

TOWN OF MIAMI LAKES, FLORIDA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006



BKR GARCIA & COMPANY
certified public accountants

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 financial statements of the governmental activities, the business-type activities, each major fund and remaining fund information of the Town of Miami Lakes, Florida (the Town), as of and for the fiscal year ended September 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These 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 governmental activities, the business-type activities, each major fund and remaining fund information of the Town of Miami Lakes, Florida, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 27, 2007, on our consideration of the Town's internal control over financial reporting and our tests of compliance with certain provision of laws, regulations, contracts and 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or in compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Major and Town Council
Town of Miami Lakes, Florida
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Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on pages 29 and 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

BKR Garcia & Company PLLC

March 27, 2007



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, 2006.

Financial Highlights

- The assets of the Town of Miami Lakes exceeded its liabilities at the close of the most recent fiscal year by \$19,193,405 (net assets). Of this amount, \$4,003,496 (*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 \$2,373,906. This increase is attributable to excess revenues over expenses for 2006.
- As of the close of the current fiscal year, the Town of Miami Lakes' governmental funds reported combined ending fund balances of \$5,565,218, an increase of \$446,432 in comparison with the prior year. Approximately \$3,575,683 of the ending fund balances 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 \$3,575,683, or 17% of total general fund expenditures.
- The Town did not incur any debt in 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).

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, public works, parks, code enforcement, and building, planning & zoning. The Town's business type activities consist of a Stormwater Utility.

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 11 and 12 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. All of the funds of the Town of Miami Lakes can be divided into two categories: governmental funds and proprietary funds.

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 statements 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 three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the capital projects fund, and the special revenue fund. Of these funds, the General Fund and the Capital Projects Fund are considered to be major funds while the Special Revenue Fund is considered a non-major fund.

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

The basic governmental fund financial statements can be found on pages 13 to 14 of this report.

Proprietary funds. The Town of Miami Lakes maintains one type of proprietary fund: *Enterprise fund*, which is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its Stormwater Utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Stormwater Utility.

The basic proprietary fund financial statements can be found on pages 15 to 17 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 18 to 28 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 Town's case, assets exceeded liabilities by \$19,193,405 at the close of the most recent fiscal year.

A portion of the Town's net assets, \$13,200,374 or 69%, reflects its investment in capital assets (e.g., land, equipment and improvement to infrastructure). The Town of Miami Lakes uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the Town's net assets, \$1,989,535 or 10%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$4,003,496 or 21%, may be used to meet the government's on-going obligations to citizens and creditors.

At the end of the current year, the Town of Miami Lakes is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

Town of Miami Lakes' Net Assets

	Governmental activities		Business-type activities		Total	
	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>
Current assets	\$ 8,778,530	\$ 6,885,703	\$ 1,300,600	\$ 729,965	\$ 10,079,130	\$ 7,615,668
Capital assets, net	<u>11,243,582</u>	<u>9,767,253</u>	<u>1,956,792</u>	<u>1,493,937</u>	<u>13,200,374</u>	<u>11,261,190</u>
Total assets	<u>20,022,112</u>	<u>16,652,956</u>	<u>3,257,392</u>	<u>2,223,902</u>	<u>23,279,504</u>	<u>18,876,858</u>
Current liabilities	<u>3,213,312</u>	<u>1,766,917</u>	<u>872,787</u>	<u>27,037</u>	<u>4,086,099</u>	<u>1,793,954</u>
Investment in capital assets, net of related debt	11,243,582	9,767,253	1,956,792	1,493,937	13,200,374	11,261,190
Restricted	1,989,535	1,725,395	-	-	1,989,535	1,725,395
Unrestricted	<u>3,575,683</u>	<u>3,393,391</u>	<u>427,813</u>	<u>702,928</u>	<u>4,003,496</u>	<u>4,096,319</u>
Total net assets	<u>\$ 16,808,800</u>	<u>\$ 14,886,039</u>	<u>\$ 2,384,605</u>	<u>\$ 2,196,865</u>	<u>\$ 19,193,405</u>	<u>\$ 17,082,904</u>

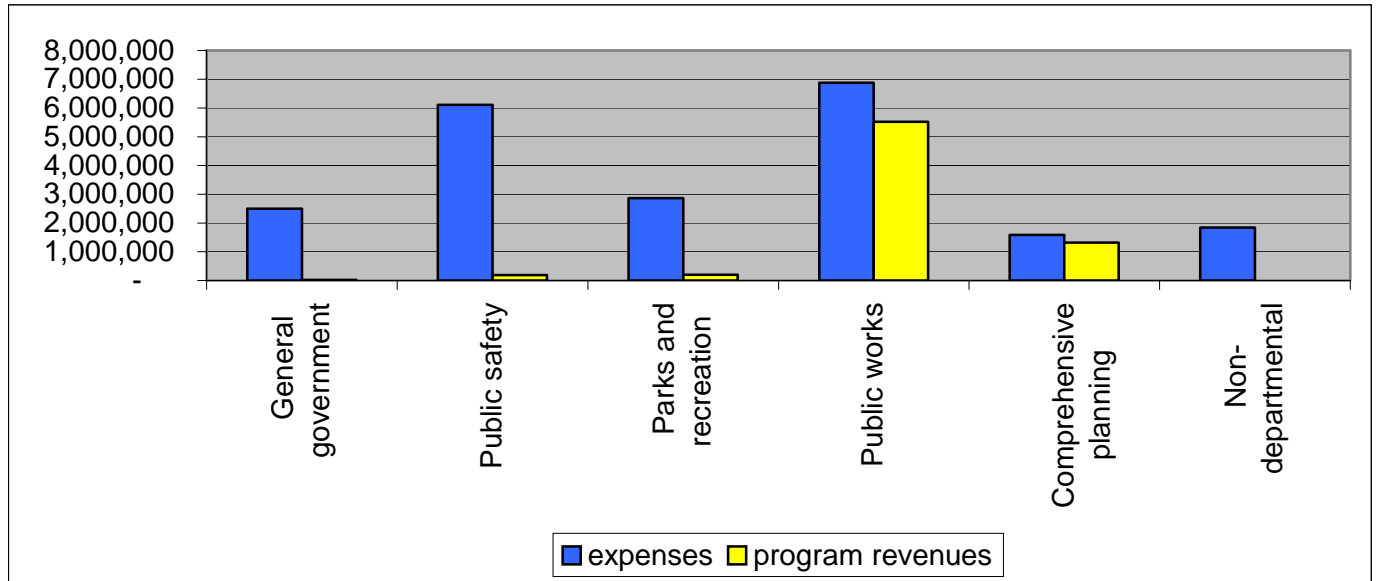
The Town's net investment in capital assets increased \$1,939,184 during the fiscal year. Most of the increase was for infrastructure improvements including Parks and public works projects pertaining to drainage, sidewalks, bus shelters and road improvements. The amount for restricted assets represents funds designated for road maintenance, transit improvements, bus circulator, and capital projects (parks, police equipment, transportation, and storm-water improvements).

