

CITY OF HIALEAH GARDENS, FLORIDA
BASIC FINANCIAL STATEMENTS
FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF HIALEAH GARDENS, FLORIDA
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Hialeah Gardens, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hialeah Gardens, Florida (the "City") as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City's Contribution and the Schedule of Changes in the City's Total OPEB Liability and Related Ratios, on pages 3-11 and 51-53, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions 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 results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

As management of the City of Hialeah Gardens (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended September 30, 2019. Readers are encouraged to consider the information presented here in conjunction with the auditors' reports, the basic financial statements, the notes to the financial statements and the other supplementary information.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$64.6 million (total net position).
- The City's total net position showed an increase of approximately \$2.1 million from \$62.4 million in FY 2018 to \$64.5 million in FY 2019. The increase was mainly attributable to current year operations. For current year operations, net position of our business-type activities increased by approximately \$1 million, while the net position of our governmental activities increased by approximately \$1.1 million.
- As of the close of the current fiscal year, the City's governmental funds reported positive combined fund balances of \$400 thousand, this attributable to the sale of Bernie Wilson park.
- The City's total debt decreased by approximately \$400 thousand during the current fiscal year due to a reduction on current notes, capital leases and bonds.

Overview of the Financial Statements

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an additional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements show how general government services such as public safety was financed in the short term as well as what remains for future spending.
- *Proprietary funds* statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the stormwater operations, and water and wastewater systems.

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Overview of the Financial Statements (Continued)

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which is added together and presented in single columns in the basic financial statements.

Government-wide financial statements

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Hialeah Gardens is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 government activities of the City of Hialeah Gardens include public works, parks and recreation, police, and general administration services. The business-type activities of City include the water and sewer, and storm-water systems.

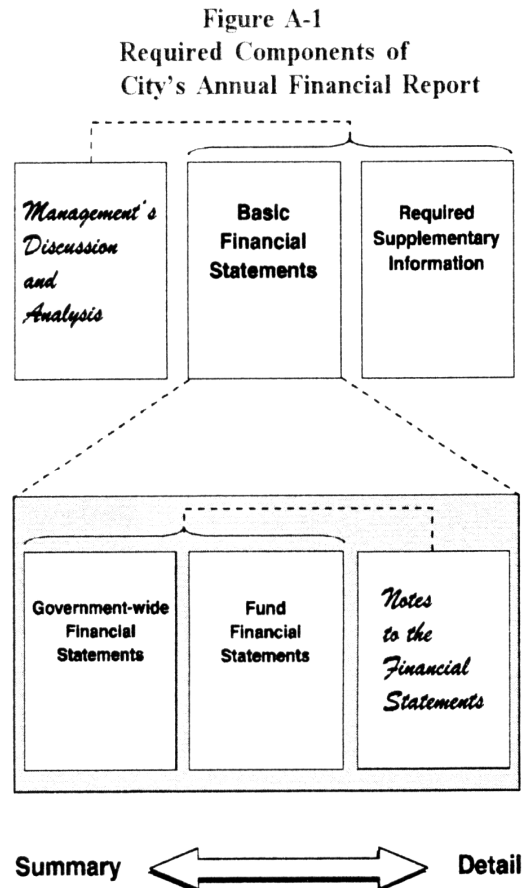
The government-wide financial statements can be found on pages 12 to 13 of this report.

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 City of Hialeah Gardens, 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 City of Hialeah Gardens can be divided into three categories: governmental funds, proprietary funds and fiduciary 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.



CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Overview of the Financial Statements (Continued)

Governmental funds (Continued)

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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Hialeah Gardens maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Streets and Roads fund, which are considered to be a major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statements have been provided for the General Fund and Streets and Roads Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14 to 17 of this report.

Proprietary funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and stormwater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer and stormwater operations, the water and sewer fund is considered to be a major fund of the City, while the stormwater fund is considered a non-major fund of the City.

The basic proprietary fund financial statements can be found on pages 18 to 20 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Hialeah Gardens' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 21 to 22 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 basic financial statements can be found on pages 23 to 47 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules.

Required supplementary information can be found on pages 48 to 53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54 to 57 of this report. The City's agency fund can be found in page 58.

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Government-Wide Financial Analysis

Summary of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. There are six basic transactions that will affect the comparability of the Statement of Net Position summary presentation as reflected below:

- **Net results of activities** will impact (increase/decrease) current assets and unrestricted net position.
- **Borrowing for capital** will increase current assets and long-term debt.
- **Spending borrowed proceeds on new capital** will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.
- **Spending of non-borrowed current assets on new capital** will reduce current assets and increase capital assets and will reduce unrestricted net position and increase invested in capital assets, net of debt.
- **Principal payment on debt** will reduce current assets and reduce long-term debt and reduce unrestricted net position and increase invested in capital assets, net of debt.
- **Reduction of capital assets through depreciation** will reduce capital assets and invested in capital assets, net of related debt.

Governmental Activities

Net position for the City's governmental activities increased by approximately \$1.1 million to approximately \$37 million.

A portion of the City's governmental net position is restricted as to the purpose they can be used for and are classified as invested in capital assets (land, buildings, streets, sidewalks, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's governmental net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet government's ongoing obligations to citizens and creditors.

Table 1
City of Hialeah Gardens' Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,105,785	\$ 1,402,425	\$ 5,812,880	\$ 5,143,188	\$ 8,918,665	\$ 6,545,613
Capital assets	40,511,448	41,753,503	25,181,156	25,566,205	65,692,604	67,319,708
Total assets	<u>43,617,233</u>	<u>43,155,928</u>	<u>30,994,036</u>	<u>30,709,393</u>	<u>74,611,269</u>	<u>73,865,321</u>
Pension Contributions	1,272,765	897,484	-	-	1,272,765	897,484
Total deferred outflows of resources	<u>1,272,765</u>	<u>897,484</u>	<u>-</u>	<u>-</u>	<u>1,272,765</u>	<u>897,484</u>
Long-term debt outstanding	2,536,508	5,040,952	1,449,410	425,001	3,985,918	5,465,953
Other liabilities	4,130,446	2,357,988	2,052,885	2,289,724	6,183,331	4,647,712
Total liabilities	<u>6,666,954</u>	<u>7,398,940</u>	<u>3,502,295</u>	<u>2,714,725</u>	<u>10,169,249</u>	<u>10,113,665</u>
Business license tax	300,733	224,510	-	-	300,733	224,510
Pension	824,495	485,553	-	-	824,495	485,553
OPEB	13,145	7,689	-	-	13,145	7,689
Franchise fees	-	-	-	-	-	-
Total deferred inflows of resources	<u>1,138,373</u>	<u>717,752</u>	<u>-</u>	<u>-</u>	<u>1,138,373</u>	<u>717,752</u>
Net position:						
Net investment in capital assets	37,973,972	38,493,776	23,414,153	23,055,475	61,388,125	61,549,251
Restricted	3,230,370	3,026,212	16,104	17,660	3,246,474	3,043,872
Unrestricted	<u>(4,119,671)</u>	<u>(5,583,268)</u>	<u>4,061,484</u>	<u>3,482,560</u>	<u>(58,187)</u>	<u>(2,100,708)</u>
Total net position	<u>\$ 37,084,671</u>	<u>\$ 35,936,720</u>	<u>\$ 27,491,741</u>	<u>\$ 26,555,695</u>	<u>\$ 64,576,412</u>	<u>\$ 62,492,415</u>

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Government-Wide Financial Analysis (Continued)

Governmental Activities (Continued)

Increase in current assets is mainly due to increase in cash and accounts receivables from \$1.4 million in FY2018 to \$3.9 million at the end of FY2019. In addition, there was an increase in capital assets mainly due to purchase of vehicles and equipment and new land to replace Bernie Wilson park.

At the end of the current fiscal year, the City of Hialeah Gardens is able to report positive balances in two of the three categories of net position for the government as a whole, and positive balances in all three categories for its business-type activities.

Summary of Changes in Net Position

The following information is presented to assist the reader in understanding the different types of normal impacts that can affect revenues:

- **Economic condition** can reflect a declining, stable or growing environment and has a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- The City Council has significant authority to set **increases or decreases in City's rates** (water and sewer, stormwater, permitting, user fees, etc.).
- **Changing patterns in intergovernmental and grant revenues** (both recurring and non-recurring) can significantly change and impact the annual comparisons.
- **Market impacts on investment income** may cause investment revenues to fluctuate from the prior year.

Some other basic impacts on expenses are reflected below:

- **Introduction of new programs** can have a substantial impact on property, non-ad valorem assessments, sales, gas, or other tax revenues as well as consumer spending habits for building permits, user fees and consumption.
- **Changes in service demand levels** can cause the City to increase or decrease authorized staffing. Staffing costs (salary and related benefits) represent a large portion of the City's operating costs.
- **Salary increases** such as cost of living, performance increases and market adjustments can impact personal service costs.
- **While inflation** appears to be reasonably modest, the City is a major consumer of certain commodities such as chemicals, supplies, fuels and parts. Some functional expenses may experience unusual commodity specific increases.

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Government-Wide Financial Analysis (Continued)

Summary of Changes in Net Position (Continued)

Table 2
Changes in City of Hialeah Gardens' Net Position

	Governmental Activities		Business-type Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,903,272	\$ 2,281,168	\$ 7,749,110	\$ 7,280,826	\$ 10,652,382	\$ 9,561,994
Operating grants/contributions	366,592	382,227	-	-	366,592	382,227
Capital grants/contributions	299,933	-	-	-	299,933	-
General revenues:						
Property taxes	6,392,366	5,841,825	-	-	6,392,366	5,841,825
Intergovernmental	4,321,307	4,386,410	-	-	4,321,307	4,386,410
Utility taxes	2,116,509	2,134,964	-	-	2,116,509	2,134,964
Franchise taxes	1,009,123	1,202,796	-	-	1,009,123	1,202,796
Investment income	10,174	5,579	14,648	11,584	24,822	17,163
Other	101,749	79,242	-	-	101,749	79,242
Gain on sale of capital asset	1,258,558	79,242	-	-	1,258,558	79,242
Total revenues	<u>18,779,583</u>	<u>16,393,453</u>	<u>7,763,758</u>	<u>7,292,410</u>	<u>26,543,341</u>	<u>23,685,863</u>
Expenses:						
General government	9,988,252	9,372,909	-	-	9,988,252	9,372,909
Public safety	5,426,866	5,088,760	-	-	5,426,866	5,088,760
Human services	548,956	559,896	-	-	548,956	559,896
Culture and recreation	1,589,579	1,554,004	-	-	1,589,579	1,554,004
Interest on long-debt	77,979	92,817	-	-	77,979	92,817
Water and sewer	-	-	6,229,216	6,022,531	6,229,216	6,022,531
Stormwater	-	-	598,496	297,847	598,496	297,847
Total expenses	<u>17,631,632</u>	<u>16,668,386</u>	<u>6,827,712</u>	<u>6,320,378</u>	<u>24,459,344</u>	<u>22,988,764</u>
Change in net position	1,147,951	(274,933)	936,046	972,032	2,083,997	697,099
Net position, beginning	<u>36,015,962</u>	<u>36,299,712</u>	<u>26,555,695</u>	<u>25,583,663</u>	<u>62,580,474</u>	<u>61,883,375</u>
Prior period adjustment	-	(8,817)	-	-	-	(8,817)
Net position, beginning as restated	<u>36,015,962</u>	<u>36,290,895</u>	<u>-</u>	<u>-</u>	<u>62,580,474</u>	<u>-</u>
Net position, ending	<u>\$ 37,163,913</u>	<u>\$ 36,015,962</u>	<u>\$ 27,491,741</u>	<u>\$ 26,555,695</u>	<u>\$ 64,664,471</u>	<u>\$ 62,580,474</u>

The City's total net position showed an increase of approximately \$2 million or 3.3% during the current fiscal year as a result of increase in revenues on both Governmental Activities and Business Activities.

