

**TOWN OF MIAMI LAKES, FLORIDA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2002

# TOWN OF MIAMI LAKES, FLORIDA

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council  
Town of Miami Lakes, Florida

We have audited the accompanying basic financial statements of the Town of Miami Lakes, Florida (the Town) as of and for the fiscal year ended September 30, 2002, as listed in the table of contents. These basic financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Town of Miami Lakes, Florida as of September 30, 2002, and the respective changes in financial position for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town adopted provisions of the Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*; GASB No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*; GASB No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*; as of October 1, 2001. This resulted in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2003 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Honorable Mayor and Town Council  
Town of Miami Lakes, Florida

The Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund on pages 3 through 9 and page 27 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Grau & Company*

January 24, 2003  
(Except for Notes 2 and 3, as to which date is July 8, 2003)

## Management's Discussion and Analysis

As management of the Town of Miami Lakes, we offer readers of the Town of Miami Lakes' (the Town) financial statements this narrative overview and analysis of the financial activities of the Town of Miami Lakes for the fiscal year ended September 30, 2002.

### Financial Highlights

- The assets of the Town of Miami Lakes exceeded its liabilities at the close of the most recent fiscal year by \$6,725,291 (net assets). Of this amount, \$3,951,742 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$4,263,294, this increase is attributable to excess revenues over expenses for 2002 and the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- As of the close of the current fiscal year, the Town of Miami Lakes' governmental fund reported an ending fund balance of \$4,605,177, an increase of \$2,170,840 in comparison with the prior year. Approximately \$3,253,013 of this total amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,253,013, or 34% of total general fund expenditures.
- The Town did not incur any debt during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Miami Lakes' basic financial statements. The Town of Miami Lakes' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Miami Lakes' finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town of Miami Lakes' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Miami Lakes is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

## Overview of the Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the Town of Miami Lakes that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the Town of Miami Lakes include general government, public safety, street maintenance, building planning & zoning, parks and code enforcement. The Town has no business type activities.

The government-wide financial statements include only the Town of Miami Lakes itself (known as the *primary government*).

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Miami Lakes, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Miami Lakes has only one fund category: the governmental fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Miami Lakes maintains one governmental fund, the general fund.

The Town of Miami Lakes adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 to 14 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 to 26 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town's, assets exceeded liabilities by \$6,725,291 at the close of the most recent fiscal year.

**Government-wide Financial Analysis (Continued)**

A portion of the Town's net assets, \$2,120,114 or 32%, reflects its investment in capital assets (e.g., land and equipment). The Town of Miami Lakes uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Our analysis of the financial statements of the Town begins below. The Statement of Net Assets and the Statement of Activities report information about the Town's activities that will help answer questions about the position of the Town. As this is the first year that the Town is presenting government-wide statements, no comparison to the prior year is being shown. A comparative analysis will be provided when prior year information is available.

**Net Assets**

A summary of the Town's Net Assets is presented in Table A-1 and a summary of the changes in net assets is presented in Table A-2.

**Table A-1**  
*Summary of net assets*

	Fiscal Year <u>2002</u>
Current assets	\$ 8,074,385
Capital assets, net	<u>2,120,114</u>
Total assets	<u>10,194,499</u>
Current liabilities	<u>3,469,208</u>
Investment in capital assets, net of related debt	2,120,114
Restricted	653,435
Unrestricted	<u>3,951,742</u>
Total net assets	<u>\$ 6,725,291</u>

**Table A-2**  
*Summary of changes in net assets*

	Fiscal Year <u>2002</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 1,008,381
Capital grants and contributions	2,036,125
General Revenues:	
Property taxes	4,965,982
Utility taxes	2,693,487
Franchise taxes	678,711
Intergovernmental	2,201,060
Investment income and miscellaneous	<u>180,327</u>
Total revenues	<u>13,764,073</u>
Expenses:	
General government	1,284,795
Public safety	3,864,966