Town of Miami Lakes' changes in net assets

	Governmental activities		Business-type activities		Total	
	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,536,819	\$ 1,657,063	\$ 876,342	\$ 1,108,962	\$ 2,413,161	\$ 2,766,025
Operating grants/contributions	5,259,662	524,538	16,745	-	5,276,407	524,538
Capital grants/contributions	455,213	315,500	-	-	455,213	315,500
General Revenues:						
Property taxes	7,064,767	6,093,713	-	-	7,064,767	6,093,713
Utility taxes	4,014,734	3,656,484	-	-	4,014,734	3,656,484
Franchise taxes	1,584,345	1,263,596	-	-	1,584,345	1,263,596
Intergovernmental	3,831,639	3,445,972	-	-	3,831,639	3,445,972
Investment income & misc.	304,387	235,870	-	-	304,387	235,870
Transfers	<u>(334,200)</u>	<u>(388,416)</u>	<u>334,200</u>	<u>388,416</u>	<u>-</u>	<u>-</u>
Total revenues & transfers	<u>23,717,366</u>	<u>16,804,320</u>	<u>1,227,287</u>	<u>1,497,378</u>	<u>24,944,653</u>	<u>18,301,698</u>
Expenses:						
General government	2,495,045	1,899,972	-	-	2,495,045	1,899,972
Public safety	6,113,789	5,390,092	-	-	6,113,789	5,390,092
Parks and recreation	2,864,423	1,858,785	-	-	2,864,423	1,858,785
Public works	6,880,032	1,995,828	776,142	414,405	7,656,174	2,410,233
Comprehensive planning	1,592,071	1,421,806	-	-	1,592,071	1,421,806
Non-departmental	<u>1,849,245</u>	<u>1,773,843</u>	<u>-</u>	<u>-</u>	<u>1,849,245</u>	<u>1,773,843</u>
Total expenses	<u>21,794,605</u>	<u>14,340,326</u>	<u>776,142</u>	<u>414,405</u>	<u>22,570,747</u>	<u>14,754,731</u>
Change in net assets	1,922,761	2,463,994	451,145	1,082,973	2,373,906	3,546,967
Net assets, beginning (restated)	<u>14,886,039</u>	<u>12,422,045</u>	<u>1,933,460</u>	<u>1,113,892</u>	<u>16,819,499</u>	<u>13,535,937</u>
Net assets, ending	<u>\$16,808,800</u>	<u>\$14,886,039</u>	<u>\$2,384,605</u>	<u>\$2,196,865</u>	<u>\$19,193,405</u>	<u>\$17,082,904</u>

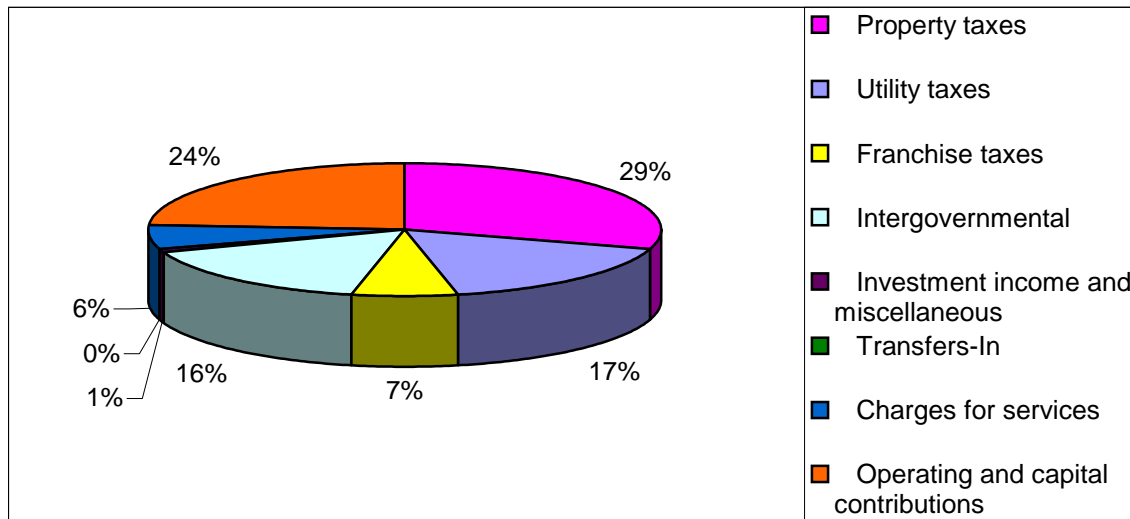
Governmental activities. Governmental activities increased the Town's net assets by \$1,922,761 in the current fiscal year, thereby accounting for 91% of the total growth of the Town's net assets. The largest revenue source was property taxes (30%) followed by operating grants (22%), utility taxes (17%) and intergovernmental revenues (16%). Most of the amount in operating grants represents financial assistance provided by the Federal Government and the State of Florida for cost associated with Hurricane Wilma. For the most part, increases in expenses reflect growth in the level services provided by the Town and the expenditures incurred by Hurricane Wilma clean-up and recovery efforts.