The City's total revenues increased by 12% to \$26 million and total expenses increased by 6.40% to \$24 million.

Revenues for the City's governmental activities increased from \$16.3 million to \$18.7 million, while the expenses increased from \$16.2 million to \$17.6 million. The increase in net position for governmental activities totaled approximately \$1.1 million in 2019, compared to \$354 thousand decrease in 2018.

The functional activities that had expense increases compared to last fiscal year were:

- Increases in revenues are mainly due to increase in charges for services, increase in property taxes revenues due to increase in property values and proceeds from the sale of Bernie Wilson Park.

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Government-Wide Financial Analysis (Continued)

Summary of Changes in Net Position (Continued)

Business-type Activities

For 2019, there was an increase of approximately \$2 million in net position reported in connection with the City's business-type activities. Key elements of this increase are as follows:

- Charges for services for business-type activities increased due to increase in water and sewer and stormwater rates.
- Operating expenses increased due to increase in water costs from Miami Dade County.

Financial Analysis of the City's Funds

As the City completed the year, its governmental funds reported a positive combined fund balances of approximately \$400 thousand, or an increase of \$800 thousand compared to last year's negative combined fund balances of \$1.1 million. Included in this year's total change in fund balances are a \$401 thousand gain in the general fund and a loss of \$717 thousand in the Streets and Roads Fund (major funds). Fund balance for the general fund increased in fiscal year 2019 to \$3.6 million from \$1.6million in fiscal year 2018.

The General Fund

The General fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$3.3 million, as compared with \$1 million in the prior year. Non-spendable fund balance decreased to -\$0- in the current year compared to \$272 thousand for the prior year.

Compared to the prior year, total General Fund revenues increased by approximately \$2.4 million or 10% in fiscal year 2019. Change was due to the net effect of operating grants received during the fiscal year and the sale of the Bernie Wilson park.

In fiscal year 2019, total General Fund expenditures increased by \$960 thousand or 4% compared to the prior year. The increase was due to cost of vehicles and equipment purchased for the Police Department.

Major Funds

The City's other major fund is the Streets and Roads Fund which accounts for local option gas tax revenues and expenditures of transportation and public works projects. For 2019, there were no charges for services of during the fiscal year. Charges for services are for construction projects in which the Streets and Roads fund performs the work and bill the water and sewer fund.

General Fund Budgetary Highlights

General Government:

- The City adopted a millage rate of 5.1613, which is an increase of 8.66% of the rolled back rate and provided the same level of services to Hialeah Gardens' residents.
- The City continued providing room and board to residents in distress who qualify under the low-income assistance program.

Capital Assets:

- The Publics Works Department continues repairing sidewalks and driveways throughout all areas of the City of Hialeah Gardens.

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Capital Asset and Debt Administration

Capital assets

The City of Hialeah Gardens' investment in capital assets for its governmental and business type activities as of September 30, 2018 increased by \$934 thousand over the prior year. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, streets and median improvements and infrastructure, park facilities, and stormwater infrastructure.

Table 3
City of Hialeah Gardens' Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital Assets	\$ 67,799,401	\$ 67,090,943	\$ 39,014,987	\$ 38,789,664	\$ 106,814,388	\$ 105,880,607
Accumulated depreciation	(27,287,953)	(25,337,443)	(13,833,831)	(13,223,459)	(41,121,784)	(38,560,902)
	<u>\$ 40,511,448</u>	<u>\$ 41,753,500</u>	<u>\$ 25,181,156</u>	<u>\$ 25,566,205</u>	<u>\$ 65,692,604</u>	<u>\$ 67,319,705</u>

This year's major capital asset additions before depreciation for the governmental activities equaled approximately \$934 thousand and include the following:

- Streets and roadways improvements
- Purchase of vehicles
- Park improvements
- Improvements to sewer lines

Additional information on the City's capital assets can be found in Note 7 on pages 37 and 38 of this report.

Long-term debt

At year-end the City had \$3.4 million in bonds and notes outstanding— a decrease of approximately \$1 million over last year— as shown in Table 4 below. The debt position of the City is summarized below and is more fully explained in Note 8 Long-Term Debt beginning on pages 38 to 40 of this report.

Table 4
City of Hialeah Gardens' Debt

	October 1, 2018	Additions	Reductions	September 30, 2019	Due within One Year
Governmental activities:					
Total bonds and notes payable	<u>\$ 2,735,192</u>	<u>\$ -</u>	<u>\$ (576,276)</u>	<u>\$ 2,158,916</u>	<u>\$ 456,222</u>
Other liabilities:					
Lease payable	524,535	-	(145,975)	378,560	149,056
OPEB liability	333,038	4,041	-	337,079	-
Net pension liability	849,720	632,387	(595,313)	886,794	11,498
Compensated absences	598,467	2,432,055	(2,563,836)	466,686	-
Governmental activity long-term liabilities	<u>\$ 5,040,952</u>	<u>\$ 3,068,483</u>	<u>\$ (3,881,400)</u>	<u>\$ 4,228,035</u>	<u>\$ 616,776</u>
Business-type activities:					
Notes payable:					
Utilities system revenue note, series 2012	<u>\$ 1,753,000</u>	<u>\$ -</u>	<u>\$ (425,000)</u>	<u>\$ 1,328,000</u>	<u>\$ 425,000</u>
Total notes payable	<u>1,753,000</u>	<u>-</u>	<u>(425,000)</u>	<u>1,328,000</u>	<u>425,000</u>
Other liabilities:					
OPEB liability	10,668	3,852	-	14,520	-
Compensated absences	100,306	79,280	(74,477)	105,109	-
Total other liabilities	<u>211,280</u>	<u>164,193</u>	<u>(148,954)</u>	<u>226,519</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,964,280</u>	<u>\$ 164,193</u>	<u>\$ (573,954)</u>	<u>\$ 1,554,519</u>	<u>\$ 425,000</u>

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019

Economic Factors and Next Year's Budgets

- The City adopted a millage rate of 5.1613 for the fiscal year ended September 30, 2019 which is the same as previous year set by the County.
- Inflationary trends in the region compare unfavorably to national indices.
- Hialeah Gardens, like most communities across the state and nation, has been negatively impacted by the financial crisis and economic downturn gripping the United States. However, the City has maintained its high level of services while maintaining its tax millage rate the lowest it has been in years. Our millage rate this fiscal year is lower than it was in 1984. In addition, the City has still managed to keep a healthy surplus.

Requests for Information

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact Juan Rivera, OMB Director, City of Hialeah Gardens, 10001 NW 87th Ave., Hialeah Gardens, FL 33016.

BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 916,731	\$ 1,101,568	\$ 2,018,299
Accounts receivable - net	2,977,795	1,603,822	4,581,617
Prepays	25,742	-	25,742
Internal balances	(1,175,738)	1,175,738	-
Restricted assets:			
Cash and cash equivalents	-	1,931,752	1,931,752
Investments	361,255	-	361,255
Capital assets not being depreciated	6,009,224	11,859,029	17,868,253
Capital assets being depreciated, net	34,502,224	13,322,127	47,824,351
Total assets	<u>43,617,233</u>	<u>30,994,036</u>	<u>74,611,269</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension	<u>1,272,765</u>	<u>-</u>	<u>1,272,765</u>
<u>LIABILITIES</u>			
Accounts payable	2,194,949	1,027,383	3,222,332
Accrued payroll	226,156	15,257	241,413
Accrued interest	17,814	-	17,814
Customer deposits	-	1,006,738	1,006,738
Unearned revenue	-	3,507	3,507
Noncurrent liabilities:			
Net pension liability	466,686	-	466,686
Capital lease	378,560	-	378,560
The amount due in one year	616,776	434,000	1,050,776
The amount due in more than one year	2,766,013	1,015,410	3,781,423
Total liabilities	<u>6,666,954</u>	<u>3,502,295</u>	<u>10,169,249</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Business license tax	300,733	-	300,733
Pension	824,495	-	824,495
OPEB	13,145	-	13,145
Total deferred inflows of resources	<u>1,138,373</u>	<u>-</u>	<u>1,138,373</u>
<u>NET POSITION</u>			
Net investment in capital assets	37,973,972	23,414,153	61,388,125
Restricted for:			
Debt service	361,255	16,104	377,359
Public safety	247,163	-	247,163
Transportation	2,621,952	-	2,621,952
Unrestricted	(4,119,671)	4,061,484	(58,187)
Total net position	<u>\$ 37,084,671</u>	<u>\$ 27,491,741</u>	<u>\$ 64,576,412</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
Governmental activities:							
General government	\$ 9,988,252	\$ 2,718,461	\$ 14,806	\$ 299,933	\$ (6,955,052)	\$ -	\$ (6,955,052)
Public safety	5,426,866	184,811	-	-	(5,242,055)	-	(5,242,055)
Human services	548,956	-	351,786	-	(197,170)	-	(197,170)
Culture and recreation	1,589,579	-	-	-	(1,589,579)	-	(1,589,579)
Interest on long-term debt	77,979	-	-	-	(77,979)	-	(77,979)
Total governmental activities	<u>17,631,632</u>	<u>2,903,272</u>	<u>366,592</u>	<u>299,933</u>	<u>(14,061,835)</u>	<u>-</u>	<u>(14,061,835)</u>
Business-type activities:							
Water & Sewer	6,229,216	7,065,298	-	-	-	836,082	836,082
Stormwater	598,496	683,812	-	-	-	85,316	85,316
Total business-type activities	<u>6,827,712</u>	<u>7,749,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>921,398</u>	<u>921,398</u>
	<u>\$ 24,459,344</u>	<u>\$ 10,652,382</u>	<u>\$ 366,592</u>	<u>\$ 299,933</u>	<u>\$ (14,061,835)</u>	<u>\$ 921,398</u>	<u>\$ (13,140,437)</u>
General revenues:							
Ad valorem taxes, levied for general purpose					\$ 6,392,366	\$ -	\$ 6,392,366
Utility taxes					2,116,509	-	2,116,509
Franchise fees on gross receipts					1,009,123	-	1,009,123
Intergovernmental (unrestricted)					4,321,307	-	4,321,307
Investment income (unrestricted)					10,174	14,648	24,822
Other					101,749	-	101,749
Gain on sale of capital asset					1,258,558	-	1,258,558
Total general revenues and transfers					<u>15,209,786</u>	<u>14,648</u>	<u>15,224,434</u>
Change in net position					1,147,951	936,046	2,083,997
Net position, beginning					<u>35,936,720</u>	<u>26,555,695</u>	<u>62,492,415</u>
Net position, ending					<u>\$ 37,084,671</u>	<u>\$ 27,491,741</u>	<u>\$ 64,576,412</u>