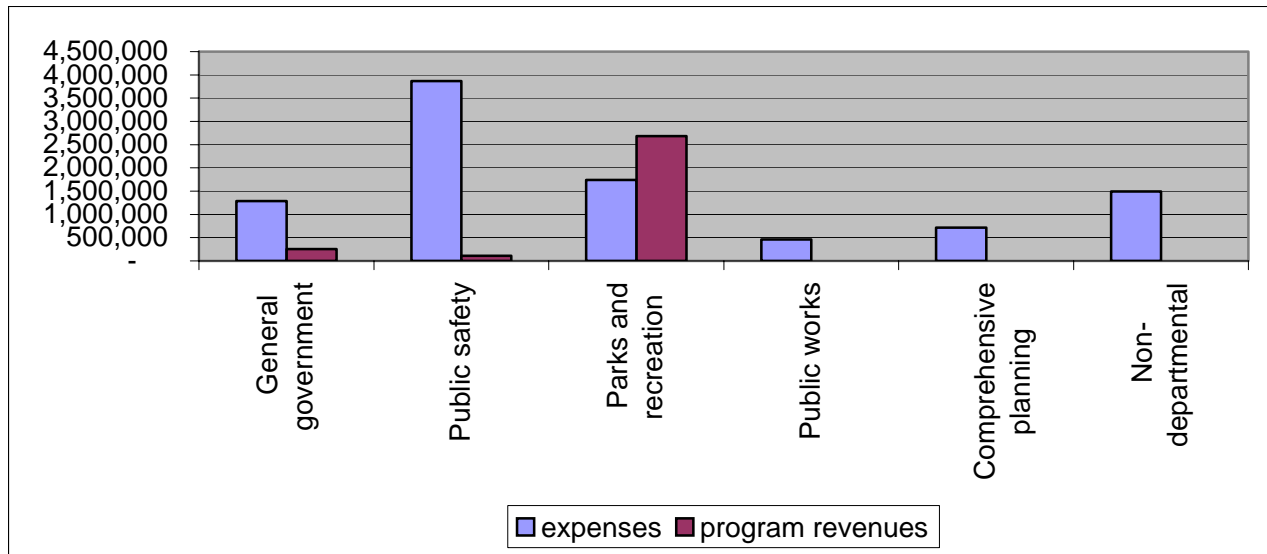
**Government-wide Financial Analysis (Continued)**

**Net Assets (Continued)**

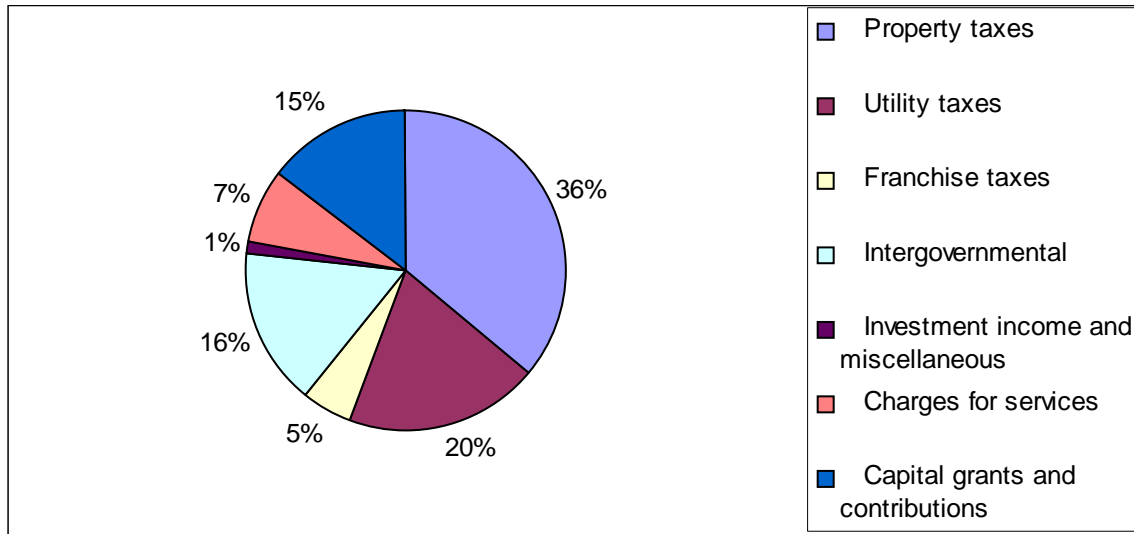
Parks and recreation	1,739,755
Public works	401,074
Comprehensive planning	715,255
Non-departmental	<u>1,494,934</u>
Total expenses	<u>9,500,779</u>
 Change in net assets	 <u>\$ 4,263,294</u>

The government's net assets increased by \$4,263,294 during the current fiscal year. This increase represents the results of operating under incorporation for a full 12-month period and capital contributions of approximately \$2,036,125 from Miami-Dade County. Also, during 2002 the Town received \$644,663 in impact fees from the County.

**Expenses and Program Revenues – Governmental Activities**



## Revenues by Source – Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, the Town of Miami Lakes uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town of Miami Lake's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, fund balance of the general fund was \$4,605,177, an increase of \$2,170,840 in comparison with the prior year. Approximately 71% of this total amount (\$3,253,013) constitutes *unreserved fund balance*, which is available for spending at the Town's discretion. The remainder of the fund balance (\$1,352,164) is reserved to indicate that it is not available for new spending because it has already been committed for (1) capital projects (\$653,435) or (2) long-term receivables (\$698,729).