Expenses and Program Revenues – Governmental Activities



Business-type activities. Business-type activities increased the Town’s net assets by \$187,740 in the current fiscal year, accounting for 9% of the total growth in the Town’s net assets. The charges for services represent Stormwater utility fees. For the most part, expenses reflect cleaning and maintenance costs.

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 Lakes' *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, the Town's governmental funds reported a combined balance of \$5,565,218, an increase of \$446,432 in comparison with the prior year. Approximately 64% of the total fund balance (\$3,575,683) constitutes *unreserved undesignated fund* balance, which is available for spending at the Town's discretion. The remainder of the fund balance (\$1,989,535) is designated for (1) capital projects (\$1,551,616) or (2) special revenue fund projects (\$437,919).

The general fund is the chief operating fund of the Town of Miami Lakes. At the end of the current fiscal year, unreserved fund balance as well as total fund balance of the general fund was \$3,575,683. 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 17 percent of total general fund expenditures, while total fund balance also represents 17 percent of that same amount.

The fund balance of the Town of Miami Lakes' general fund increased \$182,292 during the current fiscal year. The increase was the net result of revenues being \$675,881 higher than expenditures in the current fiscal year, partially offset by \$493,589 transferred to other funds mainly for capital projects.

The capital projects fund has a total fund balance of \$1,551,616, all of which has been designated for use in capital projects. The special revenue fund has a total fund balance of \$437,919, all of which has been designated for use in special revenue fund projects for police capital projects, transit improvements, operation of a bus circulator, sidewalk replacement and road system maintenance.

Proprietary funds. The Town of Miami Lakes' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Stormwater Utility fund at the end of the year amounted to \$2,384,605. Of this amount, \$1,956,792 is invested in capital assets and \$427,813 is unrestricted.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were mainly due to hurricane clean-up costs as a result of Hurricane Wilma. Other variances were relatively minor and consisted of transfers between the departments as approved by the Town Council. There were no other supplemental appropriations for the fiscal year ended September 30, 2006.

Capital Assets

As of September 30, 2006, the Town's investment in capital assets for its governmental and business-type activities amounted to \$13,200,374 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure improvements, furniture and equipment. The total increase in the Town's investment in capital assets for the current fiscal year was \$1,939,184, of which \$1,476,329 was in governmental activities (a 15% increase) and \$462,885 (a 31% increase) was in business-type activities (Stormwater Utility).

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

- Improvements at Royal Oaks Park totaled approximately \$392K in the current fiscal year and included construction of a parking lot, architectural services for the Community Center project, and installation of playground equipment.
- The NW 154th Street drainage and road improvement project was completed. Total expenditures for this project were \$1.010 million, including \$354K in the current year.
- NW 87th Avenue landscaping and irrigation project – expenditures of approximately \$241K in the current fiscal year for a total of approximately \$426K.
- Lake Glenn Ellen and Lake Cynthia drainage and road improvement project – expenditures of approximately \$323K in the current fiscal year for a total of \$531K. Project is scheduled to be completed in fiscal year 2006-2007.
- The Town purchased land at a cost of \$83K for a tot-lot.

TOWN OF MIAMI LAKES
Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$3,053,618	\$2,970,819	\$ -	\$ -	\$3,053,618	\$2,970,819
Construction in progress	1,026,690	1,060,944			1,026,690	1,060,944
Infrastructure	6,760,003	5,529,931	1,956,792	1,493,937	8,716,795	7,023,868
Furniture & equipment	344,889	173,762			344,889	173,762
Leasehold improvements	<u>58,382</u>	<u>31,797</u>	<u>-</u>	<u>-</u>	<u>58,382</u>	<u>31,797</u>
Total capital assets, net	<u>\$11,243,582</u>	<u>\$9,767,253</u>	<u>\$1,956,792</u>	<u>\$1,493,937</u>	<u>\$13,200,374</u>	<u>\$11,261,190</u>

Economic Factors and Next Year Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2006 was 4.0 percent, which represented a decrease from a rate of 4.1 percent the previous year. This is higher than the state's unemployment rate of 3.5 percent, but it is lower than the national average rate of 4.4 percent for September 2006. (Source: Florida Research and Economic Database, Labor Market Statistics.)
- The occupancy rate of the government's central business district has remained stable for the past three years.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing the Town of Miami Lakes' budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund amounted to \$3,575,683. The Town of Miami Lakes has appropriated \$1,249,137 of this amount in the 2007 fiscal year budget: \$342,137 in the general fund and \$907,000 for capital projects. It is intended that the use of this portion of the available fund balance will avoid the need to raise taxes or charges during the 2007 fiscal year. The property tax millage rate for the 2007 fiscal year has been reduced from 2.825 to 2.7403 mills (\$2.7403 per \$1,000 of taxable assessed valuation).

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 Finance Department, 15700 NW 67th Avenue, Miami Lakes, Florida 33014.

