

**CITY OF MIAMI GARDENS, FLORIDA**

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

Prepared by:

THE FINANCE DEPARTMENT

# CITY OF MIAMI GARDENS, FLORIDA

## BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

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## **INTRODUCTORY SECTION**

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# **CITY OF MIAMI GARDENS, FLORIDA**

## **CITY OFFICIALS**

SEPTEMBER 30, 2005

## **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, 2005, 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, 2005 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 June 19, 2006 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**

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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 27 through 28, 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.

*Rachler Cohen & Holtz LLP*

Miami, Florida  
June 19, 2006

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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 10).

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 first year that the City operated under a budget of its creation and direct control. It marks the first 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 \$15,352,021, and increase of \$4,964,214 over the restated FY2004 Net Assets of \$10,387,807, an increase of 47.8% from the previous year. Of that amount, \$12,669,182 is invested in capital assets while the unrestricted portion grew to \$2,682,839, up from the previous year's amount, as adjusted, of \$1,362,037, an increase of nearly 100%.

In the previous fiscal year, the City had settled certain outstanding issues with Miami-Dade County. The results of that settlement had reduced the City's available reserves significantly. However, FY2005 provided a good first step in increasing the City's financial position. The City's unreserved fund balance now stands at about 8% of General Fund expenditures, or about one months operating

expenses. 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 new special revenue funds in FY2005: the Development Services Fund and the Impact Fee Fund. Both of these funds are being utilized to isolate their activities from the City's General Fund, as the revenues generated in these funds are restricted to purpose. The City does generate nominal administrative fees from the Development Services fund to recover the cost of services provided in support of those activities. The Development Services fund ended the year with \$952,040 in reserved fund balances, while the Impact Fee Fund had \$735,562 in reserved fund balance. The activity in the City's Development Services Fund indicates that the City's tax base can expect decent growth in the near future, as new developments come into the City.

The City did not have any business-type activities for FY2005.

The City's borrowed \$8.2 million in FY2005. Of that amount, \$7.5 million is to be used for the acquisition of 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. As of year-end, the City had not used any of the proceeds and the unspent amounts are legally reserved at year-end in the City's General Fund.

The City also entered into a \$2.5 million credit facility, of which \$700,000 had been drawn down. The City is using the credit facility to finance its equipment needs over the next 5 years.

Fiscal Year 2005 will be noted as the first major expansion of the City's services. The City hired over 150 employees during the year, providing personnel for administrative tasks, code enforcement, building inspectors, school crossing guards, public works, parks and recreation, planning and zoning, and other services generally provided by Florida municipalities. The City still contracts with Miami Dade County for law enforcement services, but may consider bringing this service in-house sometime after FY2007.

## **City Achievements**

The City expanded the breadth and depth of services it provides to its residents and businesses. Expansion of the City's offices was undertaken and additional personnel were hired. Beautification efforts, including landscaping, debris removal, code enforcement, and signage, improved the City's appearance and provided support for community pride. New developments began to appear, as the City's reputation for encouraging new development spread in the building community. Parks programs were introduced and roadway resurfacing and rehabilitations were begun.

The City's financial condition improved as the City adopted its first budget and levied its first property taxes for which it was solely responsible. The City controlled its expenditures and enjoyed greater revenue than it had anticipated, bolstering its reserves and proving once and for all that it is a very financially viable municipality.

The City began its long-term planning efforts by taking the first steps to adopting its Comprehensive Plan and setting the stage for future redevelopment.

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.

## **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 FY2004 and FY2005 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 had been marked by financial transactions that do not truly reflect the activity of the City. Rather, those 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. Comparing FY2005 to FY2004 would not provide the readers of these statements any meaningful information. It is expected that the FY2006 financial statements will include the first relevant comparative information.