CITY OF HIALEAH GARDENS, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Major Funds			
	General	Streets and Roads Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 871,699	\$ -	\$ 45,032	\$ 916,731
Accounts receivable - net	2,977,795	-	-	2,977,795
Due from other funds	2,173,361	-	2,824,083	4,997,444
Prepays	-	-	25,742	25,742
Restricted assets:				
Investments	361,255	-	-	361,255
Total assets	6,384,110	-	2,894,857	9,278,967
<u>LIABILITIES</u>				
Accounts payable	2,194,949	-	-	2,194,949
Accrued payroll	226,156	-	-	226,156
Due to other funds	-	6,173,182	-	6,173,182
Total liabilities	2,421,105	6,173,182	-	8,594,287
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Business license tax	300,733	-	-	300,733
Total deferred inflows of resources	300,733	-	-	300,733
<u>FUND BALANCES</u>				
Nonspendable	-	-	25,742	25,742
Restricted	361,255	-	2,869,115	3,230,370
Unassigned	3,301,017	(6,173,182)	-	(2,872,165)
Total fund balances	3,662,272	(6,173,182)	2,894,857	383,947
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,384,110	\$ -	\$ 2,894,857	\$ 9,278,967

CITY OF HIALEAH GARDENS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Fund balances - total government funds (Page 14) \$ 383,947

Amounts reported for governmental activities in the statement of net position are different as a result of:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets		67,799,402
Less accumulated depreciation		(27,287,954)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue bonds	\$ (2,158,916)		
Capital lease	(378,560)		
OPEB liability	(337,079)		
Accrued interest	(17,814)		
Compensated absences	<u>(886,794)</u>		(3,779,163)

Net pension liability		(466,686)
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Deferred outflows of resources related to pension contributions are not recognized in the governmental funds; however, they are reported in the statement of net position under full accrual accounting		1,272,765
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Deferred inflows of resources related to pension and OPEB earnings are not recognized in the governmental funds; however, they are reported in the statement of net position under full accrual accounting		<u>(837,640)</u>
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Net position of governmental activities (Page 12) \$ 37,084,671

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Major Funds			Total Governmental Funds
	General	Streets and Roads Fund	Other Governmental Funds	
REVENUES:				
Ad valorem taxes	\$ 6,392,366	\$ -	\$ -	\$ 6,392,366
Intergovernmental	3,249,627	731,083	1,007,122	4,987,832
Utility taxes	2,116,509	-	-	2,116,509
Franchise taxes	1,009,123	-	-	1,009,123
Impact fees	-	-	86,285	86,285
Licenses and permits	1,572,167	-	-	1,572,167
Charges for services	1,146,294	-	-	1,146,294
Fines and forfeitures	38,449	-	60,077	98,526
Interest	10,174	-	-	10,174
Other	101,749	-	-	101,749
Total revenues	<u>15,636,458</u>	<u>731,083</u>	<u>1,153,484</u>	<u>17,521,025</u>
EXPENDITURES:				
Current:				
General government	6,998,118	1,004,224	429,546	8,431,888
Public safety	5,366,657	-	-	5,366,657
Human services	530,443	-	-	530,443
Culture and recreation	1,395,701	-	-	1,395,701
Debt service:				
Principal retirement	273,902	145,975	302,374	722,251
Interest and fiscal charges	62,166	10,240	6,552	78,958
Capital outlay:				
General government	607,782	288,213	-	895,995
Public safety	-	-	210,855	210,855
Total expenditures	<u>15,234,769</u>	<u>1,448,652</u>	<u>949,327</u>	<u>17,632,748</u>
excess (Deficiency) of revenues over expenditures before other financing sources				
	<u>401,689</u>	<u>(717,569)</u>	<u>204,157</u>	<u>(111,723)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	1,656,950	-	-	1,656,950
Transfers In	-	-	41,402	41,402
Transfers (out)	(41,402)	-	-	(41,402)
Total other financing sources (uses)	<u>1,615,548</u>	<u>-</u>	<u>41,402</u>	<u>1,656,950</u>
Net change in fund balances	<u>2,017,237</u>	<u>(717,569)</u>	<u>245,559</u>	<u>1,545,227</u>
FUND BALANCES, beginning of year	<u>1,645,035</u>	<u>(5,455,613)</u>	<u>2,649,298</u>	<u>(1,161,280)</u>
FUND BALANCES, end of year	<u>\$ 3,662,272</u>	<u>\$ (6,173,182)</u>	<u>\$ 2,894,857</u>	<u>\$ 383,947</u>

CITY OF HIALEAH GARDENS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the statement of activities are different as a result of:

Net change in fund balances - total government funds (Page 16)		\$ 1,545,227
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Expenditures for capital outlays	\$ 1,106,850	
Less current year depreciation	<u>(1,950,515)</u>	
Net adjustment		(843,665)
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		(244)
<p>The issuance of long term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal payments	722,251	
Accrued interest	979	
OPEB liability	(4,041)	
Compensated absences	(37,074)	
Adjustment to net pension liability	<u>131,781</u>	
		<u>813,896</u>
<p>Changes in the City's pension and OPEB deferred outflows and pension deferred inflows for the current year are not reported in the governmental funds but are reported in the statement of activities</p>		
		31,129
Change in net position of governmental activities (Page 13)		<u>\$ 1,147,951</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water & Sewer	Stormwater	
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,101,568	\$ -	\$ 1,101,568
Due from other funds	-	1,750,499	1,750,499
Accounts receivable - net	1,550,959	52,863	1,603,822
Total current assets	<u>2,652,527</u>	<u>1,803,362</u>	<u>4,455,889</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	1,931,752	-	1,931,752
Capital assets - net	24,258,554	922,602	25,181,156
Total noncurrent assets	<u>26,190,306</u>	<u>922,602</u>	<u>27,112,908</u>
Total assets	<u>28,842,833</u>	<u>2,725,964</u>	<u>31,568,797</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,023,799	3,584	1,027,383
Accrued payroll	15,257	-	15,257
Due to other funds	574,761	-	574,761
Unearned revenues	3,507	-	3,507
Customer deposits-payable from restricted assets	1,006,738	-	1,006,738
Current portion of non-current liabilities	434,000	-	434,000
Total current liabilities	<u>3,058,062</u>	<u>3,584</u>	<u>3,061,646</u>
Non-current liabilities:			
Note payable	894,000	-	894,000
OPEB liability	11,540	2,980	14,520
Compensated absences	94,769	12,121	106,890
Total non-current liabilities	<u>1,000,309</u>	<u>15,101</u>	<u>1,015,410</u>
Total liabilities	<u>4,058,371</u>	<u>18,685</u>	<u>4,077,056</u>
<u>NET POSITION</u>			
Net investment in capital assets	22,491,551	922,602	23,414,153
Restricted for debt service	16,104	-	16,104
Unrestricted	2,276,807	1,784,677	4,061,484
Total net position	<u>\$ 24,784,462</u>	<u>\$ 2,707,279</u>	<u>\$ 27,491,741</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	<u>Water & Sewer</u>	<u>Stormwater</u>	
Operating revenues:			
Charges for services	\$ 7,065,298	\$ 683,812	\$ 7,749,110
Total operating revenues	<u>7,065,298</u>	<u>683,812</u>	<u>7,749,110</u>
Operating expenses:			
Operations and maintenance	2,413,624	553,359	2,966,983
Water and disposal costs	3,211,619	-	3,211,619
Depreciation	<u>566,006</u>	<u>45,137</u>	<u>611,143</u>
Total operating expenses	<u>6,191,249</u>	<u>598,496</u>	<u>6,789,745</u>
Operating income	<u>874,049</u>	<u>85,316</u>	<u>959,365</u>
Nonoperating revenues (expenses):			
Interest income	14,648	-	14,648
Interest expense and fees	<u>(37,967)</u>	<u>-</u>	<u>(37,967)</u>
Total nonoperating expenses	<u>(23,319)</u>	<u>-</u>	<u>(23,319)</u>
Change in net position	850,730	85,316	936,046
Net position, beginning of year	<u>23,933,732</u>	<u>2,621,963</u>	<u>26,555,695</u>
Net position, end of year	<u>\$ 24,784,462</u>	<u>\$ 2,707,279</u>	<u>\$ 27,491,741</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities -		
	Enterprise Funds		
	Major Fund	Non-Major Fund	Total
Water & Sewer	Stormwater		
Cash flows from operating activities:			
Cash received from customers, governments and other funds	\$ 6,788,035	\$ 602,637	\$ 7,390,672
Cash paid to suppliers and other funds	(5,400,233)	(1,027,474)	(6,427,707)
Cash paid for employees	(701,242)	424,837	(276,405)
Net cash provided by operating activities	<u>686,560</u>	<u>-</u>	<u>686,560</u>
Cash flows from capital related financing activities:			
Acquisition and construction of capital assets	(226,094)	-	(226,094)
Principal retirements of capital debt	(425,000)	-	(425,000)
Interest paid on capital debt	(37,967)	-	(37,967)
Net cash used in capital and related financing activities	<u>(689,061)</u>	<u>-</u>	<u>(689,061)</u>
Cash flows from investing activities:			
Interest and other income	14,648	-	14,648
Net cash provided by investing activities	<u>14,648</u>	<u>-</u>	<u>14,648</u>
Net increase in cash and cash equivalents	12,147	-	12,147
Cash and cash equivalents, October 1	<u>3,021,173</u>	<u>-</u>	<u>3,021,173</u>
Cash and cash equivalents, September 30	<u>\$ 3,033,320</u>	<u>\$ -</u>	<u>\$ 3,033,320</u>
Reported in statement of net position as follows:			
Unrestricted	\$ 1,101,568	\$ -	\$ 1,101,568
Restricted	1,931,752	-	1,931,752
	<u>\$ 3,033,320</u>	<u>\$ -</u>	<u>\$ 3,033,320</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 874,049	\$ 85,316	\$ 959,365
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	566,006	45,137	611,143
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(123,122)	(52,863)	(175,985)
Due from other funds	-	(81,175)	(81,175)
Increase (decrease) in:			
Accounts payable and accrued liabilities	(255,119)	3,584	(251,535)
Compensated absences	6,584	-	6,584
OPEB liability	3,851	1	3,852
Due to other funds	(400,385)	-	(400,385)
Customer deposits	13,309	-	13,309
Other liabilities	3,390	-	3,390
Total adjustments	<u>(187,489)</u>	<u>(85,316)</u>	<u>(272,805)</u>
Net cash provided by operating activities	<u>\$ 686,560</u>	<u>\$ -</u>	<u>\$ 686,560</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	<u>Pension</u> <u>Trust Fund</u>	<u>Agency</u> <u>Fund</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 589,129	\$ 867,181
Receivables:		
State	223,230	-
City	44,869	1,939,165
Employee	10,653	-
Accrued interest and dividends	23,031	-
Due from broker	4,178	-
Total receivables	<u>305,961</u>	<u>2,806,346</u>
Investments, at fair value		
U.S. Government securities	1,692,484	-
Corporate bonds	1,259,333	-
Domestic equity	9,005,354	-
International equity	2,021,711	-
Fixed income fund	1,477,875	-
Real estate fund	1,547,442	-
Total investments	<u>17,004,199</u>	<u>-</u>
Total assets	<u>17,899,289</u>	<u>3,673,527</u>
<u>LIABILITIES</u>		
Accrued expenses	20,658	-
Prepaid City Contribution	23,376	-
Other liabilities	-	2,806,346
Total liabilities	<u>44,034</u>	<u>2,806,346</u>
<u>NET POSITION</u>		
Net position restricted for pensions	<u>\$ 17,855,255</u>	<u>\$ 867,181</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
City	\$ 575,925
State	223,230
Member	<u>136,736</u>
Total contributions	<u>935,891</u>
Investment income:	
Net appreciation in fair value of investments	(156,187)
Interest and dividend income	<u>525,449</u>
Total investment income	369,262
Less: investment expenses	<u>106,817</u>
Net investment income	<u>262,445</u>
Total additions	<u>1,198,336</u>
Deductions:	
Benefits paid	822,688
Refunds of contributions	14,446
Administrative expenses	<u>67,865</u>
Total deductions	<u>904,999</u>
Changes in net position	293,337
Net position, beginning of year	<u>17,561,918</u>
Net position, end of year	<u>\$ 17,855,255</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Hialeah Gardens, Florida, (the “City”) was incorporated under Chapter 165 of the Florida Statutes. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture, recreation, public works, improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, these basic financial statements present the reporting entity of the City. Component units are legally separate entities for which the government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City’s combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization’s governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Based upon the application of these criteria, there were no organizations which met the criteria described above.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining non-major governmental funds are aggregated and reported as other governmental or other proprietary funds.