TOWN OF MIAMI LAKES, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,121,090	\$ 1,642,026	\$ 5,763,116
Receivables	4,087,873	88,722	4,176,595
Internal balances	453,998	(453,998)	-
Prepayments	115,569	23,850	139,419
Property and equipment			
Non-depreciable assets			
Land	3,053,618	-	3,053,618
Construction in progress	1,026,690	-	1,026,690
Total non-depreciable assets	4,080,308	-	4,080,308
Depreciable assets			
Leasehold improvements	63,626	-	63,626
Furniture and equipment	447,819	-	447,819
Infrastructure	7,150,487	2,031,410	9,181,897
Less: accumulated depreciation	(498,658)	(74,618)	(573,276)
Total depreciable assets	7,163,274	1,956,792	9,120,066
Total property and equipment	11,243,582	1,956,792	13,200,374
Total assets	20,022,112	3,257,392	23,279,504
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable and accrued liabilities	3,054,174	872,787	3,926,961
Accrued payroll and benefits	83,626	-	83,626
Compensated absences	75,512	-	75,512
Total liabilities	3,213,312	872,787	4,086,099
Net Assets:			
Invested in capital assets	11,243,582	1,956,792	13,200,374
Restricted	1,989,535	-	1,989,535
Unrestricted	3,575,683	427,813	4,003,496
Total net assets	\$ 16,808,800	\$ 2,384,605	\$ 19,193,405

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, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>Capital Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
Governmental activities:							
General government	\$ 2,495,045	\$ 19,741	\$ -	\$ -	\$ (2,475,304)	\$ -	\$ (2,475,304)
Public safety	6,113,789	183,033	7,270		(5,923,486)	-	(5,923,486)
Parks and recreation	2,864,423	14,468	-	182,713	(2,667,242)	-	(2,667,242)
Public works	6,880,032	-	5,252,392	272,500	(1,355,140)	-	(1,355,140)
Comprehensive planning	1,592,071	1,319,577			(272,494)	-	(272,494)
Non-departmental	<u>1,849,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,849,245)</u>	<u>-</u>	<u>(1,849,245)</u>
Total governmental activities	<u>21,794,605</u>	<u>1,536,819</u>	<u>5,259,662</u>	<u>455,213</u>	<u>(14,542,911)</u>	<u>-</u>	<u>(14,542,911)</u>
Business-type activity:							
Stormwater	<u>776,142</u>	<u>876,342</u>	<u>16,745</u>	<u>-</u>	<u>-</u>	<u>116,945</u>	<u>116,945</u>
Total primary government	<u>\$ 22,570,747</u>	<u>\$ 2,413,161</u>	<u>\$ 5,276,407</u>	<u>\$ 455,213</u>	<u>(14,542,911)</u>	<u>116,945</u>	<u>(14,425,966)</u>
General revenues:							
Property taxes					7,064,767	-	7,064,767
Utility taxes					4,014,734	-	4,014,734
Franchise taxes					1,584,345	-	1,584,345
Intergovernmental not restricted to specific programs					3,831,639	-	3,831,639
Investment income and miscellaneous					304,387	-	304,387
Transfers					<u>(334,200)</u>	<u>334,200</u>	<u>-</u>
Total general revenues and transfers					<u>16,465,672</u>	<u>334,200</u>	<u>16,799,872</u>
Change in net assets					1,922,761	451,145	2,373,906
Net assets, beginning (restated)					<u>14,886,039</u>	<u>1,933,460</u>	<u>16,819,499</u>
Net assets, ending					<u>\$ 16,808,800</u>	<u>\$ 2,384,605</u>	<u>\$ 19,193,405</u>

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

TOWN OF MIAMI LAKES, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	Major Funds		Nonmajor Fund	
<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,948,964	\$ 683,990	\$ 488,136	\$ 4,121,090
Receivables	3,550,541	443,192	94,140	4,087,873
Due from other funds	48,605	777,301	19,856	845,762
Prepayments and other assets	115,569	-	-	115,569
Total assets	\$ 6,663,679	\$ 1,904,483	\$ 602,132	\$ 9,170,294

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable	\$ 2,673,086	\$ 352,867	\$ 28,221	\$ 3,054,174
Accrued payroll and benefits	159,138	-	-	159,138
Due to other funds	255,772	-	135,992	391,764
Total liabilities	3,087,996	352,867	164,213	3,605,076
Fund balance:				
Unreserved, designated for:				
Special Revenue Fund Projects	-	-	437,919	437,919
Capital Projects	-	1,551,616	-	1,551,616
Unreserved	3,575,683	-	-	3,575,683
Total fund balance	3,575,683	1,551,616	437,919	5,565,218
Total liabilities and fund balances	\$ 6,663,679	\$ 1,904,483	\$ 602,132	

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 governmental funds.

Governmental capital assets	11,742,240
Less accumulated depreciation	(498,658)
Net assets of governmental activities (Page 11)	\$ 16,808,800