The general fund is the chief operating fund of the Town of Miami Lakes. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 34 percent of total general fund expenditures, while total fund balance represents 48 percent of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for September 30, 2002 and 2001, is shown below:

**Table B-1**  
*Summary of condensed Balance Sheet*

	Fiscal Year <u>2002</u>	Fiscal Year <u>2001</u>
Total assets	<u>\$ 8,074,385</u>	<u>\$ 996,007</u>
Total liabilities	<u>3,469,208</u>	<u>469,017</u>
Reserved fund balance	1,352,164	-
Unreserved fund balance	<u>3,253,013</u>	<u>526,990</u>
Total fund balance	<u>4,605,177</u>	<u>526,990</u>
Total liabilities and fund balance	<u>\$ 8,074,385</u>	<u>\$ 996,007</u>

## Financial Analysis of the Government's Funds (Continued)

### Governmental funds (Continued)

**Table B-2**

*Summary of condensed statement of revenues, expenditures, and changes in fund balance*

	Fiscal Year <u>2002</u>	Fiscal Year <u>2001</u>
Total Revenues	\$11,727,948	\$7,414,429
Total Expenditures	<u>9,557,108</u>	<u>6,887,439</u>
Excess of revenues over expenditures	<u>\$ 2,170,840</u>	<u>\$ 526,990</u>

**Governmental activities.** Governmental activities increased the Town of Miami Lakes fund balance by approximately \$2,170,840. Key elements of this increase are as follows:

- Property taxes increased by \$2,066,094 (72 percent) during the year. Most of this increase is the product of the Town levying their own assessments for a full 12-month period.
- Other taxes increased by \$1,391,629 (31 percent) during the year. Most of this increase is attributed to increased inter-governmental revenues, which the State shared with the Town.
- Impact fees increased by \$644,663 (100 percent) due to receipt of a one-time impact fee collected by the County on behalf of the Town for park improvements.
- Town administration and finance increased by (272 percent) due to increases in the Town's employees and wages as well as costs for the administration of the Town.
- Parks and recreation increased by \$1,515,959 (677 percent) due to increases in park maintenance costs paid to the County.
- Comprehensive planning increased by \$715,255 (100 percent) due to expenditures for code enforcement, engineering and planning during 2002. There were no expenditures during the year 2001.

For the most part, increases in expenses closely paralleled inflation and growth in the scope of services.

During 2002, the Town recorded a prior period adjustment of \$1,907,347 increasing fund balance and the Due from Other Government as a result of an adjustment for charges by the County for police services during the Town's transitional period which ended September 30, 2001.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and consisted of transfers between the departments as approved by Council. There were no supplemental appropriations for the fiscal year ended September 30, 2002.

### Capital Assets

As of September 30, 2002, the Town's investment in capital assets amounted to \$2,120,114. The total increase in capital assets for the current fiscal year was

Major capital asset events during the current fiscal year included the following:

- Donation of land valued at \$2,036,125 by Miami-Dade County for use as a future park.

## Capital Assets (Continued)

	TOWN OF MIAMI LAKES Capital Assets			
	Balance September 30, 2001	Additions	Deletions	Balance September 30,2002
Non depreciable capital assets:				
Land	\$ -	\$2,090,463	\$ -	\$2,090,463
Capital assets, being depreciated:				
Furniture and equipment	27,660	7,999	-	35,659
Less accumulated depreciation for:				
Furniture and equipment	-	(6,008)	-	(6,008)
Total capital assets, being depreciated, Net	<u>27,660</u>	<u>1,991</u>	<u>-</u>	<u>29,651</u>
Governmental activities Capital assets, net	<u>\$ 27,660</u>	<u>\$2,092,454</u>	<u>\$ -</u>	<u>\$2,120,114</u>

### Economic Factors and Next Years Budgets and Rates

- The unemployment rate for Miami-Dade County is currently 7.4 percent, which is an increase from a rate of 7.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.4 percent and the national average rate of 5.7 percent.
- The occupancy rate of the government's central business district has remained stable for the past three years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town of Miami Lakes' budget for the 2003 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$3,253,013. The Town of Miami Lakes has appropriated \$2,133,413 of this amount for spending in the 2003 fiscal year budget. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2003 fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the Town of Miami Lakes' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Town Manager, 6853 Main Street, Miami Lakes, Florida 33014.