C. Measurement Focus, Basis of Accounting and Basis of 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 the 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.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. 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. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

Streets and Roads Fund – This fund accounts for the revenues and expenses related to the maintenance and improvements of the City's streets and road.

The City reports the following major proprietary funds:

Water and Sewer Fund – This fund accounts for the provision of potable water to residents and the corresponding sewage disposal, which is processed by Miami-Dade County. The City operates the water treatment facility, water distribution system, sewage transportation pipelines, and sewage pumping stations.

Additionally, the City reports the following fund types:

Pension Trust Fund – This fund accounts for the activities of the Hialeah Gardens Police Officers Pension Trust Fund, which accumulates resources for pension benefit payments to qualified public safety employees.

Agency Fund – This fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the City holds for others in an agency capacity.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The financial statements of the City follow the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for both the government wide and proprietary fund financial statements. Governments also have the option of following subsequent FASB pronouncements for their business-type activities and enterprise funds subject to this same limitation. The City has elected not to follow subsequent FASB guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise fund functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 water & sewer, and stormwater fund, are charges to customers for services. The water & sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Deposits and Investments

The City's cash and cash equivalents include cash on hand and certificates of deposit with original maturities of three months or less from the date of acquisition. Substantially all other investments, including pension investments, are recorded at fair value.

The City's and pension plan investments are governed by their respective investment policies.

E. Receivables and Payables

Activity 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" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Operating revenues in the Water and Sewer Enterprise Fund are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption period and billed in October.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible accounts receivable allowances are based on historical trends.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Amounts reported in the governmental funds are offset by an equal reservation of fund balance in the fund financial statements. This is an indication that these components of current assets do not constitute available spending resources.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on the property. Tax bills are mailed for the City by Miami Dade 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 City.

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 City is established by the City Council and the Miami-Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2019 was 5.1613 mills (\$5.1613 per \$1,000 of taxable assessed valuation).

H. Restricted Assets

Certain assets of the general fund have been classified as restricted because their use is restricted by a bond indenture agreement for the City's debt service requirements. Proceeds from forfeiture funds are classified as restricted in the Law Enforcement Special Revenue Fund since these resources are specifically earmarked for law enforcement purposes only. Additionally, proceeds from local option gas taxes and the Citizens Independent Transportation Tax are classified as restricted since these resources may only be used for road and transportation related expenditures.

The balance of the restricted asset accounts in the enterprise funds include \$1,006,417 in customer deposits placed with the City for utility services.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

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

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings and improvements	20-50 years	N/A
Water and sewer systems	N/A	20-50 years
Vehicles	5 years	5 years
Office equipment	5 years	5 years
Machinery and equipment	5 years	5 years
Right to use Miami-Dade waterline	N/A	50 years
Infrastructure	40 – 50 years	40 – 50 years

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Unearned Revenues

Unearned revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The unearned items consist primarily of impact fee revenues.

K. Utility Billings

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenues for services rendered between billing cycle dates and fiscal year end.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City reports a deferred outflow of resources relating to pensions of \$1,272,765.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, there are three items in this category. The sources of these amounts are local business license tax collected in advance of \$300,733, \$13,145 related to OPEB, and \$824,495 related to pensions. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflow of resources and (b) liabilities and deferred inflows of resources.

M. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department which the employee services. The City's vacation and sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee with expendable available financial resources. Vacation and sick leave are accrued when incurred in proprietary funds and reported as a fund liability. All vacation pay is accrued when incurred in the government-wide and proprietary fund 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 and retirements.

N. Employee Benefit Plan and Net Pension Liability

The City provides a separate defined benefit pension plan for its police officers. At September 30, 2019, the City recorded a net pension liability related to the plan in its government-wide statement of net position. Please refer to Note 10 for further information.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Post-Employment Benefits Other Than Pensions (OPEB)

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees are required to pay 100% of the premium rates where premiums are determined based upon a blended rate used for active employees and retirees. These premium rates were adjusted to reflect differing utilization rates by age and gender and the impact of the Medicare program on claim costs. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently provides these benefits in accordance with the vesting and retirement requirements of the City.

The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. The City is financing the post employee benefits on a pay-as-you-go basis. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

P. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond insurance costs are amortized over the term of the related debt. For proprietary fund types, bonds payable are reported net of the applicable bond premium, discount, and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Q. Net Position

Total equity as of September 30, 2019, is classified into three components of net position:

- Net investment in capital assets: This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- Restricted net position: This category consists of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- Unrestricted net position: This category includes all of the remaining net position that do not meet the definition of the other two categories.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

- Non-spendable: Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted: Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- Committed: Amounts that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions (which are equally binding and the highest level of decision-making authority) approved by the City Council.
- Assigned: Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent is established by the City Council who has the authority to assign, modify or rescind amounts to be used for specific purposes. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.
- Unassigned: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit this, such as grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

	<u>General</u>	<u>Streets and Roads Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Prepays	\$ -	\$ -	\$ 25,742	\$ 25,742
Restricted:				
Transportation	-	-	2,869,115	2,869,115
Debt Service	361,255	-	-	361,255
Unassigned:	<u>3,301,017</u>	<u>(6,173,182)</u>	<u>-</u>	<u>(2,872,165)</u>
Total Fund Balances	<u>\$ 3,662,272</u>	<u>\$ (6,173,182)</u>	<u>\$ 2,894,857</u>	<u>\$ 383,947</u>
Fund Balances:				
Nonspendable	\$ -	\$ -	\$ 25,742	\$ 25,742
Restricted	361,255	-	2,869,115	3,230,370
Unassigned	<u>3,301,017</u>	<u>(6,173,182)</u>	<u>-</u>	<u>(2,872,165)</u>
Total Fund Balances	<u>\$ 3,662,272</u>	<u>\$ (6,173,182)</u>	<u>\$ 2,894,857</u>	<u>\$ 383,947</u>

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted-net position is applied.

T. 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 of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables, the realization of pension obligations and the useful lives of capital assets. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City has no material violations of finance-related legal and contractual obligations.

1. Fund Accounting Requirements

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 City, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, bond covenants, and segregation for management purposes.

2. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from federal, state, or local requirements. The primary revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gas Tax	Roads, sidewalks, streets
Transportation Tax	Transportation and roads
Nutrition Program for the Elderly	Grant Program Expenditures
Police Forfeitures	Law Enforcement
Federal Emergency Management Agency	Disaster mitigation

For the year ended September 30, 2019, the City complied, in all material respects, with these revenue restrictions.

3. Deficit fund balance

The following funds had deficits in the amounts indicated as of September 30, 2019:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Streets and Roads Fund	\$ 6,173,182

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

3. Deficit fund balance (Continued)

The deficit in the Streets and Roads Fund is due to the Northwest District Special Assessment Project. The City plans to eliminate this deficit with the special assessments collected in excess of the related debt payment. Over the next several years this excess will be used to pay back the general fund for the monies advanced to the streets and roads fund for expenses related to this project. In addition, these improvements are an investment as the completion of this project will bring new revenues to the City. These revenues include increases in property taxes due to the increases in property values, permit fees, and business tax receipts for new business entering that geographical area.

4. Excesses of expenditures over appropriations

For fiscal year ended September 30, 2019, expenditures exceeded appropriations in the following departments for the General Fund.

	<u>Final</u>		<u>Amount in Excess</u>
	<u>Budget</u>	<u>Actual</u>	<u>of Final Budget</u>
General government services	\$ 7,711,582	\$ 7,941,968	\$ 230,386
Culture and recreation	1,483,500	1,395,701	(87,799)

This excess of expenditures in these departments were funded with surpluses in other departments as well as greater than anticipated revenues.

For fiscal year ended September 30, 2019, expenditures exceeded appropriations in the Streets and Roads Fund by \$717,569. These over-expenditures were funded by lesser than anticipated expenditures in other funds as well as greater than expected revenue in the general fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments – City

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities, and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

As of September 30, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Maturities</u> <u>(In Years)</u> <u>Less Than</u> <u>One Year</u>
Certificates of deposit	\$ 361,255	\$ 361,255
Total	<u>\$ 361,255</u>	<u>\$ 361,255</u>

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – City (Continued)

Interest Rate Risk - Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The City does not have a written policy on interest rate risk; however, the City manages its exposure to declines in fair values by limiting the weighted average monthly maturity of its investment portfolio to less than one year.

Credit Risk - State law limits investments in bonds, U.S. Treasuries and agency obligations, or other evidence of indebtedness to the top ratings issued by nationally recognized statistical rating organizations (NRSRO) of the United States.

Concentration of Credit Risk - The City's investment policy does not stipulate any limit on the percentage that can be invested in any one issuer. GASB statement No. 40 requires disclosure when the percent is 5% or more in any one issuer. As of September 30, 2019, the value of each position held in the City's portfolio comprised less than 5% of the City's investment assets.

Investments – Pension Plan

Florida statutes and the Plan's investment policy authorize the Plan's Board of Trustees to invest in various investments. Investments in all equity securities are limited to those listed on major U.S. stock exchange and limited to no more than 70% (at market) of the Plan's total asset value. Investments in stocks of foreign companies are limited to 25% (at cost) of the value of the portfolio.

Fixed income securities must be rated A or better by at least one of the three nationally recognized rating agencies.

	2019	
Authorized investments	<u>Target %</u>	<u>Actual %</u>
Domestic equity	47.50%	54.30%
Fixed income	30.00%	23.60%
International equity	12.50%	12.00%
Real estate	10.00%	8.90%
Cash and cash equivalents	0.00%	1.30%

As of September 30, 2019, the Plan had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. Treasuries	\$ 119,943	\$ -	\$ 109,556	\$ 10,387	\$ -
U.S. Agencies	556,920	-	62,345	341,268	153,307
Corporate bonds	20,093	-	-	20,093	-
Municipal Bonds	1,259,332	45,014	1,012,533	201,785	-
Collateralized Mortgage Obligations	101,274	-	50,097	51,177	-
Fixed income fund	510,969	-	261	197,729	312,979
U.S. Government Obligations	383,286	-	320,921	62,365	-
Total fixed income securities	2,951,817	45,014	1,555,713	884,804	466,286

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Pension Plan (Continued)

Credit Risk - Credit risk is the risk that a security or a portfolio will lose some or all its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type, at September 30, 2019:

	<u>Fair Value</u>	<u>2019 Percentage of Portfolio</u>
U.S. government guaranteed	1,082,635	36.68%
Quality rating of credit		
A+	131,414	4.45%
A	265,453	8.99%
A-	177,982	6.03%
AA+	426,503	14.45%
AA	20,898	0.71%
AA-	29,900	1.01%
AAA	51,352	1.74%
BBB+	386,475	13.09%
BBB	257,454	8.72%
BBB-	121,751	4.12%
Total credit risk debt securities	1,869,182	63%
Total fixed income securities	<u>\$ 2,951,817</u>	<u>100.00%</u>

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Concentration of Credit Risk - The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. As of September 30, 2019, no investment by any one issuer was above the 5% threshold required for disclosure.