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

TOWN OF MIAMI LAKES, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Major Funds		Nonmajor Fund	
	General	Capital Projects	Special Revenue	Total
REVENUES:				
Ad valorem taxes	\$ 7,064,767	\$ -	\$ -	\$ 7,064,767
Utility taxes	4,014,734	-	-	4,014,734
Franchise fees	1,584,345	-	-	1,584,345
Licenses and permits	1,163,289	-	-	1,163,289
Intergovernmenta	7,678,625	1,199,165	648,725	9,526,515
Impact fees	-	12,571	20,372	32,943
Fines and forfeitures	318,949	-	-	318,949
Other	32,013	20,000	-	52,013
Investment Income	269,404	3,437	22,983	295,824
Total revenues	22,126,126	1,235,173	692,080	24,053,379
EXPENDITURES:				
Current:				
General government				
Town council	207,189	-	-	207,189
Town administration and finance	1,849,242	-	41,100	1,890,342
Legal	366,957	-	-	366,957
Total general government	2,423,388	-	41,100	2,464,488
Public safety:				
Police	6,043,220	-	57,278	6,100,498
Parks and recreation	2,562,829	-	-	2,562,829
Public works	6,753,723	-	314,690	7,068,413
Comprehensive planning	1,589,038	-	-	1,589,038
Non-departmenta	1,849,245	-	-	1,849,245
Capital outlay	228,802	1,843,689	49,945	2,122,436
Total expenditures	21,450,245	1,843,689	463,013	23,756,947
Excess (deficiency) of revenues over expenditure	675,881	(608,516)	229,067	296,432
OTHER FINANCING SOURCES (USES)				
Transfers in	-	728,000	15,589	743,589
Transfers out	(493,589)	-	(100,000)	(593,589)
Total other financing sources (uses)	(493,589)	728,000	(84,411)	150,000
Net change in fund balances	182,292	119,484	144,656	446,432
Fund balance, beginning	3,393,391	1,432,132	293,263	
Fund balance, ending	\$ 3,575,683	\$ 1,551,616	\$ 437,919	

Amounts reported for governmental activities in the statement of activities (Page 12) are different because

Governmental funds report capital outlays as expenditure:
However, in the statement of activities, the cost of those asset is depreciated over their estimated useful lives:

Expenditures for capital outlay:	1,799,262
Less current year depreciator	(321,121)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net asset	(1,812)
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Change in net assets of governmental activities (Page 12)	\$ 1,922,761
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The accompanying notes are an integral part of the financial statements.

TOWN OF MIAMI LAKES, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	BUSINESS- TYPE ACTIVITIES ENTERPRISE FUND <hr/> STORMWATER <hr/>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,642,026
Receivables	88,722
Prepayments	<u>23,850</u>
Total current assets	<u>1,754,598</u>
Noncurrent assets	
Infrastructure	2,031,410
Less: Accumulated depreciation	<u>(74,618)</u>
Total noncurrent assets	<u>1,956,792</u>
Total Assets	<u>\$ 3,711,390</u>
LIABILITIES	
Accounts payable	\$ 872,787
Due to other funds	<u>453,998</u>
Total Liabilities	<u>1,326,785</u>
NET ASSETS	
Invested in capital assets	1,956,792
Unrestricted	<u>427,813</u>
Total Net Assets	<u>\$ 2,384,605</u>

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

TOWN OF MIAMI LAKES, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUSINESS- TYPE ACTIVITIES- ENTERPRISE FUND <hr/> STORMWATER <hr/>
OPERATING REVENUES	
Charges for services	\$ 876,342
Total Operating Revenues	<u>876,342</u>
OPERATING EXPENSES	
Administrative expenses	135,000
Professional fees	104,766
Contractual services	57,070
QNIP Fees	69,544
Repairs and maintenance	366,667
Depreciation	<u>43,095</u>
Total Operating Expenses	<u>776,142</u>
Operating income	100,200
NONOPERATING REVENUES (EXPENSES)	
Capital contributions	484,200
Intergovernmental	16,745
Transfer out	<u>(150,000)</u>
Total Nonoperating Revenue	<u>350,945</u>
Change in net assets	451,145
TOTAL NET ASSETS, OCTOBER 1 (RESTATED)	<u>1,933,460</u>
TOTAL NET ASSETS, SEPTEMBER 30	<u>\$ 2,384,605</u>

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

TOWN OF MIAMI LAKES, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	BUSINESS- TYPE ACTIVITIES- ENTERPRISE FUND <hr/> STORMWATER <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	\$ 1,163,710
Payments for interfund services provided	(297,082)
Cash paid to suppliers	(75,038)
Net Cash Provided by Operating Activities	<u>791,590</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Subsidy from intergovernmental grants	16,745
Transfer to other funds	(150,000)
Net Cash (Used in) Noncapital Financing Activities	<u>(133,255)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(21,750)
Net Cash (Used in) Capital and Related Financing Activities	<u>(21,750)</u>
NET INCREASE IN POOLED CASH AND CASH EQUIVALENTS	636,585
CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>1,005,441</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>\$ 1,642,026</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ <u>100,200</u>
Adjustment to reconcile operating income to cash provided by operating activities	
Depreciation	43,095
Change in Assets and Liabilities:	
Decrease in receivables	251,882
Increase in prepayment	(23,850)
Increase in accounts payable	582,345
Decrease in due to other funds	<u>(162,082)</u>
Total adjustments	<u>691,390</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 791,590</u>
NONCASH CAPITAL ACTIVITIES	
Capital contributions from other funds	<u>\$ 484,200</u>

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

**TOWN OF MIAMI LAKES, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Town of Miami Lakes, Florida (the Town), of 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 conforms 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.

The basic criteria for determining whether another organization should be included in the Town's government-wide financial statements are 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Government-wide and Fund Financial Statements

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 and proprietary 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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 Town considers revenues to be available if they are collected within six (6) months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility 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 government.

The Town reports the following major governmental funds:

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

The **capital projects fund** accounts for the acquisition of equipment and construction of major capital projects not being financed by proprietary funds.

The town reports the **stormwater fund** as major proprietary fund. This fund accounts for the infrastructure and operations of stormwater transportation, which is funded through user charges.

Additionally, the Town reports **special revenue fund** accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation** (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, whose purpose has not been restricted to a specific program.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the stormwater enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

d. **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.