TOWN OF MIAMI LAKES, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2002

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 5,205,597
Restricted cash and cash equivalents	653,435
Receivables	2,199,234
Prepays	16,119
Capital assets (net of accumulated depreciation):	
Land	2,090,463
Furniture and equipment	29,651
Total assets	<u>10,194,499</u>
 <u>LIABILITIES AND NET ASSETS</u> 	
Liabilities:	
Accounts payable	3,462,678
Accrued payroll	6,530
Total liabilities	<u>3,469,208</u>
Net Assets:	
Invested in capital assets	2,120,114
Restricted for park improvements	653,435
Unrestricted	3,951,742
Total net assets	<u>\$ 6,725,291</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MIAMI LAKES, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
General government	1,284,795	254,451	-	(1,030,344)
Public safety	3,864,966	109,267	-	(3,755,699)
Parks and recreation	1,739,755	644,663	2,036,125	941,033
Public works	401,074	-	-	(401,074)
Comprehensive planning	715,255	-	-	(715,255)
Non-departmental	1,494,934	-	-	(1,494,934)
Total activities	<u>9,500,779</u>	<u>1,008,381</u>	<u>2,036,125</u>	<u>(6,456,273)</u>
General revenues:				
Property taxes				4,965,982
Utility taxes				2,693,487
Franchise taxes				678,711
Intergovernmental				2,201,060
Investment income and miscellaneous				<u>180,327</u>
Total general revenues				<u>10,719,567</u>
Change in net assets				<u>4,263,294</u>
Net assets, beginning (restated)				<u>2,461,997</u>
Net assets, ending				<u>\$ 6,725,291</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MIAMI LAKES, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2002

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 5,205,597
Restricted cash and cash equivalents	653,435
Receivables	2,199,234
Prepays	<u>16,119</u>
Total assets	<u>\$ 8,074,385</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 3,462,678
Accrued payroll	<u>6,530</u>
Total liabilities	<u>3,469,208</u>
 Fund balance:	
Reserved for park improvements	653,435
Reserved for long-term receivables	698,729
Unreserved	<u>3,253,013</u>
Total fund balance	4,605,177
 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.	 <u>2,120,114</u>
 Net assets of governmental activities	 <u>\$ 6,725,291</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MIAMI LAKES, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	General Fund
Revenues:	
Ad valorem taxes	\$ 4,965,982
Utility taxes	2,693,487
Franchise fees	678,711
Licenses and permits	254,451
Intergovernmental	2,201,060
Impact fees	644,663
Fines and forfeitures	109,267
Interest	95,967
Miscellaneous	84,360
Total revenues	<u>11,727,948</u>
Expenditures:	
Current:	
General government:	
Town council	120,481
Town administration and finance	853,676
Legal	304,630
Total general government	<u>1,278,787</u>
Public safety:	
Police	3,864,966
Parks and recreation	1,739,755
Public works	401,074
Comprehensive planning	715,255
Non-departmental	1,494,934
Capital outlay	62,337
Total expenditures	<u>9,557,108</u>
Excess of revenues over expenditures	<u>2,170,840</u>
Fund balance, beginning	526,990
Prior period adjustment	<u>1,907,347</u>
Fund balance, beginning (restated)	<u>2,434,337</u>
Fund balance, ending	<u>\$ 4,605,177</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF MIAMI LAKES, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

Amounts reported for governmental activities in the statement of activities consists of:

Net change in fund balances- total governmental funds	\$ 2,170,840
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 which capital outlays exceeded depreciation in the current period.	56,329
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contribution of land	<u>2,036,125</u>
Change in net assets of governmental activities	<u>\$ 4,263,294</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIAMI LAKES, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the Town of Miami Lakes, Florida (the Town), significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**a. Financial Reporting Entity**

The Town was incorporated in accordance with the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County on December 5, 2000 to carry on a centralized government. The Town Council is responsible for legislative and fiscal control of the Town. A Town Manager is appointed by the Council and is responsible for administrative and fiscal control of the resources of the Town maintained in the General Fund.

The basic criteria for determining whether another organization should be included in the Town's government-wide financial statements is financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the Town to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the Town, should be included in its reporting entity. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Based upon the application of these criteria, there were no organizations that met the criteria described above.

**b. Measurement focus and basis of accounting**

The basic financial statements of the Town are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-wide Financial Statements** – Government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Town does not have any *business-type activities*.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b. Measurement focus and basis of accounting (Continued)

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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) operating grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. 3) capital grants and contributions, including special assessments that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as revenue. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expense.

**Fund Financial Statements** - The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Fund financial statement for the Town's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. The Town has no nonmajor funds.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from unrestricted resources.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b. Measurement focus and basis of accounting (Continued)

#### **Governmental Funds**

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 Town considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported unreserved fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

### c. Basis of presentation

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The Town only has one fund, the **General Fund**, the Town's primary operating fund and its only major fund. It accounts for all financial resources of the general government.

#### **Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as long-term debt, to be reported in the governmental activities column in the government-wide statement of net assets.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d. New Accounting Standards Adopted

In fiscal year 2002, the Town adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments and is scheduled for a phased implementation (based on the size of the government) beginning with fiscal year ending 2002. The Town is a phase III government and was not required to implement GASB 34 until its fiscal year ended 2004 however it has elected for early implementation. As part of this statement there is a new reporting requirement regarding the Town’s infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation of the infrastructure related portion to the fiscal year ending 2006 or for phase III government’s only the option to record infrastructure prospectively from the year of implementation. The Town has elected to record its infrastructure prospectively beginning with fiscal year 2002.
- Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*
- Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

### e. Cash and Cash Equivalents

The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

### f. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the Town by Miami-Dade County (the “County”) on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami-Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the Town.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Property Taxes (Continued)**

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Town is established by the Town Council and the Miami-Dade County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Town for the year ended September 30, 2002 was 3.057 mills (\$3.057 per \$1,000 of taxable assessed valuation).