## **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 12). 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 the Development Services Fund and the Impact Fee Fund. Internal Service Funds were added during the FY2006 budget process and will be presented in future years' financial statements. 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 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 FY2005, the City added \$685,001 in infrastructure assets. All of that addition came in the form of roadway improvements. The City also added \$1,352,696 in general fixed assets, almost entirely from equipment and parks improvements.

## **GOVERNMENT-WIDE STATEMENTS**

### **Statement of Net Assets**

The largest portion of the City's net assets, excluding capital assets, is Cash and Investments, and totaled \$11,388,239. Of that amount, \$7.5 million was restricted bond proceeds that must be used for the purposed described above.

The City's Capital Assets, net of related debt, totaled \$12,669,182, most of it (\$9,480,787) in the form of non-depreciable assets such as land and infrastructure. The City also had \$11,551,302 in long-term liabilities.

The Unrestricted Net Asset balance of \$2,682,839 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 negative net assets of (\$1,157,519) existing at the end of FY2004. This is a remarkable swing considering the circumstances of the City's creation and the short period of time within which it has operated.

### **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 FY2005 the City greatly expanded its level of services and continued expanding them during FY2006. This increases the City's fixed costs of operations.

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. Were the City to provide 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 \$14.2 million (\$6.7 million, excluding borrowed funds), up from FY2004's \$2.4 million. This nearly tripled the overall fund balance in the Governmental Funds.

### **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 \$12,669,182 in Capital Assets, up from the FY2004 amount of \$10,741,394, demonstrating the City's initial resolve to improvements within 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. At year-end, the City had not yet used any of the proceeds from this issue.

The City also issued \$2.5 million in additional special revenue debt for the purpose of financing its equipment needs for 5 years.

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	\$3,518,300	\$ -	\$ 351,830	\$ 3,166,470	\$ 351,830
Series 2005 Land Acquisition Revenue Bonds	-	7,500,000	-	7,500,000	309,653
Series 2005 Equipment Revenue Bond	-	700,000	-	700,000	-
Total obligations	<u>3,518,300</u>	<u>8,200,000</u>	<u>351,830</u>	<u>11,366,470</u>	<u>661,483</u>
Other liabilities:					
Compensated absences	<u>53,287</u>	<u>131,545</u>	-	<u>184,832</u>	-
Total other liabilities	<u>53,287</u>	<u>131,545</u>	-	<u>184,832</u>	-
Governmental activities long-term liabilities	<u>\$3,571,587</u>	<u>\$8,331,545</u>	<u>\$ 351,830</u>	<u>\$11,551,302</u>	<u>\$ 661,483</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, Christopher Wallace, at 305-622-8000, or at the City of Miami Gardens Finance Department, 1515 N.W. 167<sup>th</sup> Street, 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, 2005

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 11,388,239
Receivables, net	1,747,716
Due from other governments	1,867,195
Capital assets not being depreciated	9,480,787
Capital assets being depreciated, net	<u>3,188,395</u>
Total assets	<u>27,672,332</u>
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	552,052
Retainage payable	82,509
Due to other governments	1,448
Security deposits	133,000
Noncurrent liabilities:	
Due within one year	661,483
Due in more than one year	<u>10,889,819</u>
Total liabilities	<u>12,320,311</u>
<u>NET ASSETS</u>	
Invested in capital assets	12,669,182
Unrestricted	<u>2,682,839</u>
Total net assets	<u>\$ 15,352,021</u>

See notes to basic financial statements.