Custodial of Credit Risk - This is the risk that in the event of a failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

Risks and uncertainties - The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plan, through its investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks. The Plan does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The Plan's international risk portfolio is denominated in U.S. Dollar, consequently, there is no foreign currency risk.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – FAIR VALUE MEASUREMENTS

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The Plan has established a framework to consistently measure the fair value of the Plan's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

The following table summarizes the Plan's investments within the fair value hierarchy at September 30, 2019:

	<u>Fair Value Measurements Using</u>		
	<u>9/30/2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
<u>Investments by fair value level</u>			
Short-term investment funds	\$ 589,129	\$ 589,129	\$ -
Total short-term investment funds	<u>589,129</u>	<u>589,129</u>	<u>-</u>
<u>Equity Securities</u>			
Common stock	8,263,516	6,924,157	1,339,359
Foreign stock	493,515	493,515	-
ETF	27,383	27,383	-
Unit Investment Trusts	137,734	137,734	-
Mutual Fund equities	<u>2,104,917</u>	<u>2,104,917</u>	<u>-</u>
Total Equity Securities	<u>11,027,065</u>	<u>9,687,706</u>	<u>1,339,359</u>
<u>Debt Securities</u>			
Government and agency obligations	894,254	383,284	510,970
Municipal bonds	119,944	-	119,944.00
Collateralized mortgage obligations	556,920	-	556,920
Corporate/foreign bonds	1,380,699	-	1,380,699
Mutual funds fixed income	<u>1,477,875</u>	<u>1,477,875</u>	<u>-</u>
Total Debt Securities	<u>4,429,692</u>	<u>1,861,159</u>	<u>2,568,533</u>
Subtotal investments at fair value	<u>\$ 16,045,886</u>	<u>\$ 12,137,994</u>	<u>\$ 3,907,892</u>
<u>Investments measured at Net Asset Value (NAV)</u>			
Real estate fund	<u>1,547,442</u>		
Total investment by NAV	<u>\$ 1,547,442</u>		
Total Investments at Fair Value	<u>\$ 17,593,328</u>		

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Short-term investment funds: These consist primarily of money market funds, commercial paper and similar instruments with maturities of three months or less when purchased. Short term investments are reported at fair value or at cost or amortized cost, which approximates fair value. For those investments which are reported at fair value, the investments are valued using similar methodologies as described within the debt securities section below.

Equity securities: These include common stock, domestic and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2019 and 2018. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, and foreign debt securities (included in international fixed income in the statement of fiduciary net position). These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

Fixed income fund: The fair value of investments in mutual funds is based on quoted net asset values of the shares as of September 30, 2019.

The Plan's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2019, are as follows:

<u>Investment Measured at the NAV at Reporting Date</u>			
	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investment measured at the net asset value (NAV)			
Real estate fund (3)	1,547,442	-	Quarterly 30 Days
Total investments measured at the NAV	<u>\$ 1,547,442</u>		

1. *Real Estate Fund:* Real estate funds are valued using their respective net asset value ("NAV") of outstanding units held as of September 30, 2019 and 2018. The most significant input into the NAV of such funds is the fair value of the investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors. The real estate fund invests primarily in United States commercial real estate.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – RECEIVABLES

Receivables at year-end, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	Water & Sewer <u>Fund</u>	Nonmajor Enterprise Funds	<u>Total</u>
Receivables:				
Accounts	\$ -	\$ 1,736,865	\$ 52,863	\$ 1,789,728
Taxes	2,765,819	-	-	2,765,819
Special Assessment	211,976	-	-	211,976
	<hr/>	<hr/>	<hr/>	<hr/>
Total receivables	2,977,795	1,736,865	52,863	4,767,523
Less: Allowance for uncollectibles	-	(185,906)	-	(185,906)
	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	<u>\$ 2,977,795</u>	<u>\$ 1,550,959</u>	<u>\$ 52,863</u>	<u>\$ 4,581,617</u>

NOTE 6 – INTERFUND ACTIVITY

Interfund balances at September 30, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	7,423,441	7,189,245
Streets and Roads Fund	460,432	6,633,614
Agency Fund	1,939,165	-
Water & Sewer Fund	-	574,761
Stormwater Fund	1,755,729	5,230
Non-major governmental funds	3,099,940	275,857
	<hr/>	<hr/>
Total	<u>14,678,707</u>	<u>14,678,707</u>

The outstanding balances between funds result mainly from the time lag 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.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019, was as follows:

	Beginning	Additions	Deletions	Transfers	Ending
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,917,549	\$ 320,000	\$ (398,392)	\$ -	\$ 2,839,157
Construction in progress	<u>2,770,080</u>	<u>399,987</u>	<u>-</u>	<u>-</u>	<u>3,170,067</u>
Total capital assets not being depreciated	<u>5,687,629</u>	<u>719,987</u>	<u>(398,392)</u>	<u>-</u>	<u>6,009,224</u>
Capital assets being depreciated:					
Building and improvements	18,176,449	-	-	-	18,176,449
Vehicles	2,355,337	386,863	-	-	2,742,200
Office equipment	532,233	-	-	-	532,233
Machinery and equipment	3,624,677	-	-	-	3,624,677
Infrastructure	<u>36,714,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,714,619</u>
Total capital assets being depreciated	<u>\$ 61,403,315</u>	<u>\$ 386,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,790,178</u>
Less accumulated depreciation for:					
Building and improvements	(5,181,146)	(453,369)	-	-	(5,634,515)
Vehicles	(1,906,456)	(178,193)	-	-	(2,084,649)
Office equipment	(433,525)	(43,389)	-	-	(476,914)
Machinery and equipment	(3,313,363)	(95,435)	-	-	(3,408,798)
Infrastructure	<u>(14,502,949)</u>	<u>(1,180,129)</u>	<u>-</u>	<u>-</u>	<u>(15,683,078)</u>
Total accumulated depreciation	<u>(25,337,439)</u>	<u>(1,950,515)</u>	<u>-</u>	<u>-</u>	<u>(27,287,954)</u>
Total capital assets being depreciated, net	<u>36,065,876</u>	<u>(1,563,652)</u>	<u>-</u>	<u>-</u>	<u>34,502,224</u>
Governmental activities capital assets, net	<u>\$ 41,753,505</u>	<u>\$ (843,665)</u>	<u>\$ (398,392)</u>	<u>\$ -</u>	<u>\$ 40,511,451</u>
	Beginning	Additions	Deletions	Transfers	Ending
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 865,358	\$ -	\$ -	\$ -	\$ 865,358
Land Improvements	476,176	-	-	-	476,176
Construction in progress	<u>10,464,645</u>	<u>52,850</u>	<u>-</u>	<u>-</u>	<u>10,517,495</u>
Total capital assets not being depreciated	<u>11,806,179</u>	<u>52,850</u>	<u>-</u>	<u>-</u>	<u>11,859,029</u>
Capital assets being depreciated:					
Building	2,448,799	-	-	-	2,448,799
Water system	17,584,315	-	-	-	17,584,315
Stormwater system	2,249,145	-	-	-	2,249,145
Right to use Miami-Dade waterline	1,147,100	-	-	-	1,147,100
Machinery and equipment	<u>3,554,126</u>	<u>173,246</u>	<u>-</u>	<u>-</u>	<u>3,727,372</u>
Total capital assets being depreciated	<u>26,983,485</u>	<u>173,246</u>	<u>-</u>	<u>-</u>	<u>27,156,731</u>
Less accumulated depreciation for:					
Building	(453,028)	(48,976)	-	-	(502,004)
Water system	(8,050,170)	(337,345)	-	-	(8,387,515)
Stormwater system	(1,383,716)	(45,137)	-	-	(1,428,853)
Right to use Miami-Dade waterline	(487,958)	(22,941)	-	-	(510,899)
Machinery and equipment	<u>(2,848,589)</u>	<u>(156,744)</u>	<u>-</u>	<u>-</u>	<u>(3,005,333)</u>
Total accumulated depreciation	<u>(13,223,461)</u>	<u>(611,143)</u>	<u>-</u>	<u>-</u>	<u>(13,834,604)</u>
Total capital assets being depreciated, net	<u>13,760,024</u>	<u>(437,897)</u>	<u>-</u>	<u>-</u>	<u>13,322,127</u>
Business-type activities capital assets, net	<u>\$ 25,566,203</u>	<u>\$ (385,047)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,181,156</u>

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General Government	1,531,280
Public Safety	212,519
Human services	16,950
Culture and Recreation	<u>189,766</u>
	<u>1,950,515</u>
Business- type activities:	
Water & Sewer	566,006
Stormwater	<u>45,137</u>
	<u>611,143</u>

NOTE 8 – LONG-TERM DEBT

Transportation Tax Revenue Refunding Bonds- Series 2013 - In February 2013, the City Council authorized and issued \$2,058,000 Transportation Tax Refunding Revenue Bonds, Series 2013 for the purpose of (i) refunding City's outstanding transportation tax revenue bonds, series 2010, which refunded the City's transportation tax revenue bonds, series 2004 and financed the costs of road improvements within the City and related architectural, engineering, environmental, legal and other planning costs, and (ii) paying the costs of issuance of the bonds. The bonds are due in monthly installments of approximately \$25,600 including interest at 1.64% and mature on April 1, 2020. The bonds are secured by the local government half-cent sales tax revenues. This refunding resulted in an economic gain of approximately \$104,135.

Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

	Principal	Interest	Total
2020	<u>174,522</u>	<u>1,011</u>	<u>175,533</u>
Totals	<u>\$ 174,522</u>	<u>\$ 1,011</u>	<u>\$ 175,533</u>

Capital Improvements Revenue Bonds - Series 2014 – In May 2014, the City Council authorized and issued \$3,300,000 Capital Improvement Refunding Revenue Note, Series 2014 for the purpose of (i) refunding the City's outstanding Capital Improvement Revenue Bonds, Series 2004, which financed, together with other available moneys of the City, the costs of construction and expansion of certain City-owned buildings for various City department, funding a debt service reserve fund, financing architectural, engineering, environmental, legal and other planning costs related thereto, and paying costs of issuance of the Series 2004 bonds, and (ii) paying related closing costs, pursuant to the authority of and in compliance with the Constitution and laws of the State of Florida. The bonds are due in monthly installments of approximately \$28,000 including interest at 2.84% and mature on January 1, 2026. The bonds are collateralized by a pledge of the local government half-cent sales tax. This refunding resulted in a savings and economic gain of approximately \$500.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Capital Improvements Revenue Bonds - Series 2014 (Continued) - Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

	Principal	Interest	Total
2020	281,700	55,290	336,991
2021	290,016	46,975	336,991
2022	298,427	38,564	336,991
2023	307,081	29,910	336,991
2024	315,936	21,055	336,991
2025-2027	491,236	14,252	505,487
Totals	\$ 1,984,395	\$ 206,046	\$ 2,190,441

Utilities Revenue Note –City of Hialeah Gardens Utilities System Revenue Note, Series 2012 - In May 2012, the City Council authorized and issued \$4,100,000 Utilities System Revenue Note - Series 2012 for the purpose of (i) financing all or a part of the costs of the acquisition, construction and installation of certain capital improvements to the City's water and sewer system and, (ii) paying the costs of issuance of the note. The note is due in semiannual installments (on April 1 and October 1) of approximately \$460,000 including interest at 1.98% per annum. The note is payable from and secured solely by a lien upon and pledge of the Net Revenues of the City's municipal water and sewer system. The note also requires the City to maintain a debt service reserve account.

