	<u>\$2,902,746</u>

At September 30, 2004, the City's General Fund owed the City's Special Revenue Fund \$2,902,746. This interfund receivable resulted from the manner and timing in which the interlocal agreements detailed in Note 11, *Interlocal Agreements, Commitments and Contingencies* were adopted. At September 30, 2004, the City's General Fund had sufficient cash with which to repay the Special Revenue Fund. However, because the City owed Miami-Dade County approximately \$8.8 million as of September 30, 2004, to be repaid in December 2004, and because this would have adversely affected the City's cash flow until early January 2005, the City elected to disclose this as a likely temporary interfund borrowing as of its fiscal year end. The City expects to eliminate this interfund transaction during FY2005.

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 8,217,213	\$ -	\$ 8,217,213
Total capital assets, not being depreciated	<u>-</u>	<u>8,217,213</u>	<u>-</u>	<u>8,217,213</u>

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	-	2,418,746	-	2,418,746
Furniture, fixtures and equipment	<u>27,947</u>	<u>80,283</u>	-	<u>108,230</u>
Total capital assets, being depreciated	<u>27,947</u>	<u>2,499,029</u>	-	<u>2,526,976</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	-	(2,795)	-	(2,795)
Total accumulated depreciation	<u>-</u>	<u>(2,795)</u>	-	<u>(2,795)</u>
Total capital assets, being depreciated, net	<u>27,947</u>	<u>2,496,234</u>	-	<u>2,524,181</u>
Governmental activities capital assets, net	<u>\$ 27,947</u>	<u>\$ 10,713,447</u>	<u>\$ -</u>	<u>\$ 10,741,394</u>

NOTE 8. DUE TO MIAMI-DADE COUNTY

At year end, the City owed to Miami-Dade County approximately \$7.7 million from its General Fund and \$1.1 million from its Special Revenue Fund. This liability, first noted as a subsequent event in FY2003, resulted from the settlement of disputed amounts and other issues that arose during the incorporation of the City by Miami-Dade County. The *Second Interlocal Agreement With Miami-Dade County for Municipal Services and Establishment of Costs of Those Services, R-2004-68-119* adopted by both the City and the County in September 2004, clarified the issue 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 provided 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 from May 13, 2003 to September 30, 2004:

- \$7,447,265 Due to Miami-Dade County on or before December 1, 2004, from the City's General Fund.
- \$1,045,450 Due to Miami-Dade County on or before December 1, 2004, from the City's Transportation Fund.
- \$351,830.20 due to Miami-Dade County each September 1st for 10 years beginning September 1, 2005, and ending September 1, 2015 (see Note 9).

As of the date of this report, the City had made the first 2 payments to the County and expects to pay the debt due September 1, 2005.

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. 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, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Obligation:					
Due to Miami-Dade County	\$ -	\$ 3,518,300	\$ -	\$ 3,518,300	\$ 351,830
Total obligation	<u>-</u>	<u>3,518,300</u>	<u>-</u>	<u>3,518,300</u>	<u>351,830</u>
Other liabilities:					
Compensated absences	-	53,287	-	53,287	-
Total other liabilities	<u>-</u>	<u>53,287</u>	<u>-</u>	<u>53,287</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ -</u>	<u>\$ 3,571,587</u>	<u>\$ -</u>	<u>\$ 3,571,587</u>	<u>\$ 351,830</u>

NOTE 10. PROPERTY TAXES

Property values are assessed on a countywide basis by the Miami-Dade County Property Appraiser as of January 1st, the lien date, of each year and are due November 1st 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 1st. Property taxes levied each November 1st 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 1st 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 31st of the subsequent year. On April 1st, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1st, 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 11).

NOTE 11. 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.

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. INTERLOCAL AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

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:

- \$7,447,265 Due to Miami-Dade County on or before December 1, 2004, from the City's General Fund
- \$1,045,450 Due to Miami-Dade County on or before December 1, 2004, from the City's Transportation Fund.
- \$351,830 due to Miami-Dade County each September 1st for 10 years beginning September 1, 2005, and ending September 1, 2015.

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. The cost to the City for these services for FY2005 is estimated to be \$6,670,437 and has been budgeted for by the City in its FY2005 budget

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.

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. INTERLOCAL AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

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 must pay \$17,835,443 for the 12-month period beginning October 1, 2005. The City budgeted for this obligation in its FY2005 budget. Subsequent period amounts are determined by a methodology detailed in the resolution.