# CITY OF MIAMI GARDENS, FLORIDA

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
					<u>Total</u>
Governmental activities:					
General government:					
Public safety	\$ 4,597,382	\$ 83,262	\$ 4,447	\$ -	\$ (4,509,673)
Public works	25,540,194	552,216	6,601	-	(24,981,377)
Parks and recreation	2,158	-	-	3,327,329	3,325,171
Code enforcement	3,063,044	589,588	-	-	(2,473,456)
Non-departmental	570,679	4,122,693	-	-	3,552,014
Interest on long-term debt	1,573,693	-	-	-	(1,573,693)
Total governmental activities	<u>76,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,154)</u>
	<u>\$35,423,304</u>	<u>\$5,347,759</u>	<u>\$ 11,048</u>	<u>\$ 3,327,329</u>	<u>\$ (26,737,168)</u>
General revenues:					
Property taxes					9,951,395
Franchise fees based on gross receipts					3,417,357
Utility taxes					7,856,762
Unrestricted intergovernmental revenue					10,192,683
Miscellaneous					45,618
Unrestricted investment earnings					237,567
Total general revenues					<u>31,701,382</u>
Change in net assets					<u>4,964,214</u>
Net assets, beginning, as previously reported					9,583,875
Prior period adjustment (see Note 11)					803,932
Net assets, beginning, as restated					<u>10,387,807</u>
Net assets, ending					<u>\$ 15,352,021</u>

See notes to basic financial statements.

# CITY OF MIAMI GARDENS, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	<u>General</u>	<u>Transportation</u>	<u>Development Services</u>	<u>Impact Fees</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash	\$ 11,388,239	\$ -	\$ -	\$ -	\$ 11,388,239
Accounts receivables, net	1,747,716	-	-	-	1,747,716
Due from other funds	-	2,535,044	952,382	544,563	4,031,989
Due from other governments	1,676,196	-	-	190,999	1,867,195
Total assets	<u>\$ 14,812,151</u>	<u>\$ 2,535,044</u>	<u>\$ 952,382</u>	<u>\$ 735,562</u>	<u>\$ 19,035,139</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 381,986	\$ 169,724	\$ 342	\$ -	\$ 552,052
Retainage payable	82,509	-	-	-	82,509
Due to other funds	4,031,989	-	-	-	4,031,989
Due to other governments	1,448	-	-	-	1,448
Security deposits	133,000	-	-	-	133,000
Total liabilities	<u>4,630,932</u>	<u>169,724</u>	<u>342</u>	<u>-</u>	<u>4,800,998</u>
Fund balances:					
Reserved	7,500,000	2,365,320	952,040	735,562	11,552,922
Unreserved, undesignated reported in:					
General fund	<u>2,681,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,681,219</u>
Total fund balances	<u>10,181,219</u>	<u>2,365,320</u>	<u>952,040</u>	<u>735,562</u>	<u>14,234,141</u>
Total liabilities and fund balances	<u>\$ 14,812,151</u>	<u>\$ 2,535,044</u>	<u>\$ 952,382</u>	<u>\$ 735,562</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.	12,669,182
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds (see Note 2)	<u>(11,551,302)</u>
Net assets of governmental activities	<u>\$ 15,352,021</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, 2005