**g. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods

**h. Capital Assets**

Capital assets are defined by the Town as property and equipment with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed assets are recorded at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all depreciable assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land	-
Furniture and equipment	5-7

When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts and a resulting gain or loss is recorded in the government-wide financial statements.

**i. Contributions**

Contributions from the County for the future development or expansion of capital improvements to the Town are recorded in the government-wide statement of net assets at market value as of the date received.

**j. Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The description of each reserve or designation indicates the purpose for which each was intended.

Unreserved fund balance is the portion of fund equity available for any lawful use.

As a result of implementing GASB statement #34, the other subsequent pronouncements stated before, and an overpayment to the County for Police services in the amount of \$160,752; the Town's ending fund balance at September 30, 2001 was restated to arrive at beginning net assets at October 1, 2001.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

j. **Fund Equity/Net Assets (Continued)**

Fund Balance at September 30, 2001	\$ 526,990
Overpayment of 2001 Police Services	<u>1,907,347</u>
Fund Balance at September 30, 2001, as restated	<u>2,434,337</u>
Net Capital Assets	<u>27,660</u>
Beginning Net Assets at October 1, 2001	<u>\$ 2,461,997</u>

The government-wide financial statements utilize a net asset presentation. Net asset are categorized as investment in capital assets (net of related debt) and restricted and unrestricted.

*Investment in Capital Assets (net of related debt)* - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Assets* – represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The Town would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

*Unrestricted Net Assets* - represent unrestricted liquid assets. While Town management may have categorized and segmented portions for various purposes, the Town Council has the unrestricted authority to revisit or alter these managerial decisions.

k. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

2. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Information**

The Town follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- a. Annually, the Town Manager submits to the Town Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Budgets and Budgetary Information (Continued)**

- 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. Upon request of the Town Manager, the Town Council may transfer; by ordinance, at any time, any part of an unencumbered balance of an appropriation between departments. The legal level of control is at the department level. On July 8, 2003, the Council approved Ordinance 2003 – 37 providing for amendments between several departments.
- e. Annual appropriated budgets are adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America.
- f. The Town Council may make by ordinance supplemental appropriations during the fiscal year. There were no supplemental appropriations for the fiscal year ended September 30, 2002.

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**a. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

“Total fund balance” of the Town’s governmental fund \$4,605,177 differs from “net assets” of governmental activities \$6,725,291 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

***Capital related items***

When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 2,126,122
Accumulated depreciation	(6,008)
Total capital assets added	<u>\$ 2,120,114</u>

**b. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.**

The “net change in fund balance” for governmental funds \$2,170,840 differs from the “change in net assets” for governmental activities \$4,263,294 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is described below.

**3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

**b. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.** (Continued)

***Capital related items***

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. Also, there are capital outlay expenditures in the governmental funds, which do not meet the capitalization threshold established by the Town for capitalization of assets and those amounts have been expensed in the statement of activities.

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

Capital outlay	\$ 62,337
Depreciation	<u>(6,008)</u>
Net adjustment	<u>\$ 56,329</u>
Donation of capital assets	<u>\$ 2,036,126</u>

**4. DEPOSITS**

Deposits include cash on hand and certificates of deposit. At September 30, 2002, the carrying amount of the Town's bank deposits was \$5,859,032, while the bank balances of such deposits were \$6,016,550. In addition to insurance provided by the Federal Deposit Insurance Corporation, significant deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, provides that if a loss to public depository is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other public depositories of the same type as the depository in default. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

**5. RESTRICTED ASSETS**

Restricted assets consist of \$653,435 in cash and cash equivalents received from the County from impact fees collected on behalf of the Town for park improvements.

**6. RECEIVABLES**

Receivables at year end for the general fund in the aggregate are as follows:

Due from other government	\$ 1,489,729
Taxes	504,226
Intergovernmental	148,466
Other	47,813
	<u>\$ 2,199,234</u>
Amounts not scheduled for collection during the subsequent year	
- Due from other government	<u>\$ 698,729</u>

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2002 was as follows:

	Balance September 30, 2001	Additions	Deletions	Balance September 30, 2002
Non depreciable capital assets:				
Land	\$ -	\$2,090,463	\$ -	\$2,090,463
Capital assets, being depreciated:				
Furniture and equipment	27,660	7,999	-	35,659
Less accumulated depreciation for:				
Furniture and equipment	-	(6,008)	-	(6,008)
Total capital assets, being depreciated, Net	<u>27,660</u>	<u>1,991</u>	<u>-</u>	<u>29,651</u>
Governmental activities				
Capital assets, net	<u>\$ 27,660</u>	<u>\$2,092,454</u>	<u>\$ -</u>	<u>\$ 2,120,114</u>

Depreciation expense of \$6,008 was charged to the general government functions/program.