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. The City's FY2005 budget contemplates the net revenues within its framework.

CITY OF MIAMI GARDENS, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 12. PRIOR PERIOD ADJUSTMENT

During Fiscal Year 2003, the City recorded \$228,001 of shared revenue received from the State of Florida. Though the remittance had indicated that the revenue was for the City's fiscal year 2003, it was discovered during the FY2004 audit that the remittance was for fiscal year 2004. Accordingly, a prior period adjustment \$228,001 was recorded for fiscal year 2003. Had this remittance been posted in fiscal year 2003, General Fund revenues, fund balance, and net assets would have been \$228,001 less. The *Statement of Activities* and *Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds*, reflect the restatement of beginning net assets and fund balances that would have been reported had the transaction been recorded in the proper period.

NOTE 13. SUBSEQUENT EVENTS

In July 2005, the City issued \$7.5 million in special obligation bonds that will be used to buy land for a city hall and public works facility. The indebtedness is a 20-year fixed rate borrowing secured by the City's half-cent sales tax and communications services tax. The borrowing was contemplated in the City's FY2005 budget.

In July 2005, the City also issued \$2.5 million in special obligation bonds that will be used to acquire vehicles, equipment, and software over the next five years. The indebtedness is a 5-year variable rate borrowing that converts to a 6-year fixed rate term note if any amount is outstanding at the end of the first 5 years. The borrowing was also contemplated in the City's FY2005 budget.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF MIAMI GARDENS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Property taxes	\$ 5,982,000	\$ 5,982,000	\$ 54,591	\$(5,927,409)
Utility taxes	9,225,000	9,225,000	180,069	(9,044,931)
Intergovernmental	8,148,200	8,148,200	9,073,421	925,221
Charges for services	374,000	374,000	164,850	(209,150)
Licenses and permits	957,000	957,000	128,351	(828,649)
Fines and forfeitures	1,062,000	1,062,000	360,971	(701,029)
Franchise fees	3,605,000	3,605,000	316,270	(3,288,730)
Other income	41,000	41,000	-	(41,000)
Interest	369,000	369,000	39,532	(329,468)
Total revenues	29,763,200	29,763,200	10,318,055	(19,445,145)
Expenditures:				
Current:				
General government:				
Elected officials	419,520	419,520	206,604	212,916
City Clerk	286,000	286,000	123,017	162,983
Administration	1,016,460	1,016,460	574,534	441,926
City Attorney	200,000	200,000	76,894	123,106
Building and planning	1,084,040	1,084,040	219,810	864,230
Public safety	21,063,080	21,063,080	514,355	20,548,725
Public works	406,510	406,510	50,602	355,908
Parks and recreation	2,931,000	2,931,000	1,533,929	1,397,071
Non-departmental	2,117,520	2,117,520	7,785,871	(5,668,351)
Capital outlay	239,070	239,070	89,545	149,525
Total expenditures	29,763,200	29,763,200	11,175,161	18,588,039
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (857,106)	\$ (857,106)

See note to budgetary comparison schedule.

CITY OF MIAMI GARDENS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2004

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, 2004, there were no supplemental appropriations.
- (e) Formal budgetary integration is employed as a management control device for the general fund.
- (f) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

COMPLIANCE SECTION

**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, 2004, which collectively comprise the City's basic financial statements, and have issued our report dated May 28, 2005. 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.

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*.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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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

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Honorable Mayor, City Council and City Manager
City of Miami Gardens, Florida
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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
May 28, 2005

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 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, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2005. 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 and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Compliance and Other Matters and on Internal Control over Financial Reporting. Disclosures in the report, which is dated May 28, 2005, should be considered in conjunction with this management letter.

In connection with our audit of basic financial statements of the City for the year ended September 30, 2004, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits*, which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. There were no significant findings or recommendations made in the preceding annual financial audit.
2. There were no recommendations to improve the City's present financial management and accounting procedures.
3. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.

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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

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- c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor
4. The City was incorporated on May 13, 2003, under the Charter and Laws of Miami-Dade County. There were no component units related to the City.
5. a. In connection with our audit, the City, during fiscal year 2004, did not meet any of the conditions described in Florida Statutes 218.503(1).
 - b. The annual financial report for the year ended September 30, 2004 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2004.
 - c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings that identified deteriorating financial conditions.

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

Rachlin Cohen & Holtz LLP

Miami, Florida
May 28, 2005