	<u>General</u>	<u>Transportation</u>	<u>Development Services</u>	<u>Impact Fees</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 9,951,395	\$ -	\$ -	\$ -	\$ 9,951,395
Utility taxes	7,856,762	-	-	-	7,856,762
Intergovernmental	10,192,682	3,327,330	-	-	13,520,012
Charges for services	672,850	-	-	-	672,850
Licenses and permits	1,181,350	-	2,206,863	-	3,388,213
Impact fees	-	-	-	734,480	734,480
Fines and forfeitures	552,216	-	-	-	552,216
Franchise fees	3,417,357	-	-	-	3,417,357
Grant revenue	11,047	-	-	-	11,047
Other income	27,707	17,911	-	-	45,618
Interest	236,486	-	-	1,082	237,568
Total revenues	<u>34,099,852</u>	<u>3,345,241</u>	<u>2,206,863</u>	<u>735,562</u>	<u>40,387,518</u>
Expenditures:					
Current:					
General government:	1,655,849	1,418,696	1,207,618	-	4,282,163
Public safety	25,540,194	-	-	-	25,540,194
Public works	2,158	-	-	-	2,158
Parks and recreation	3,058,739	-	-	-	3,058,739
Code enforcement	567,201	-	-	-	567,201
Non-departmental	1,559,023	-	-	-	1,559,023
Capital outlay	845,437	1,241,274	47,205	-	2,133,916
Debt service:					
Principal	175,915	175,915	-	-	351,830
Interest and fiscal charges	76,154	-	-	-	76,154
Total expenditures	<u>33,480,670</u>	<u>2,835,885</u>	<u>1,254,823</u>	<u>-</u>	<u>37,571,378</u>
Excess of revenues over expenditures	<u>619,182</u>	<u>509,356</u>	<u>952,040</u>	<u>735,562</u>	<u>2,816,140</u>
Other financing sources:					
Debt issued	8,200,000	-	-	-	8,200,000
Total other financing sources	<u>8,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,200,000</u>
Net change in fund balances	<u>8,819,182</u>	<u>509,356</u>	<u>952,040</u>	<u>735,562</u>	<u>11,016,140</u>
Fund balances, beginning, as previously stated	558,105	1,855,964	-	-	2,414,069
Prior period adjustment (see Note 11)	803,932	-	-	-	803,932
Fund balances, beginning, as restated	<u>1,362,037</u>	<u>1,855,964</u>	<u>-</u>	<u>-</u>	<u>3,218,001</u>
Fund balances, ending	<u>\$ 10,181,219</u>	<u>\$ 2,365,320</u>	<u>\$ 952,040</u>	<u>\$ 735,562</u>	<u>\$ 14,234,141</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, 2005

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)	\$ 11,016,140
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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	\$ 2,037,698	
Depreciation expense	<u>(109,909)</u>	
Net adjustment		1,927,789

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	
2005 revenue bonds issued	<u>(8,200,000)</u>	
Net adjustment		(7,848,170)

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>(131,545)</u>
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Change in net assets of governmental activities (Page 11)	<u>\$ 4,964,214</u>
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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, 2005

### 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.

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.

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.

##### 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 \$25,000 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.

# 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 2005.

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, 2005 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 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, 2005, expenditures exceeded appropriations in the parks and recreation department by \$68,923 as presented in the budgetary comparison schedule following the notes to the basic financial statements. This excess was funded by greater than the anticipated revenues.

**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.

**NOTE 5. RECEIVABLES**

Receivables as of September 30, 2005, for the City's general fund, including the allowance for uncollectible accounts are as follows:

Property taxes	\$ 198,940
Utility and Franchise Taxes	469,895
Gas Taxes	171,765
Intergovernmental	579,124
Fines and Forfeitures	121,160
Impact Fees	<u>206,832</u>
Gross receivables	1,747,716
Less allowance for uncollectibles	<u>-</u>
Net receivables	<u>\$1,747,716</u>

**NOTE 6. INTERFUND RECEIVABLES AND PAYABLES**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other funds:		
Transportation Fund	General Fund	\$2,535,044
Development Services Fund	General Fund	952,382
Impact Fees Fund	General Fund	<u>544,563</u>
		<u>\$4,031,989</u>

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. INTERFUND RECEIVABLES AND PAYABLES (Continued)

At September 30, 2005, the City's General Fund owed the City's Transportation Fund \$1,496,945. 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 Transportation Fund at year end.

### NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 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	\$ -	\$ -	\$ 8,217,213
Infrastructure	-	685,001	-	685,001
Construction in progress	-	578,573	-	578,573
Total capital assets, not being depreciated	<u>8,217,213</u>	<u>1,263,574</u>	<u>-</u>	<u>9,480,787</u>
Capital assets, being depreciated:				
Buildings	2,418,746	-	-	2,418,746
Furniture, fixtures and equipment	108,230	774,123	-	882,353
Total capital assets, being depreciated	<u>2,526,976</u>	<u>774,123</u>	<u>-</u>	<u>3,301,099</u>
Less accumulated depreciation for:				
Buildings	-	(80,625)	-	(80,625)
Furniture, fixtures and equipment	(2,795)	(29,284)	-	(32,079)
Total accumulated depreciation	<u>(2,795)</u>	<u>(109,909)</u>	<u>-</u>	<u>(112,704)</u>
Total capital assets, being depreciated, net	<u>2,524,181</u>	<u>664,214</u>	<u>-</u>	<u>3,188,395</u>
Governmental activities capital assets, net	<u>\$ 10,741,394</u>	<u>\$ 1,927,788</u>	<u>\$ -</u>	<u>\$ 12,669,182</u>