During 2002, the Town received donations of land from Miami-Dade County valued at \$2,036,125. The land contributed by the County shall revert to the County if it is not used and properly maintained for public park purposes.

**8. DEFINED CONTRIBUTION PLAN**

Effective June 1, 2001, the Town established a defined contribution plan (the Plan) for all Town employees created in accordance with Internal Revenue Service Code Section 401(a) and Resolution Number 01-31. The Plan members may contribute up to five (5%) percent of their

**8. DEFINED CONTRIBUTION PLAN (CONTINUED)**

gross salary during the fiscal year. The Town's required contribution is five (5%) percent of the plan member's gross salary. Employees are fully vested in the Plan after three (3) years of service. For the fiscal year ended September 30, 2002, the Town contributed \$16,610 to the Plan. If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover the benefits into his new employers pension plan providing said plan permits rollovers. At September 30, 2002, there were four (4) plan members. Provisions of the Plan may be amended by the Town Council. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, consequently, the Town has no fiduciary responsibility, therefore, the net assets of the Plan are not included in the Town's financial statements.

**9. COMMITMENTS AND CONTINGENCIES**

**Municipal Service Trust Fund**

The Town is required to contribute municipal property tax revenues into a municipal service Trust Fund (MSTF) of the County. The MSTF will be utilized by the County to (1) maintain police services in the neighboring communities around the Town; and (2) to provide a municipal assistance retainer enabling the Town to obtain certain advice, expertise, training, financial planning and technological services, and other assistance from the County. The contribution ("Mitigation Payment") will vary yearly and is based on the Consumer Price Index and other calculations. The Mitigation Payment totaled approximately \$1,494,934 for the fiscal year ended September 30, 2002 and is included with non-departmental expenditures in the Statement of Activities.

**Agreement with Miami-Dade County for Local Police Patrol Services**

Effective November 14, 2001, the Town executed an agreement with Miami-Dade County for local police patrol services. The agreement requires monthly payments of \$299,833 and which due by the 15<sup>th</sup> day of the following month. Payments for the services provided by the County for subsequent fiscal years will be based upon the level of staffing services requested by the Town utilizing the actual personnel costs of officers and equipment. The initial term of the agreement expires on November 13, 2004 and may be renewed for a period of up to five years. The Town paid approximately \$3,651,250 to the County for local police patrol services during the fiscal year ended September 30, 2002.

**Agreement with Miami-Dade County for Specialized Police Services**

Effective November 14, 2001, the Town executed an agreement with Miami-Dade County for specialized police services. The agreement requires quarterly payments of \$53,250 and is based on the total cost of services provided to the Town (\$590,000), minus the credit for Countywide ad valorem taxes paid by the Town's residents (\$377,000). Payments for the subsequent fiscal years will be determined by the County based on factors detailed in the agreement. The initial term of the agreement expires on November 13, 2004, unless terminated in accordance with Article X ; otherwise the agreement is automatically renewed for consecutive three-year terms in perpetuity. The Town paid approximately \$213,179 to the County for specialized police services during the fiscal year ended September 30, 2002.

**9. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

- b) For code compliance services the consultant will be paid an annual professional fee of \$170,000 paid in equal monthly installments of \$14,167. After the initial year of the agreement, the Town shall consider a price adjustment.
- c) For zoning review services the consultant will be paid the actual fee charged for such services in the Town's zoning fee schedule, as modified from time to time.
- d) For all services related to Town projects or additional services the Town will pay the consultant a mutually agreed fee.

The agreement expires on September 30, 2005 unless earlier terminated as provided in Section 9 of the agreement. The Town paid the consultant approximately \$549,000 under this agreement for the fiscal year ended September 30, 2002.

**Quality Neighborhood Improvement Plan**

Before incorporation, a number of public improvement projects were built in the Town using funds from the \$77,640,000 Miami-Dade County, Florida Public Service Tax Revenue Bonds (UMSA Public Improvements) Series 1999 (the Revenue Bonds). The County pledged the Unincorporated Service Area's (UMSA) utility tax revenues for debt service on the Revenue Bonds. As part of the Town's incorporation, the County required the Town to pay a yearly Quality Neighborhood Improvement Program (QNIP) Debt Service Payment through 2024. The Town's QNIP Debt Service Payment is based on utility tax revenue collected by the Town during the year as a percentage of the total UMSA utility tax revenues for that year multiplied by the total debt service payment due by the County on the Revenue Bonds for that year. The Town was required to pay \$157,978 during the year ended September 30, 2002.