The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as their fair value of the pool shares.

e. **Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds. Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as "internal balances".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 fiscal year ended September 30, 2006, was 2.825 mills (\$2.825 per \$1,000 of taxable assessed valuation).

g. Capital Assets

Capital assets are defined by the Town as property, equipment and infrastructure 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>
Furniture and equipment	5-20
Leasehold improvements	15
Infrastructure	40

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.

h. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Fund Equity

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.

j. 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. DEPOSITS AND INVESTMENTS

a. Cash Deposits

The carrying amount of the Town's cash deposits were \$3,755,219 including petty cash fund of \$250 as of September 30, 2006. Bank balance before reconciling items were \$5,764,248 at that date, the total of which is collateralized or insured with securities held by the Town or by its agent in the Town's name as discussed below.

Custodian Credit Risk. Custodian credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. All of the Town's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposit Act". Under this Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level.

b. Investments

The Town has no formal investment policy and uses investment guidance as provided by Section 218.415 of the Florida Statutes. The statute authorizes local governments to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, which include the Local Government Surplus Trust Fund administered by the State Board of Administration (SBA).

At September 30, 2006, the Town's investments, which totaled \$2,007,897, consisted of deposits in the Florida State Board of Administration (SBA) investment pool.

3. RECEIVABLES AND PAYABLES

Receivables at year end were as follows:

	Major Funds			Nonmajor Fund	Total
	General Fund	Capital Projects Fund	Stormwater Fund	Special Revenue Fund	
Due from other governments	\$ 3,332,338	\$ 441,288	\$ 88,722	\$ 94,140	\$ 3,956,488
Other	<u>218,203</u>	<u>1,904</u>	<u>-</u>	<u>-</u>	<u>220,107</u>
Total					
Receivables	<u>\$ 3,550,541</u>	<u>\$ 443,192</u>	<u>\$ 88,722</u>	<u>\$ 94,140</u>	<u>\$ 4,176,595</u>

Payables at year end were as follows:

	Major Funds			Nonmajor Fund	Total
	General Fund	Capital Projects Fund	Stormwater Fund	Special Revenue Fund	
Due to other governments	\$ 682,707	\$ -	\$ 298,382	\$ -	\$ 981,089
Vendors	<u>1,990,379</u>	<u>352,867</u>	<u>574,405</u>	<u>28,222</u>	<u>2,831,245</u>
Total					
Payables	<u>\$ 2,673,086</u>	<u>\$ 352,867</u>	<u>\$ 872,787</u>	<u>\$ 28,222</u>	<u>\$ 3,926,962</u>

4. INTERFUND BALANCES AND TRANSFERS

Interfund balances for the year ended September 30, 2006, consisted of the following:

	Due From			Nonmajor Fund	Total
	Major Funds		Special Revenue Fund		
Due To	General Fund	Stormwater Fund	Special Revenue Fund		
General Fund	\$ -	\$ 48,605	\$ -	\$ -	\$ 48,605
Special Revenue Fund	12,736	7,120	-	-	19,856
Capital Fund	<u>243,036</u>	<u>398,273</u>	<u>135,992</u>		<u>777,301</u>
Total	<u>\$ 255,772</u>	<u>\$ 453,998</u>	<u>\$ 135,992</u>		<u>\$ 845,762</u>

The outstanding balances between funds results mainly from the time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

4. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the fiscal year ended September 30, 2006, consisted of the following:

<u>Transfers To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>Major Fund</u>		<u>Nonmajor Fund</u>	
	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Special Revenue Fund</u>	
Capital Projects Fund	\$ 478,000	\$ 150,000	\$ 100,000	\$ 728,000
Special Revenue Fund	15,589	-	-	15,589
Total	<u>\$ 493,589</u>	<u>\$ 150,000</u>	<u>\$ 100,000</u>	<u>\$ 743,589</u>

The transfers were used primarily to finance the various on-going capital projects of the Town which include Royal Oak Park Project, a Stormwater Drainage Improvement Projects, among others.

During the year, the Capital Project Fund allocated approximately \$484,200 of infrastructure to Stormwater Fund for the portion of drainage improvements on various capital projects funded by Capital Project Fund and reported as capital contributions from other funds in the business-type activities.

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Non depreciable capital assets:				
Land	\$ 2,970,819	\$ 82,799	\$ -	\$ 3,053,618
Construction in progress	1,060,944	1,026,689	(1,060,943)	1,026,690
Total assets not being depreciated	<u>4,031,763</u>	<u>1,109,488</u>	<u>(1,060,943)</u>	<u>4,080,308</u>
Capital assets, being depreciated:				
Furniture and equipment	231,294	219,310	(2,785)	447,819
Leasehold improvements	34,678	28,948	-	63,626
Infrastructure	5,648,028	1,502,459	-	7,150,487
Total capital assets being depreciated	<u>5,914,000</u>	<u>1,750,717</u>	<u>(2,785)</u>	<u>7,661,932</u>
Less accumulated depreciation for:				
Furniture and equipment	(57,532)	(46,371)	973	(102,930)
Leasehold improvements	(2,881)	(2,363)	-	(5,244)
Infrastructure	(118,097)	(272,387)	-	(390,484)
Total accumulated depreciation	<u>(178,510)</u>	<u>(321,121)</u>	<u>973</u>	<u>(498,658)</u>
Net capital assets being depreciated	<u>5,735,590</u>	<u>1,429,596</u>	<u>(1,812)</u>	<u>7,163,274</u>
Governmental activities				
Capital assets, net	<u>\$ 9,767,253</u>	<u>\$ 2,539,084</u>	<u>\$ (1,062,755)</u>	<u>\$ 11,243,582</u>

5. CAPITAL ASSETS (CONTINUED)

The following is a summary of capital assets in the Enterprise Fund at September 30, 2006:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Business-type Activities				
Capital assets, being depreciated:				
Infrastructure	\$ 1,525,460	\$ 505,950	\$ -	\$ 2,031,410
Less accumulated depreciation for:				
Infrastructure	<u>(31,523)</u>	<u>(43,095)</u>	-	<u>(74,618)</u>
Net capital assets being depreciated	<u>1,493,937</u>	<u>456,855</u>	-	<u>1,956,792</u>
Business-type activities				
Capital assets, net	<u>\$ 1,493,937</u>	<u>\$ 456,855</u>	<u>\$ -</u>	<u>\$ 1,956,792</u>