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

<b>Governmental activities:</b>	
General government	\$ 87,455
Parks and recreation	4,306
Code enforcement	14,670
Non-departmental	<u>3,478</u>
Total depreciation expenses - governmental activities	<u>\$ 109,909</u>

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. 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, 2005:

	<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	\$ 3,518,300	\$ -	\$(351,830)	\$ 3,166,470	\$ 351,830
Land Acquisition Revenue Bonds, Series 2005	-	7,500,000	-	7,500,000	309,653
Capital Improvement Revenue Bonds, Series 2005	-	700,000	-	700,000	-
Total bonds payable and obligation	<u>3,518,300</u>	<u>8,200,000</u>	<u>(351,830)</u>	<u>11,366,470</u>	<u>661,483</u>
Other liabilities:					
Compensated absences	53,287	131,545	-	184,832	-
Total other liabilities	<u>53,287</u>	<u>131,545</u>	<u>-</u>	<u>184,832</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 3,571,587</u>	<u>\$ 8,331,545</u>	<u>\$(351,830)</u>	<u>\$ 11,551,302</u>	<u>\$ 661,483</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:	
2006	\$ 351,830
2007	351,830
2008	351,830
2009	351,830
2010	351,830
2011-2014	1,407,320
	<u>\$ 3,166,470</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 8. 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:			
2006	\$ 309,653	\$ 212,580	\$ 522,233
2007	256,401	265,831	522,232
2008	266,054	256,178	522,232
2009	276,071	246,162	522,233
2010	286,464	235,768	522,232
2011-2015	1,602,445	1,008,717	2,611,162
2016-2020	1,927,671	683,491	2,611,162
2021-2025	2,318,905	292,257	2,611,162
2026	<u>256,336</u>	<u>4,781</u>	<u>261,117</u>
	<u>\$7,500,000</u>	<u>\$3,205,765</u>	<u>\$10,705,765</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 of 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. At year-end, the City had 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:			
2006	\$ -	\$ 31,150	\$ 31,150
2007	-	31,150	31,150
2008	-	31,150	31,150
2009	-	31,150	31,150
2010	-	31,150	31,150
2011-2015	583,335	101,869	685,204
2016	<u>116,665</u>	<u>5,093</u>	<u>121,758</u>
	<u>\$700,000</u>	<u>\$262,712</u>	<u>\$962,712</u>

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 10. 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.

#### ***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

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 10. INTERLOCAL AGREEMENTS, COMMITMENTS AND CONTINGENCIES (Continued)

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

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.

### NOTE 11. PRIOR PERIOD ADJUSTMENT

The City recorded revenue received \$803,932 from Miami-Dade County subsequent to fiscal year 2004 year end. This revenue was almost entirely for communications services taxes that were remitted to Miami-Dade County by the State of Florida. The State of Florida is responsible for the collection, remitting, and auditing of taxes levied on local telecommunications services. When areas of a county are annexed into a neighboring municipality or are incorporated as a municipality, it is common that these revenues continue flowing to the county until such time as those company's records are updated. Under the terms of the Master interlocal Agreement, Miami-Dade County pays to the City from time to time these revenues. The revenues were received a few months after year end FY2004 and inadvertently posted to an adjusting accounting period not coincidental with the preparation of the City's FY2004 financial statements. Consequently, this revenue has been booked as prior period adjustment to properly reflect net increase to the City's unreserved and undesignated fund balance.