**10. RISK MANAGEMENT**

The Town 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 Town carries commercial insurance. The Town also provides employee medical benefits through commercial insurance coverage. There were no reductions in insurance coverage from coverages in the prior year. Settled claims did not exceed coverages for the past year.

TOWN OF MIAMI LAKES, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE  
 - GENERAL FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Budgeted Amounts		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 5,005,877	\$ 5,005,877	\$ 4,965,982	\$ (39,895)
Utility taxes	1,913,583	1,913,583	2,693,487	779,904
Franchise fees	1,177,088	1,177,088	678,711	(498,377)
Licenses and permits	125,000	125,000	254,451	129,451
Intergovernmental	1,922,850	1,922,850	2,201,060	278,210
Impact fees	-	-	644,663	644,663
Fines and forfeitures	30,000	30,000	109,267	79,267
Interest	50,000	50,000	95,967	45,967
Miscellaneous	-	-	84,360	84,360
Total revenues	<u>10,224,398</u>	<u>10,224,398</u>	<u>11,727,948</u>	<u>1,503,550</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Town council	242,869	242,869	120,481	122,388
Town administration and finance	1,350,529	1,546,108	853,676	692,432
Legal	<u>270,000</u>	<u>304,630</u>	<u>304,630</u>	-
Total general government	<u>1,863,398</u>	<u>2,093,607</u>	<u>1,278,787</u>	<u>814,820</u>
<b>Public safety:</b>				
Police	4,000,238	4,000,238	3,864,966	135,272
Parks and recreation	1,622,322	1,739,755	1,739,755	-
Public works	1,542,665	978,334	401,074	577,260
Comprehensive planning	500,000	715,255	715,255	-
Non-departmental	1,493,500	1,494,934	1,494,934	-
Capital outlay	<u>78,400</u>	<u>78,400</u>	<u>62,337</u>	<u>16,063</u>
Total expenditures	<u>11,100,523</u>	<u>11,100,523</u>	<u>9,557,108</u>	<u>1,543,415</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>\$ (876,125)</u>	<u>\$ (876,125)</u>	<u>\$ 2,170,840</u>	<u>\$ 3,046,965</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council  
Town Miami Lakes, Florida

We have audited the basic financial statements of the Town of Miami Lakes, Florida (the Town) as of and for the fiscal year ended September 30, 2002, and have issued our report dated January 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 non-compliance that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations 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 the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and recommendations as item 2002-1.

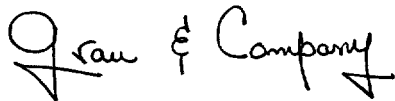
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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

Honorable Mayor and Town Council  
Town of Miami Lakes, Florida

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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

We noted other matters that we have reported to management in the schedule of findings and recommendations accompanying this report.

This report is intended solely for the information and use of the Mayor, Town Council, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Grau & Company". The signature is written in a cursive, flowing style with a large initial 'G' and a stylized 'C'.

January 24, 2003

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES  
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Town Council  
Town of Miami Lakes, Florida

We have audited the basic financial statements of the Town of Miami Lakes, Florida (the Town) as of and for the fiscal year ended September 30, 2002, and have issued a report thereon dated January 24, 2003

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

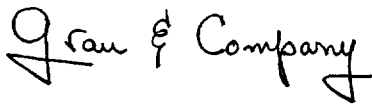
The purpose of this letter is to comment on those matters described in Rule 10.554(1)(j) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the Town, as described in the first paragraph, we report on the following which is included on pages 31 through 36.

- I. **Current year findings and recommendations.**
- II. **Status of prior year findings and recommendations.**
- III. **Compliance with the Provisions of the Auditor General of the State of Florida.**

We previously reported on the Town's compliance and internal control over financial reporting and compliance in our report dated January 24, 2003 on pages 28 and 29.

This report is intended for the information of the Mayor, Town Council, Town Manager and management of the Town of Miami Lakes, Florida, 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.

We wish to thank the Town of Miami Lakes, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.



January 24, 2003

**TOWN OF MIAMI LAKES, FLORIDA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2002**

**SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**REPORTABLE CONDITION**

***2002-1 Proper Authorization of Disbursements***

During our testing of controls over cash disbursements, we noted a payment of \$65,432 with only one authorized signature. The Town's policy over cash disbursements requires two authorized signatures on all disbursements over \$5,000. We also noted that two checks issued to an employee of the Town were also signed and authorized by the same employee. Although, the employee was authorized to sign checks on behalf of the Town and the checks were below the threshold, which requires two authorized signers, we believe that no employees should be allowed to approve and sign checks made payable to themselves.

**Recommendation**

We recommend that the Town implement checks and balances to ensure that all Town policies relating to cash disbursements are adhered to. These policies should be included in a Town's policies and procedures manual as recommended in recommendation 2002-2.

**Management's Response**

Recommendation has been implemented and the Mayor is currently involved in the process.