Depreciation expenses charged to functions/programs of the primary government are as follows:

Governmental activities:

General Government	\$ 26,324
Public Safety	13,292
Public Works	96,614
Parks and Recreation	181,858
Comprehensive Planning	<u>3,033</u>
	<u>\$ 321,121</u>

Business-type activities:

Stormwater Utility	<u>43,095</u>
	<u>\$ 43,095</u>

6. EMPLOYEE RETIREMENT SYSTEM

Plan Description. Effective January 1, 2004, with the passing of Resolution No. 03-182, all of the Town's full-time employees became participants of the Florida Retirement System (FRS), a multiple employer cost sharing public employee retirement system, administered by the Florida Legislature and available to governmental units within Florida. The FRS provides vesting after six years of creditable service. Members are eligible for normal retirement after vesting (6 years or more creditable service for regular members). Early retirement may be taken anytime, but there is a five percent benefit reduction for each year prior to normal retirement age (less than 30 years service or 62 years of age for regular members).

Funding Policy. Plan members do not contribute. The Town contribution rates ranged from 7.83% to 13.12% of covered payroll. Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations.

6. EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

The Town's contributions for the Florida Retirement System during the year which were equal to the required contribution amounted to \$131,383.

The most recent actuarial report was prepared as of April 2006. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

The Florida Retirement System issues a financial report that includes the financial statements and other statistically relevant financial information. That report may be obtained from the State of Florida, Division of Retirement, 2639 N. Monroe Street, Tallahassee, Florida 32399 or by calling (850) 488-2879.

7. 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 Miami Dade County ("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 \$1,679,707 for the fiscal year ended September 30, 2006, 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, 2004, the Town executed an agreement with the County for local police patrol services provided by the County. Consideration for the services is based utilizing the actual costs of officers and equipment. Services are due on a monthly basis by the 15th day of the following month of the service period based on the Town's annual budget. The last payment of the fiscal year is adjusted to actual costs for the year. Additional payments are required for optional law enforcement services. The agreement expires on November 13, 2007, and can be renewed no later than May 1, 2007. The Town paid approximately \$5,592,209 to the County for local police patrol services during the fiscal year ended September 30, 2006.

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 \$288,505 to the County for specialized police services during the fiscal year ended September 30, 2006.

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Lease

The Town rents approximately 4,860 square feet of office space under a lease agreement expiring on February 28, 2007. The lease is cancelable with thirty (30) days notice and in February 2006, the Town cancelled the lease for approximately 4,195 square feet of office space where the Administration, Building and Finance Department were previously located and retained approximately 665 square feet for the Town's conference room.

In December 2005, the Town entered into a five-year lease agreement expiring February 28, 2011 for approximately 13,125 square feet of office space for the new Town Hall location for approximately \$25,000 per month subject to annual rate adjustment based on the Consumer Price Index (CPI) as published by U.S. Department of Labor, Bureau of Labor Statistic.

Minimum rental payments for the remainder of the lease terms are as follows:

<u>September 30,</u>	
2007	\$ 301,872
2008	301,872
2009	301,872
2010	301,872
2011	<u>301,872</u>
	<u>\$ 1,509,360</u>

Employment Agreement

On November 8, 2005, the Town revised the employment agreement with the current Town Manager extending the terms of the employment up to September 30, 2008, and increasing the annual salary. The Town will also contribute 15% of the Town Manager's salary to deferred compensation plans and provide a \$500 per month automobile allowance.

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 approximately \$169,538 during the fiscal year ended September 30, 2006.

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Stormwater Charges Billing Agreement

In October 2003, the County and the Town entered into an agreement to transfer to the Town the operations and the maintenance of the Town's Stormwater utility system located within the Town's boundaries. As part of the agreement, the billing and collection activities will remain under the administration of the County's Water and Sewer Department ("Department") for an administrative fee of 87 cents per utility bill processed by the Department. The agreement is effective for a period of 5 years and is renewable by written mutual consent of both parties.

In addition, the agreement requires the Town to pay the County yearly QNIP debt service payment through the year 2024 based on 2.4% of the Annual Debt Service Payment of the \$41,580,000 Miami-Dade County Stormwater Utility Revenue Bonds, Series 1999.

Annual QNIP Debt Service payments are as follows:

2007	\$	69,602
2008		69,583
2009		69,620
2010		69,570
2011		69,655
2012-2024	\$	904,825

During the fiscal year ended September 30, 2006 the Town paid approximately \$69,544 and \$31,508 in QNIP payments and administrative fees, respectively.

Construction Commitment

The Town has active construction projects as of September 30, 2006. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Lake Glenn Ellen & Cynthia road and drainage improvements	\$ 443,042	\$ 150,239

8. 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 three years.

9. FUND BALANCE ADJUSTMENT

During the fiscal year ended September 30, 2006, Miami-Dade County retroactively reflected in the billings of stormwater fees made on behalf of the Town the rates and Equivalent Residential Unit definition (ERU) adopted by the Town in Ordinance 03-32. Consequently, Miami-Dade County refunded to customers on behalf of the Town approximately \$420,000 of stormwater fees billed using the County's rates and ERU definition during the period from October 1, 2003 through June 1, 2006. This resulted in an overstatement of stormwater revenues of \$34,853 and \$228,552 for the fiscal years ended September 30, 2004 and 2005, respectively. Accordingly, the September 30, 2005 net assets fund balance of the stormwater fund was restated by \$263,405.