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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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>Revenues:</b>				
Property taxes	\$ 10,014,179	\$ 9,951,395	\$ 9,951,395	\$ -
Utility taxes	8,622,991	6,742,452	7,856,762	1,114,310
Intergovernmental	8,653,131	9,630,797	10,192,682	561,885
Charges for services	200,000	670,850	672,850	2,000
Licenses and permits	750,000	991,569	1,181,350	189,781
Fines and forfeitures	694,300	551,428	552,216	788
Franchise fees	3,110,020	3,360,338	3,417,357	57,019
Grant revenue	-	11,047	11,047	-
Other income	32,500	240,030	27,707	(212,323)
Interest	150,000	236,486	236,486	-
Total revenues	32,227,121	32,386,392	34,099,852	1,713,460
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Elected officials	382,800	267,237	264,675	2,562
City Clerk	156,055	136,297	136,196	101
Administration	1,112,800	1,173,185	1,156,310	16,875
City Attorney	100,000	98,668	98,668	-
Code enforcement	700,600	578,556	567,201	11,355
Public safety	25,037,804	25,541,942	25,540,194	1,748
Public works	-	2,880	2,158	722
Parks and recreation	2,953,000	2,989,816	3,058,739	(68,923)
Non-departmental	1,778,127	1,757,802	1,559,023	198,779
Capital outlay	-	905,940	845,437	60,503
<b>Debt service:</b>				
Principal	-	175,915	175,915	-
Interest and fiscal charges	-	76,154	76,154	-
Total expenditures	32,221,186	33,704,392	33,480,670	223,722
Excess (deficiency) of revenues over expenditures	5,935	(1,318,000)	619,182	1,937,182
<b>Other financing sources (uses):</b>				
Bonds issued	-	8,200,000	8,200,000	-
Transfers in	368,886	618,000	-	618,000
Transfers out	(374,821)	(7,500,000)	-	7,500,000
Total other financing sources (uses)	(5,935)	1,318,000	8,200,000	8,118,000
Net change in fund balances	\$ -	\$ -	\$ 8,819,182	\$ 8,819,182

See note to budgetary comparison schedule.

**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**

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	\$ 7,500,000	Proceeds of long-term debt issued for the purpose of acquiring certain assets.
Transportation Fund	2,365,320	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 Fund	952,040	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.
Impact Fee Fund	735,562	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 \$11,551,302 difference are as follows:

Notes payable	\$ 8,200,000
Obligation Due to Miami-Dade County	3,166,470
Compensated absences	184,832
	<u>\$ 11,551,302</u>

# CITY OF MIAMI GARDENS, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2005

#### **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, 2005, 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).

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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, 2005, which collectively comprise the City's basic financial statements, and have issued our report dated June 19, 2006. 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 as item 2005-1.

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

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.

*Rachlen Cohen & Holz LLP*

Miami, Florida  
June 19, 2006

# CITY OF MIAMI GARDENS, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. 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 10).

### NOTE 10. 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.

**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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2006.

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 June 19, 2006, 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, 2005, 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 was one recommendation 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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- 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 2005, 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, 2005 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, 2005.
  - 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.

*Rachlen Cohen & Holz LLP*

Miami, Florida  
June 19, 2006

# CITY OF MIAMI GARDENS, FLORIDA

## SCHEDULE OF FINDINGS

YEAR ENDED SEPTEMBER 30, 2005

### **Reportable Condition**

#### **2005-1 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 development services cashing system that did not include identifying account numbers that would allow the transactions to be promptly reported in the City's general ledger. The City posted the transactions to a suspense account which was reconciled during the audit.
- Various account reconciliations were not performed as of the fiscal year end.
- Capital asset records were not updated.
- Retainages payable for construction projects were not recorded as an expenditure simultaneously with the payment to the contractor.

##### ***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, 2005 could not be completed in a timely manner (completed in late June of 2006).

##### ***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.

##### ***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)

### **Reportable Condition (Continued)**

#### **2005-1 Financial Reporting (Continued)**

##### *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.