Annual debt service requirements to maturity for the utilities revenue note are as follows:

	Principal	Interest	Total
2020	434,000	21,997	455,997
2021	443,000	13,316	456,316
2022	451,000	4,465	455,465
Totals	\$ 1,328,000	\$ 39,777	\$ 1,367,777

Bank Loan

On June 8, 2017, the City entered into a loan agreement with Florida Community Bank, N.A. for an amount of \$744,000 for purchasing two (2) Vactor trucks for use by the City's Water and Sewer and Stormwater Utility Departments. The loan is for 5 years at interest rate of 2.10%. Interest and principal payments are due semiannually on January 15th and July 15th each year commencing July 15, 2017. The loan is secured by the City's Legally Available Non-Ad-Valorem Revenues. There is no prepayment penalty associated with the early repayment of the loan.

Annual debt service requirements to maturity for the loan are as follows:

	Principal	Interest	Total
2020	149,056	7,171	156,227
2021	152,203	4,025	156,227
2022	77,301	812	78,113
Totals	\$ 378,560	\$ 12,008	\$ 390,568

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Conduit Debt –City of Hialeah Health Facilities Authority Revenue and Revenue Refunding Bonds (“Series 2015 Bonds”) - On January 28, 2016, the City of Hialeah Gardens through the City of Hialeah Gardens Health Facilities Authority (the “Authority”) issued \$52,580,000 in Health Facilities Authority (“HFA”) Revenue and Revenue Refunding Bonds to provide funds to Catholic Health Services, Inc., a non-profit public benefit corporation, for the purpose of advance refunding the Series 2007 Revenue Bonds in the amount of \$48,640,000.

The Authority acts solely as a lawful conduit in the issuance of the bonds described above and is not liable in any manner. The amount of debt outstanding as of September 30, 2019 was \$50,914,999.

Special Assessment Debt –City of Hialeah Gardens Special Assessment Improvement Bonds, Series 2011 - Special assessment bonds are not a direct responsibility of the City. On August 30, 2011, the City issued \$10,000,000 in City of Hialeah Gardens, Special Assessment Improvement Bonds, Series 2011. Proceeds of the bonds are to benefit certain parcels of the N.W. District of the City. The principal and interest payments are funded solely from the collection of special assessments on the 52 property owners whose parcels will benefit from the improvements funded by the bond issue.

Annual debt service requirements to maturity for the special assessment bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	658,740	206,779	865,519
2021	682,780	182,297	865,077
2022	707,700	156,921	864,621
2023	733,530	130,619	864,149
2024	760,310	113,356	873,666
2025-2027	<u>2,451,510</u>	<u>136,358</u>	<u>2,587,868</u>
Totals	<u>\$ 5,994,570</u>	<u>\$ 926,330</u>	<u>\$ 6,920,900</u>

Long-term debt activity for the year ended September 30, 2019 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due within One Year</u>
Governmental activities:					
Bonds and notes payable:					
Transportation tax revenue refunding bonds, 2013	\$ 476,896	\$ -	\$ (302,374)	\$ 174,522	\$ 174,522
Capital improvement revenue bonds, 2014	<u>2,258,297</u>	<u>-</u>	<u>(273,902)</u>	<u>1,984,395</u>	<u>281,700</u>
Total bonds and notes payable	<u>2,735,192</u>	<u>-</u>	<u>(576,276)</u>	<u>2,158,916</u>	<u>456,222</u>
Other liabilities:					
Capital lease	524,535	-	(145,975)	378,560	149,056
OPEB liability	333,038	4,041	-	337,079	-
Compensated absences	849,720	632,387	(595,313)	886,794	11,498
Net pension liability	<u>598,467</u>	<u>2,432,055</u>	<u>(2,563,836)</u>	<u>466,686</u>	<u>-</u>
Total other liabilities	<u>2,305,760</u>	<u>3,068,483</u>	<u>(3,305,124)</u>	<u>2,069,119</u>	<u>160,554</u>
Governmental activity long-term liabilities	<u>\$ 5,040,952</u>	<u>\$ 3,068,483</u>	<u>\$ (3,881,400)</u>	<u>\$ 4,228,035</u>	<u>\$ 616,776</u>
Business-type activities:					
Notes payable:					
Utilities System Revenue Note, Series 2012	\$ 1,753,000	\$ -	\$ (425,000)	\$ 1,328,000	\$ 434,000
Total notes payable	<u>1,753,000</u>	<u>-</u>	<u>(425,000)</u>	<u>1,328,000</u>	<u>434,000</u>
Other liabilities:					
OPEB liability	10,668	3,852	-	14,520	-
Compensated absences	<u>100,306</u>	<u>81,061</u>	<u>(74,477)</u>	<u>106,890</u>	<u>-</u>
Total other liabilities	<u>110,974</u>	<u>84,913</u>	<u>(74,477)</u>	<u>121,410</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,863,974</u>	<u>\$ 84,913</u>	<u>\$ (499,477)</u>	<u>\$ 1,449,410</u>	<u>\$ 434,000</u>

At September 30, 2019 and for the fiscal year then ended, the City had complied with the provisions of its bond indenture agreements.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – RELATED PARTIES

The City through its Public Works department acts as general contractor on projects for the City’s Water and Sewer Department and construction of the N.W. District and Pump Stations projects. During 2019, the City’s Public Works department carried work of \$320,176 which have not yet been billed to the City’s Water and Sewer Department. The City has and expects to continue to have transactions with such related parties. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

NOTE 10 – EMPLOYEE RETIREMENT PLAN

Plan Description - The City has a single-employer defined benefit pension plan for its sworn police officers. The City of Hialeah Gardens Police Pension Trust Fund (the Plan) was established by City Ordinance effective October 1, 1990. The Plan is considered part of the City’s financial reporting entity and is included in the City’s financial statements as a pension trust fund. All full-time police officers are eligible and required to participate in the plan. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. Those reports may be obtained by writing the City of Hialeah Gardens Police Officers Retirement Plan, 2955 Myrtle Oak Circle, Davie, FL 33328-6739.

Participants - All full-time police officers employed by the City of Hialeah Gardens; Florida are eligible to participate in the Plan. Membership data at October 1, 2017 was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.	<u>19</u>
Active plan participants:	
Vested	9
Nonvested	<u>32</u>
Total participants	<u>41</u>

Funding Policy - Employees are required to contribute 5% of their compensation. Employer contributions are actuarially determined. The State of Florida distributes money to local governments meeting certain eligibility requirements which is intended to encourage additional pension benefits for police officers. When received, those distributions, in part, count toward the actuarially required contribution.

Net Pension Liability - The City’s net pension liability to the Plan for the fiscal year ended September 30, 2019 was as follows:

Total pension liability	18,028,604
Plan fiduciary net position	<u>17,561,918</u>
Net pension liability	<u>466,686</u>

Plan fiduciary net position as a percentage of the net pension liability was 97.41%.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Significant Actuarial Assumptions

Valuation Date: 10/1/2017
 Measurement Date: Septemebr 30, 2018

Methods and Assumptions Used to Determine Net Pension Liability:

Actuarial Cost Method Entry Age Normal
 Inflation rate 2.50%
 Salary Increases 5% to 17.5% depending on service
 Investment Rate of Return 7.25%

Retirement Age Experience-based table of rates that are specific to the type of eligibility condition.

Mortality table RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2016 FRS Valuation, as mandated by Chapter 112.63, Florida Statutes.

Deferred Retirement Option Plan - Members who continue employment with the City past normal retirement date may freeze their accrued benefit and enter into the Deferred Retirement Option Plan (“DROP”). Maximum participation in the DROP shall be sixty (60) months. For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan into the member’s DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits plus interest. Interest shall be based on the actual rate of return for the Plan. As of September 30, 2019, there were no members in the DROP plan. At the end of September 30, 2019, the City had no DROP liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2019, the City reported net pension liability of \$466,686. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$631,035 related to the Plan. In addition, the City reported, in the government-wide financial statements, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,832	\$ 386,561
Change of assumptions	455,778	-
Net difference between projected and actual earnings on Pension Plan investments	-	437,934
Total	<u>\$ 473,610</u>	<u>\$ 824,495</u>

The deferred outflows of resources related to pensions, totaling \$799,155, resulting from the City's contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending <u>September 30,</u>	Net Deferred Outflows of Resources
2020	\$ 26,440
2021	(236,343)
2022	(148,213)
2023	(7,032)
2023	14,263
Thereafter	-
Total	<u>\$ (350,885)</u>

Long-Term Expected Rate of Return - The long-term expected rate of return on pension plan investments was determined based upon the historical average (means returns) which best-estimate ranges of expected future real rates of return. In order to determine the real rates of return, it is necessary to subtract the expected inflation rate from the nominal investment return and investment expenses. The long-term expected rate of return for the Plan was calculated by weighting the expected future rates of return of each asset class by the corresponding target allocation percentages. Best estimates of real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2019 summarized in the following table:

<u>Asset Class</u>	Long Term Expected Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Domestic Bonds	2.5%
International Bonds	3.5%
Real Estate	4.5%

Rate of Return - For the year ended September 30, 2019, the annual money-weighted rate of return on Plan investments, net of investment expense, was 1.09%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Discount Rate - The discount rate used to measure the net pension liability of the Plan was 7.25 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Net Position Liability to Changes in the Discount Rate - The following represents the City's net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Net pension liability	\$ 2,501,566	\$ 466,686	\$ (1,232,331)

NOTE 11 – DEFINED CONTRIBUTION PLAN

The City as a single-employer contributes to the City of Hialeah Gardens Money Purchase Plan, which is a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The Plan is available to all City employees, and the City contributes 2% of the employees' salary regardless of whether the employee contributes to the Plan. Employees may contribute up to 5% of their salaries and the City will match those contributions 2 to 1 up to the 5% match. Employer contributions for the fiscal year ended September 30, 2019 were approximately \$523,208.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in insurance coverage from coverages in the prior year and there have been no claims settled which have exceeded insurance coverage for each of the past three years.

Liability Insurance - The public liability program is designed to cover all public liability type claims incurred, subject to the limitation established by the State of Florida Waiver of Sovereign Immunity Act. Insurance coverage is primarily provided by the Florida Municipal Liability Insurance Program supplemented by other policies and outside carriers. The City's deductible portion of liability claims, and premiums paid to insurers are charged to the funds as incurred.

Worker's Compensation - The City participates in Miami Dade County's self insured workmen's compensation program. Premiums are billed annually and are based on the City's claim history.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation - Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the City has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Grants - Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the City's financial condition.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with Miami-Dade County (Water and Sewer) - The Department of Water and Sewers has entered into two agreements with the Miami-Dade Water and Sewer Department (the "County"), whereby the County will sell treated water and provide wastewater treatment and disposal services to the extent required by the City. Rates paid by the City vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the fiscal year ended September 30, 2019 were \$ 3,211,619.

Agreement with the City of Hialeah (Transit Services) - The City entered into an interlocal agreement for the City of Hialeah to provide public transportation services. The agreement calls for annual renewals and monthly payments of \$17,500. Total payments to the City of Hialeah for public transportation services were approximately \$210,000 for 2019.