**OTHER MATTERS**

***2002-2 Accounting Policies and Procedures Manual***

***Condition***

Written policies and procedures, which clearly define responsibilities of employees, are essential in order to provide both management and employees with guidelines regarding the efficient and consistent conduct of Town business and the effective safeguarding of the Town's assets. In addition, written policies and procedures, if properly designed, communicated to employees, and effectively placed in operation, provide management additional assurances that Town activities are conducted in accordance with applicable laws, ordinances, and other guidelines, and that the Town financial records provide reliable information necessary for management oversight. Also, written policies and procedures assist in the training of new employees. Our review of Town operations disclosed that the Town did not have written policies and procedures for many of its accounting related functions.

***Recommendation***

We recommend that the Town adopt comprehensive written accounting policies and procedures consistent with applicable laws, ordinances, and other guidelines.

***Management's Response***

The Town is in the process of drafting written accounting policies and procedures.

**TOWN OF MIAMI LAKES, FLORIDA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2002  
(CONTINUED)**

**SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)**

***2002-3 Investment of Surplus Funds***

**Condition**

We believe that the Town should review its current investments of surplus funds and consider investing in higher yielding products, which would offer the same level of security and liquidity.

***Recommendation***

We recommend that the Town review the benefits of investing its excess cash.

***Management's Response***

Management will implement its own separate investment policy for Council's approval.

**TOWN OF MIAMI LAKES, FLORIDA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2002  
(CONTINUED)**

**SECTION II – PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**NON-COMPLIANCE**

***2001-1 Surety Bond for Town Manager***

***Condition:***

The Town Charter Section 3.05 “Bond of Town Manager” states that the Town Manager should furnish a surety bond to be approved by the Council, and in such amount as the Council may fix, said bond to be conditioned on the faithful performance of his duties. There was no surety bond furnished to, or approved by the Council.

***Recommendation:***

We recommend that the Town comply with the Town Charter Section 3.05 “Bond of Town Manager” and approve a surety bond on the Town Manager.

***Status:***

The Town implemented this recommendation during 2002.

**OTHER MATTERS**

***2001-2 New Pronouncement***

***Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments***

***Condition:***

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. These new requirements were developed to make annual financial reports more comprehensive and easier to understand and use. The new reporting model will include government-wide financial statements as well as fund financial statements as well as a management’s discussion and analysis section. Implementation is not required until fiscal year ending September 30, 2004, however, the Town has chosen early implementation of the new standard for its fiscal year ended September 30, 2002.

**TOWN OF MIAMI LAKES, FLORIDA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
SEPTEMBER 30, 2002  
(CONTINUED)**

**SECTION II – PRIOR YEAR FINDINGS AND RECOMMENDATIONS (Continued)**

**OTHER MATTERS (CONTINUED)**

***2001-2 New Pronouncement (Continued)***

***Recommendation:***

We recommend that the Town review the new requirements and create an action plan for the implementation of this new standard during fiscal year ended September 30, 2002.

***Status:***

The Town implemented GASB 34 during 2002.

***2001-3 Controls over Cash Disbursement***

***Condition:***

During our testing of cash disbursements we found one payment for repairs with no invoice or supporting documentation. To minimize the risk of the misappropriation of assets, no disbursements should be approved and paid without the proper supporting documentation.

***Recommendation:***

We recommend that the Town review its controls over cash disbursements to ensure all payments have the proper support and documentation to minimize the risk of misappropriation of assets.

***Management's Response:***

The Town has implemented procedures, which eliminate cash expenditures. All disbursements are by check and not approved unless full documentation is provided.

***Status:***

During our 2002 audit, we noted expenditures which were not properly authorized. (See current year finding- 2002-1)

**TOWN OF MIAMI LAKES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit report.
2. Recommendations, except for those addressed in the schedule of findings and recommendations, made in the preceding annual financial audit report have been addressed.
3. Recommendations to improve the Town's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and recommendations.
4. During the course of our audit, nothing came to our attention that caused us to believe that the Town:
  - a. Was in violation of any laws, rules, regulations and contractual provisions.
  - b. Made any illegal or improper expenditures; except as disclosed in the schedule of findings and recommendations.
  - c. Had improper or inadequate accounting procedures.
  - d. Failed to record financial transactions; except for the prior period adjustment disclosed in Note 1 of the basic financial statements.
  - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
5. The Town of Miami Lakes, Florida was incorporated in accordance with the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County on December 5, 2000. There are no component units related to the Town.
6. The Town was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The Town, during fiscal year 2002, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
8. The annual financial report for the fiscal year ended September 30, 2002 has been filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2002.

**TOWN OF MIAMI LAKES, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**SEPTEMBER 30, 2002**  
**(CONTINUED)**

**SECTION III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA (CONTINUED)**

9. 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 Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based on representations made by management and the review of financial information provided by the Town. There were no findings of deteriorating financial conditions.