TOWN OF MIAMI LAKES, FLORIDA
BUDGETARY COMPARISON SCHEDULE
- GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 6,994,000	\$ 6,994,000	\$ 7,064,767	\$ 70,767
Utility taxes	3,322,000	3,893,930	4,014,734	120,804
Franchise fees	1,255,000	1,555,000	1,584,345	29,345
Licenses and permits	1,137,900	1,137,900	1,163,289	25,389
Intergovernmental	2,111,400	7,317,470	7,678,625	361,155
Fines and forfeitures	287,000	287,000	318,949	31,949
Other	18,000	18,000	32,013	14,013
Investment Income	<u>100,000</u>	<u>100,000</u>	<u>269,404</u>	<u>169,404</u>
Total revenues	<u>15,225,300</u>	<u>21,303,300</u>	<u>22,126,126</u>	<u>822,826</u>
Expenditures:				
Current:				
General government:				
Town council	209,893	207,793	207,189	604
Town administration and finance	2,267,456	1,977,456	1,959,054	18,402
Legal	<u>235,000</u>	<u>367,000</u>	<u>366,957</u>	<u>43</u>
Total general government	<u>2,712,349</u>	<u>2,552,249</u>	<u>2,533,200</u>	<u>19,049</u>
Public safety:				
Police	5,819,122	6,119,122	6,118,289	833
Parks and recreation	2,204,280	2,587,280	2,570,236	17,044
Public works	1,387,740	6,837,740	6,757,073	80,667
Comprehensive planning	1,541,530	1,622,530	1,622,202	328
Non-departmental	<u>1,825,187</u>	<u>1,849,287</u>	<u>1,849,245</u>	<u>42</u>
Total expenditures	<u>15,490,208</u>	<u>21,568,208</u>	<u>21,450,245</u>	<u>117,963</u>
Excess (deficiency) of revenues over expenditures	<u>(264,908)</u>	<u>(264,908)</u>	<u>675,881</u>	<u>940,789</u>
Other financing sources:				
Transfers out	<u>(1,189,308)</u>	<u>(1,189,308)</u>	<u>(493,589)</u>	<u>695,719</u>
Total other financing sources	<u>(1,189,308)</u>	<u>(1,189,308)</u>	<u>(493,589)</u>	<u>695,719</u>
Net change in fund balance	<u>(1,454,216)</u>	<u>(1,454,216)</u>	<u>182,292</u>	<u>1,636,508</u>
Fund balance, beginning	3,393,391	3,393,391	3,393,391	-
Fund balance, ending	<u>\$ 1,939,175</u>	<u>\$ 1,939,175</u>	<u>\$ 3,575,683</u>	<u>\$ 1,636,508</u>

See notes to the Budgetary Comparison Schedule

**TOWN OF MIAMI LAKES, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2006**

A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to July 30 of each year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and means of financing such expenditures.
2. Public hearings are held to obtain tax payers comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The level of control at which expenditures may not exceed budget is at the departmental level. The Town Council approves these levels by passing an ordinance. The Town Manager is authorized to transfer budgeted amounts within individual departments; any revisions that alter the total expenditures of any appropriation center within a fund must be approved by the Town Council.



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

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, 2006, and have issued our report thereon dated March 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other matters

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 grant agreements, 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 instance of non-compliance that is required to be reported under *Government Auditing Standards*.

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.

BKR Garcia & Company PLLC

March 27, 2007



**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL FOR 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, 2006, and have issued a report thereon dated March 27, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated March 27, 2007. Disclosure in that report should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(h) 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 the following:

- 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.**

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.

BKR Garcia & Company PLLC

March 27, 2007

**TOWN OF MIAMI LAKES, FLORIDA
LETTER TO MANAGEMENT
SEPTEMBER 30, 2006**

SECTION I – CURRENT YEAR FINDINGS AND RECOMMENDATIONS

NONE

SECTION II – PRIOR YEAR FINDINGS AND RECOMMENDATIONS

NONE

SECTION III – COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

1. Unless otherwise required to be reported in the auditor's report on internal control over financial reporting and on compliance and other matters, the management letter shall include, but not be limited to, a statement as to whether or not corrective actions have been taken to address significant findings and recommendations in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2005.
2. The Town of Miami Lakes complied with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There were no significant findings and recommendations to improve the Town's financial management, accounting procedures, and internal control for the fiscal year ended September 30, 2006.
4. There were no matters that are not clearly inconsequential, considering both quantitative and qualitative factors, including the following:
 - a. Violations of laws, rules, regulations, and contractual provisions or abuse, that were not clearly inconsequential, that have occurred, or were likely to have occurred, that were discovered within the scope of the audit.
 - b. Improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements.
 - c. There were no deficiencies in internal control that are not reportable conditions, including but not limited to, improper or inadequate accounting procedures, failure to properly record financial transactions or other inaccuracies, shortages, defalcations, or instances of fraud discovered by, or that came to the attention of, the auditor.
5. The Town of Miami Lakes, Florida, was incorporated in accordance with the laws of the State of Florida. The Town is governed by an elected Mayor and a six-member Council under a Council form of government.
6. The Town of Miami Lakes has not met one or more of the conditions described in Section 218.503(1)(a), Florida Statutes.

TOWN OF MIAMI LAKES, FLORIDA
LETTER TO MANAGEMENT
SEPTEMBER 30, 2006
(CONTINUED)

7. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1) (a), Florida Statutes, agrees with the September 30, 2006, financial audit report.
8. We applied financial condition assessment procedures pursuant to Rule 10.556 (8) and no deteriorating financial conditions were noted. It is management's responsibility to monitor financial condition and our financial condition assessment was based in part on representation made by management and review of financial information provided by the same.