Tax-Exempt Bonds - As disclosed in Note 8 Long-Term Debt; the City has issued tax-exempt bonds to fund capital projects and infrastructure. If the bonds were deemed to be taxable, then the City's interest costs would markedly rise; the potential increase in interest costs would only be determinable at the time such debt was deemed taxable. The City does not, at this time, expect the tax-exempt status of the debt to change.

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan description- The City's defined benefit OPEB plan, provides OPEB for all permanent full time employees, and is a single employer benefit plan administered by the City. Chapter 627 of the Florida Statutes requires that the City make health coverage available to retirees at the employer's group rate. The City provides no funding for any portion of the premiums after retirement. However, the City recognizes that there is an "implicit subsidy" arising because of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs. The plan is not accounted for as a trust fund and an irrevocable trust has not been established to fund this plan. The plan does not issue a separate financial report. It is the City's current policy to fund the plan on a "payas- you-go" basis. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided- Employees who retire from the City and their dependents are eligible to continue to participate in the City's health insurance, life insurance, and long-term care benefits currently offered through the

City at the "blended" employee group rate, which the City determines on an annual basis. The retiree must continue to meet all participation requirements and pay all applicable premiums by the specified due date. Life insurance and long-term care benefits are portable and the retiree must pay premiums to the carrier directly. The City provides no funding for any portion of the premiums after retirement.

Employees covered by the benefit terms-

As of September 30, 2019, there are one hundred and thirty (130) active employees with health insurance coverage.

Total OPEB Liability

The City's total OPEB liability of \$351,599 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs:

The total OPEB liability in the September 30, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(CONTINUED)

Actuarial assumptions and other inputs: (continued)

Discount Rate	3.83%
Inflation Rate	2.20%
Healthcare Trend Rate	4.00%
 Mortality Rates	 <i>Regular, male</i> : RP 2000 50% white collar, 50% blue collar; fully generational with Scale BB
	<i>Regular, female</i> : RP 2000 100% white collar; fully generational with Scale BB
	<i>Special Risk, male</i> : RP 2000 10% white collar, 90% blue collar; fully generational with Scale BB
	<i>Special Risk, male</i> : RP 2000 100% white collar, 90% blue collar; fully generational with Scale BB

The payroll growth assumption is based on the Florida Retirement Systems actuarial valuation as of July 1, 2019.

Changes in the Total OPEB Liability	Total OPEB Liability
Balance at 9/30/2018	<u>\$ 343,707</u>
Changes for the fiscal year	-
Service Cost	19,872
Interest	11,748
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions for other inputs	(7,621)
Benefit payments	<u>(16,107)</u>
Balance at 9/30/2019	<u><u>\$ 351,599</u></u>

Sensitivity of the Total OPEB Liability to changes in the Discount Rate The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.83%), or one percentage higher (4.83) than the current discount rate:

	1% increase	Discount Rate	1% Decrease
	2.83%	3.83%	4.83%
Total OPEB Liability \$	\$ 374,951	\$ 351,599	\$ 329,138

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Rate-The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower (3.00%), or one percentage higher (5.00%) than the current healthcare trend rate:

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(CONTINUED)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Rate (continued)

	1% increase	Healthcare Trend Discount Rate	1% Decrease
	3.00%	4.00%	5.00%
Total OPEB Liability \$	312,826	\$ 351,599	\$ 397,434

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB-

For the fiscal year ended September 30, 2019; the City recognized OPEB expense of \$29,209. The City reported deferred inflows of resources related to OPEB from the following sources:

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City Plan recognized OPEB expenses of \$29,209. At September 30, 2019, the Plan reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	-	13,145
Benefits paid after the Measurement	-	-
Total	\$ -	\$ 13,145

At the beginning of the current measurement period, the average of the expected remaining service lives for the purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 7 years.

Deferred Outflows and Inflows of Resources by Year to be recognized in future OPEB expenses are as follows:

<u>Fiscal Year</u> <u>ended September 30:</u>	<u>Net Deferred Outflows</u> <u>of Resources</u>
2020	(2,411)
2021	(2,411)
2022	(2,411)
2023	(2,411)
2024	(2,414)
Thereafter	(1,087)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIALEAH GARDENS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
Revenues:				
Ad valorem taxes	\$ 6,452,699	\$ 6,452,699	\$ 6,392,366	\$ (60,333)
Intergovernmental	3,214,500	3,214,500	3,249,627	35,127
Utility taxes	3,486,000	3,486,000	2,116,509	(1,369,491)
Franchise taxes	1,022,000	1,022,000	1,009,123	(12,877)
Licenses and permits	-	-	1,572,167	1,572,167
Charges for services	645,000	645,000	1,146,294	501,294
Fines and forfeitures	30,000	30,000	38,449	8,449
Interest	1,000	1,000	10,174	9,174
Other	81,000	81,000	101,749	20,749
Total revenues	<u>14,932,199</u>	<u>14,932,199</u>	<u>15,636,458</u>	<u>704,259</u>
Expenditures:				
General government	7,711,582	7,711,582	7,941,968	(230,386)
Public safety	5,299,617	5,299,617	5,366,657	(67,040)
Human services	437,500	437,500	530,443	(92,943)
Culture and recreation	1,483,500	1,483,500	1,395,701	87,799
Total expenditures	<u>14,932,199</u>	<u>14,932,199</u>	<u>15,234,769</u>	<u>(302,570)</u>
excess (Deficiency) of revenues over (under) expenditures	-	-	401,689	401,689
Fund balance appropriated	-	-	1,615,548	1,615,548
Net change in fund balance	-	-	2,017,237	2,017,237
FUND BALANCE, beginning of year			<u>1,645,035</u>	
FUND BALANCE, end of year			<u>\$ 3,662,272</u>	

CITY OF HIALEAH GARDENS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
STREETS AND ROADS FUND - MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Intergovernmental	\$ 738,000	\$ 738,000	\$ 731,083	\$ (6,917)
Charges for services	<u>813,980</u>	<u>813,980</u>	<u>-</u>	<u>(813,980)</u>
Total revenues	<u>1,551,980</u>	<u>1,551,980</u>	<u>731,083</u>	<u>(820,897)</u>
Expenditures:				
Current:				
General government	<u>1,551,980</u>	<u>1,551,980</u>	<u>1,448,652</u>	<u>103,328</u>
Total expenditures	<u>1,551,980</u>	<u>1,551,980</u>	<u>1,448,652</u>	<u>103,328</u>
(Deficiency) excess of revenues over expenditures before	-	-	(717,569)	(717,569)
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(717,569)</u>	<u>(717,569)</u>
Fund balances, beginning of year			<u>(5,455,613)</u>	
Fund balances, end of year			<u>\$ (6,173,182)</u>	

CITY OF HIALEAH GARDENS, FLORIDA
NOTE TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2018

BUDGETARY INFORMATION

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

Annual budgets are adopted for the General Fund, the C.I.T.T. fund, the Public Safety Impact Fund, and the Streets and Roads Fund, on a basis consistent with accounting principles generally accepted in the United States of America.

1. Prior to July 30 of each year, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing such expenditures.
2. Public hearings are held to obtain taxpayer 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 City Council approves these levels by annual resolution. The Mayor 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 City Council.

The final budget includes no supplemental appropriations.

This excess of expenditures in the general government services and the human services departments were funded with surpluses in other departments as well as greater than anticipated revenues.

For fiscal year ended September 30, 2019, expenditures exceeded appropriations in the Streets and Roads Fund by \$717,569. These over-expenditures were funded by lesser than anticipated expenditures in other funds as well as greater than expected revenue in the general fund.

CITY OF HIALEAH GARDENS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)

Reporting period ending Measurement date	<u>9/30/2019</u> 9/30/2018	<u>9/30/2018</u> 9/30/2017	<u>9/30/2017</u> 9/30/2016	<u>9/30/2016</u> 9/30/2015	<u>9/30/2015</u> 9/30/2014
Total pension liability					
Service cost	\$ 595,447	\$ 538,779	\$ 490,341	\$ 491,321	\$ 435,930
Interest	1,265,945	1,220,303	1,213,413	1,149,899	1,080,398
Changes of benefit terms:	-	163,585	-	-	-
Differences between expected and actual experience	(201,103)	(106,482)	(392,758)	67,419	17,978
Changes in assumptions	453,086	141,624	-	-	-
Refunds of contributions	(23,765)	-	(32,469)	(6,573)	-
Benefit payments, including refunds of member contributions	(832,824)	(1,376,619)	(1,229,360)	(521,971)	(868,735)
Other (increase in State contribution reserve)	59,704	8,844	49,973	18,856	18,634
Net change in total pension liability	1,316,490	590,034	99,140	1,198,951	684,205
Total pension liability-beginning	16,712,114	16,122,080	16,022,940	14,823,989	14,139,784
Total pension liability-ending	<u>\$ 18,028,604</u>	<u>\$ 16,712,114</u>	<u>\$ 16,122,080</u>	<u>\$ 16,022,940</u>	<u>\$ 14,823,989</u>
Plan fiduciary net position					
Contributions - City	\$ 523,208	\$ 541,601	\$ 483,462	\$ 505,211	\$ 470,955
Contributions - State	225,532	211,274	156,460	125,343	125,121
Contributions - Member	124,219	126,886	111,522	109,271	103,782
Net investment income (loss)	1,489,774	1,841,503	1,142,054	(175,980)	1,238,189
Benefit payments, including refunds of member contributions	(832,824)	(1,376,619)	(1,229,360)	(521,971)	(868,735)
Refunds of contributions	(23,765)	-	(32,469)	(6,573)	-
Administrative expenses	(57,873)	(78,535)	(67,632)	(54,534)	(47,780)
Net change in plan fiduciary net position	1,448,271	1,266,110	564,037	(19,233)	1,021,532
Plan fiduciary net position - beginning	16,113,647	14,847,537	14,283,500	14,302,733	13,281,201
Plan fiduciary net position - ending	<u>\$ 17,561,918</u>	<u>\$ 16,113,647</u>	<u>\$ 14,847,537</u>	<u>\$ 14,283,500</u>	<u>\$ 14,302,733</u>
City's net pension liability	<u>\$ 466,686</u>	<u>\$ 598,467</u>	<u>\$ 1,274,543</u>	<u>\$ 1,739,440</u>	<u>\$ 521,256</u>
Plan fiduciary net position as a percentage of the total pension liability	97.41%	96.42%	92.09%	89.14%	96.48%
Covered payroll	\$ 2,484,380	\$ 2,537,728	\$ 2,230,433	\$ 2,185,416	\$ 2,075,635
City's net pension liability as a percentage of covered payroll	18.78%	23.58%	57.14%	79.59%	25.11%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF HIALEAH GARDENS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
(UNAUDITED)

Fiscal Year Ended <u>September 30,</u>	Actuarially Determined <u>Contribution</u>	Actual <u>Contribution</u>	Contribution Deficiency (<u>Excess</u>)	Covered <u>Payroll</u>	Actual Contribution as a % of Covered <u>Employee Payroll</u>
2014	\$ 577,442	\$ 577,442	\$ -	\$ 2,075,635	27.82%
2015	611,698	611,698	-	2,185,416	27.99%
2016	589,949	589,949	-	2,230,433	26.45%
2017	650,166	700,300 *	(50,134)	2,537,728	27.60%
2018	650,659	689,036 **	(38,377)	2,484,380	27.73%
2019	749,040	740,602 ***	8,438	2,734,720	27.08%

* Includes a City contribution of \$541,601 plus a State contribution of \$158,699. The Plan's financial statements as of September 30, 2017 include a receivable State contribution of \$211,274, \$158,699 of which is applied to the required contribution for the fiscal year ending September 30, 2017

** Includes a City contribution of \$523,208 plus a State contribution of \$165,828. The Plan's financial statements as of September 30, 2018 include a receivable State contribution of \$225,532, \$165,828 of which is applied to the required contribution for the fiscal year ending September 30, 2018

*** Includes a City contribution of \$575,925 plus a State contribution of \$164,677. The Plan's financial statements as of September 30, 2019 include a receivable State contribution of \$223,230, \$164,677 of which is applied to the required contribution for the fiscal year ending September 30, 2019 and the remainin \$58,553 is allocated to the Share Plan, based on the

Valuation Date: October 1, 2017

Notes: Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	5.0% - 17.5%, depending on service
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.

Mortality Experience-based table of rates that are specific to the type of eligibility condition. Mortality RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2016 FRS Valuation, as mandated by Chapter 112.63, Florida Statutes.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF HIALEAH GARDENS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2019

Total OPEB Liability:	2019	2018
Service cost	\$ 19,872	\$ 20,215
Interest	11,748	10,187
Changes of benefit terms	-	-
Differences between expected and actual experience		
Changes in assumptions	(7,621)	(9,257)
Benefit payments	(16,107)	(12,096)
Net Change in total OPEB liability	7,892	9,049
Total OPEB liability- beginning	343,707	334,658
Total OPEB liability- ending	<u>\$ 351,599</u>	<u>\$ 343,707</u>
Covered payroll	\$ 7,830,753	\$ 6,772,270
Total OPEB liability as a percentage of covered payroll	4.49%	5.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

COMBINING FINANCIAL STATEMENTS

CITY OF HIALEAH GARDENS, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Safety Impact Fund	Law Enforcement Forfeiture Fund	Paving and Drainage Improvement Fund	C.I.T.T. Fund	
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ 45,032	\$ -	\$ -	\$ 45,032
Due from other funds	158,618	43,513	-	2,621,952	2,824,083
Prepays	-	-	-	25,742	25,742
Total assets	158,618	88,545	-	2,647,694	2,894,857
<u>LIABILITIES</u>					
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	25,742	25,742
Restricted	158,618	88,545	-	2,621,952	2,869,115
Unassigned	-	-	-	-	-
Total fund balances	158,618	88,545	-	2,647,694	2,894,857
Total liabilities and fund balances	\$ 158,618	\$ 88,545	\$ -	\$ 2,647,694	\$ 2,894,857

CITY OF HIALEAH GARDENS, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Public Safety Impact Fund	Law Enforcement Forfeiture Fund	Paving and Drainage Improvement Fund	C.I.T.T. Fund	
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,007,122	\$ 1,007,122
Impact fees	86,285	-	-	-	86,285
Fines and forfeitures	-	60,077	-	-	60,077
Total revenues	<u>86,285</u>	<u>60,077</u>	<u>-</u>	<u>1,007,122</u>	<u>1,153,484</u>
Expenditures:					
Current:					
General government	-	-	-	429,546	429,546
Debt service:					
Principal retirement	-	-	-	302,374	302,374
Interest and fiscal charges	-	-	-	6,552	6,552
Capital outlay:					
Public safety	178,146	32,709	-	-	210,855
Total expenditures	<u>178,146</u>	<u>32,709</u>	<u>-</u>	<u>738,472</u>	<u>949,327</u>
(Deficiency) excess of revenues over expenditures before other financing sources	<u>(91,861)</u>	<u>27,368</u>	<u>-</u>	<u>268,650</u>	<u>204,157</u>
Other financing sources:					
Transfers in	-	-	41,402	-	41,402
Total other financing source:	<u>-</u>	<u>-</u>	<u>41,402</u>	<u>-</u>	<u>41,402</u>
Net change in fund balances	(91,861)	27,368	41,402	268,650	245,559
Fund balances, beginning of year	<u>250,479</u>	<u>61,176</u>	<u>(41,402)</u>	<u>2,379,045</u>	<u>2,649,298</u>
Fund balances, end of year	<u>\$ 158,618</u>	<u>\$ 88,544</u>	<u>\$ -</u>	<u>\$ 2,647,695</u>	<u>\$ 2,894,857</u>

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds							
	Public Safety Impact Fund				C.I.T.T. Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final	Original			Final			
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 876,700	\$ 876,700	\$ 1,007,122	\$ 130,422
Impact fees	<u>100,000</u>	<u>100,000</u>	<u>86,285</u>	<u>(13,715)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>86,285</u>	<u>(13,715)</u>	<u>876,700</u>	<u>876,700</u>	<u>1,007,122</u>	<u>130,422</u>
Expenditures:								
Current:								
General government	-	-	-	-	876,700	876,700	738,472	138,228
Public safety	<u>100,000</u>	<u>100,000</u>	<u>178,146</u>	<u>(78,146)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>178,146</u>	<u>(78,146)</u>	<u>876,700</u>	<u>876,700</u>	<u>738,472</u>	<u>138,228</u>
Excess (deficiency) of revenues over expenditures	-	-	(91,861)	(91,861)	-	-	268,650	268,650
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,700</u>	<u>122,700</u>	<u>-</u>	<u>122,700</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(91,861)</u>	<u>\$ (91,861)</u>	<u>\$ 122,700</u>	<u>\$ 122,700</u>	<u>268,650</u>	<u>\$ 391,350</u>
Fund balances, beginning of year			<u>250,479</u>				<u>2,379,045</u>	
Fund balances, end of year			<u>\$ 158,618</u>				<u>\$ 2,647,695</u>	

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2019

N.W. DISTRICT SPECIAL ASSESSMENT AGENCY FUND

	Balance September 30, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2019</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 867,040	\$ 141	\$ -	\$ 867,181
Receivable from City	<u>1,984,841</u>	<u>-</u>	<u>45,676</u>	<u>1,939,165</u>
Total assets	<u><u>2,851,881</u></u>	<u><u>141</u></u>	<u><u>45,676</u></u>	<u><u>2,806,346</u></u>
<u>LIABILITIES</u>				
Other liabilities	<u>\$ 2,851,881</u>	<u>\$ 141</u>	<u>\$ 45,676</u>	<u>\$ 2,806,346</u>

COMPLIANCE SECTION



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

Honorable Mayor and Members of the City Council
City of Hialeah Gardens, Florida

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hialeah Gardens, Florida (the "City"), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal controls, as described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. These items are presented as items 2019-01 2019-02 and 2019-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City's Response to the Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Gracia, LLP
Miami, Florida
June 30, 2020

CITY OF HIALEAH GARDENS, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENTS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2018 schedule of findings and responses.

Matters that are not repeated in the accompanying schedule of findings and responses:

- 2017-01 Bank Reconciliations
- 2018-01 Financial Condition

Matters that are repeated in the accompanying schedule of findings and responses:

- None

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENT FINDINGS

I - CURRENT YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCIES

2019-01 Journal Entries

Criteria

Best practices dictate that modular Journal Entries be prepared and approved by two separate individuals. Best practices also dictate that evidence of preparation and review should be included through signatures of the individuals who performed the function as well as the date it was performed.

Condition

During our audit planning procedures for the fiscal year ended September 30, 2019, we selected and reviewed the Journal Entries that occurred in the months of November 2018, January, April, July and September 2019 for the City's – General Fund. Our procedures disclosed that journal entries do not have a preparer or approval process.

Cause

Insufficient internal controls over the preparation and approval of journal entries.

Effect

Without the implementation of segregation of duties for Journal Entries which includes a preparer and reviewer sign off and dating of the journal entry, the City would be unaware if the account balances at a point in time are accurate and whether there were errors or fraud since the journal entries would not be properly supported.

Recommendation

We recommend the City implement internal controls associated with the preparation and review of Journal Entries that will ensure Journal Entries are properly supported, prepared, reviewed and are accurate before they recorded into the City's general ledger system. In addition, we recommend that the preparer and reviewer sign and date the journal entry in order to show evidence of the process.

Management's response

Management agrees with the recommendation that journal entries should show evidence of preparation and review of the individual that performed the function and the date it was performed. Beginning June 2020, all journal entries prepared by the finance director will be signed and approved by the City Mayor. A file with all the supporting documentation will be maintained with the monthly financial statements.

2019-02 Outstanding Checks

Criteria

The City should have controls in place to ensure outstanding and unclaimed checks are submitted to the state for unclaimed properties in a timely manner.

Condition

During our performance of cash procedures in the City's Water and Sewer Fund, we obtained the bank reconciliations for the operating and customer deposit account for the month of September 2019 and identified outstanding checks dating as far back as 2013.

Cause

Insufficient controls and oversight over the process of submission of checks to unclaimed properties.

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FISCAL YEAR ENDED SEPTEMBER 30, 2019

Effect

The City is out of compliance with the unclaimed property laws of the state.

2019-02 Outstanding Checks (continued)

Recommendation

We recommend the City implement controls associated with the review of outstanding checks that will ensure outstanding checks are being submitted to the state as unclaimed properties timely.

Management's response

Management agrees with the recommendation that outstanding checks must be submitted to the state after five years. Effective May 2020, the city reviewed all outstanding checks and a report of unclaimed report was submitted to the state.

2019-03 Deficit Fund Balance

Criteria

Pursuant to Section 218.39(5), Florida Statutes, the auditor must notify each member of the governing body for which: (1) deteriorating financial conditions exist that may cause a condition described in Section 218.503(1), Florida Statutes, and (2) a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or non-spendable, or a total or unrestricted net position deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards.

Condition

The Streets and Road fund is reporting a deficit that has increased annually over that past five years.

Cause

Costs incurred in anticipation of future revenue creation have impacted current cash & investments as well as the overall fund balances of the Street and Road fund.

Effect

If the City does not implement cost reductions or revenue enhancements to replenish fund equities and cash reserves, there is a risk that there may be a future a deteriorating financial condition that may cause a condition as described in State law Section 218.503(1), Florida Statutes to occur.

Recommendation

We recommend the City's management implement cost reductions or revenue enhancements which would replenish fund equities and current cash and investments.

Management's response

The deficit in the Street and Roads Fund is due to the construction of the Northwest District Special Assessment Project. During fiscal year 2019-2020, employees will be transferred from the Street and Roads Fund to Stormwater Fund and Governmental Funds in order to reduce the costs in this fund. In addition, we will implement cost reduction strategies and there will be no construction projects in this fund for the next couple of years. We are confident that these changes along with any other necessary changes will alleviate the fund and improve its deficit.



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

Honorable Mayor and Members of the City Council
City of Hialeah Gardens, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Hialeah Gardens, Florida (the "City") as of and for the fiscal year ended September 30, 2019 and have issued our report thereon dated June 30, 2020.

Auditors' Responsibility

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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; Independent Accountant's Report on examination conducted in accordance with *AICPA professional standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General of the State of Florida. Disclosures in those reports and schedule, which are dated June 30, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City was incorporated by Laws of Florida Chapter 2889. There were no component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was performed as of the fiscal year end.

Financial Condition and Management (Continued)

Section 10.554 (1)(i)(2), Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and members of the City Council and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
June 30, 2020



INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PERSUANT TO SECTION 218.415 FLORIDA STATUTES

Honorable Mayor and Members of the City Council
City of Hialeah Gardens, Florida

We have examined the City of Hialeah Gardens, Florida, (the "City") compliance with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2018 to September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements. In our opinion, the City complied, in all material respects, with the requirements of Section 218.415 Florida Statutes during the period of October 1, 2018 to September 30, 2019.

This report is intended solely for the information and use of management, the Mayor, the City Council, others within the City 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.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
June 30, 2020