

CITY OF HIALEAH GARDENS, FLORIDA
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CITY OF HIALEAH GARDENS, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2020

	<u>PAGES</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Basic Financial Statements	23-48
Required Supplementary Information:	
Budgetary Comparison Schedule:	
General Fund	49
Streets and Roads Fund – Major Special Revenue Fund	50
CITT Fund – Major Special Revenue Fund	51
Note to Budgetary Comparison Schedule	52
Schedule of Changes in the City's Net Pension Liability and Related Ratios (unaudited)	53
Schedule of City Contributions	54
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	55
Other Financial Information:	
Combining Balance Sheet – Non-major Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	57
Schedules of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual Non-major Governmental Funds	58
Statement of Changes in Assets and Liabilities – Agency Fund	59

CITY OF HIALEAH GARDENS, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2020

	<u>PAGES</u>
Compliance Section:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60-61
Independent Auditors' Report on Compliance for each Major State Project, and on Internal Control over compliance required by Chapter 10.550, Rules of the Auditor General	62-63
Schedule of Expenditures of State Financial Assistance	64
Notes to Schedule of Expenditures of State Financial Assistance	65
Summary Schedule of Prior Audit Findings	66
Schedule of Findings and Questioned Costs	67-71
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	72-73
Independent Accountants' Report on Compliance with the Requirements of Section 218.415 Florida Statutes	74
Impact Fee Affidavit	75

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, 2020, 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, 2020, 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 Contribution and the Schedule of Changes in the City's Total OPEB Liability and Related Ratios, on pages 3-11 and 53-55, 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.

Supplementary 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 schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General and is also not a required part of the basic financial statements.

The combining and individual nonmajor financial statements and schedules and the schedule of expenditures of state financial assistance 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 and the schedule of expenditures of state financial assistance 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 August 31, 2021, 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
August 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

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, 2020. 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 million (total net position).
- The City's total net position showed an decrease of approximately \$600 thousand from \$64.5 million in FY 2019 to \$63.9 million in FY 2020. The decrease was mainly attributable to current year operations in addition to the on going COVID-19 pandemic. For current year operations, net position of our business-type activities increased by approximately \$2.2 million, while the net position of our governmental activities decreased by approximately \$424 thousand.
- As of the close of the current fiscal year, the City's governmental funds reported negative combined fund balances of \$420 thousand, this attributable to the decrease in revenues due to COVID-19 pandemic.
- The City's total debt increased by approximately \$600 thousand during the current fiscal year due to a new capital lease.

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, 2020

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.

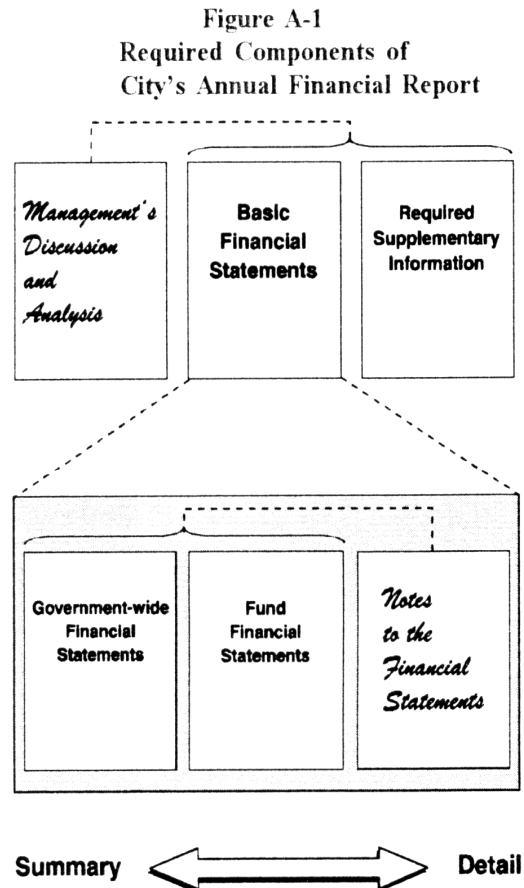
The government-wide financial statements can be found on pages 12 to 13 of this report.

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, 2020

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 48 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 49 to 55 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 56 to 59 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, 2020

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 decreased by approximately \$424 thousand to approximately \$36.6 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,496,079	\$ 3,105,785	\$ 3,844,925	\$ 5,812,880	\$ 7,341,004	\$ 8,918,665
Capital assets	39,842,085	40,511,448	26,588,315	25,181,156	66,430,400	65,692,604
Total assets	43,338,164	43,617,233	30,433,240	30,994,036	73,771,404	74,611,269
Pension Contributions	1,518,915	1,272,765	-	-	1,518,915	1,272,765
Total deferred outflows of resources	1,518,915	1,272,765	-	-	1,518,915	1,272,765
Long-term debt outstanding	2,821,463	2,536,508	533,763	1,449,410	3,355,226	3,985,918
Other liabilities	4,759,576	4,130,446	2,587,809	2,052,885	7,347,385	6,183,331
Total liabilities	7,581,039	6,666,954	3,121,572	3,502,295	10,702,611	10,169,249
Business license tax	284,437	300,733	-	-	284,437	300,733
Pension	296,453	824,495	-	-	296,453	824,495
OPEB	34,909	13,145	-	-	34,909	13,145
Franchise fees	-	-	-	-	-	-
Total deferred inflows of resources	615,799	1,138,373	-	-	615,799	1,138,373
Net position:						
Net investment in capital assets	30,002,750	37,973,972	25,694,315	23,414,153	55,697,065	61,388,125
Restricted	3,483,931	3,230,370	16,104	16,104	3,500,035	3,246,474
Unrestricted	3,173,560	(4,119,671)	1,601,249	4,061,484	4,774,809	(58,187)
Total net position	\$ 36,660,241	\$ 37,084,671	\$ 27,311,668	\$ 27,491,741	\$ 63,971,909	\$ 64,576,412

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

Government-Wide Financial Analysis (Continued)

Governmental Activities (Continued)

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, 2020

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		2020	2019
	2020	2019	2020	2019		
Revenues:						
Program revenues:						
Charges for services	\$ 2,520,742	\$ 2,903,272	\$ 7,420,376	\$ 7,749,110	\$ 9,941,118	\$ 10,652,382
Operating grants/contributions	350,166	366,592	-	-	350,166	366,592
Capital grants/contributions	1,127,930	299,933	-	-	1,127,930	299,933
General revenues:						
Property taxes	6,797,226	6,392,366	-	-	6,797,226	6,392,366
Intergovernmental	3,980,746	4,321,307	-	-	3,980,746	4,321,307
Utility taxes	2,301,058	2,116,509	-	-	2,301,058	2,116,509
Franchise taxes	1,078,120	1,009,123	-	-	1,078,120	1,009,123
Investment income	13,404	10,174	7,380	14,648	20,784	24,822
Other	131,857	101,749	-	-	131,857	101,749
Gain on sale of capital asset	-	1,258,558	-	-	-	1,258,558
Total revenues	18,301,249	18,779,583	7,427,756	7,763,758	25,729,005	26,543,341
Expenses:						
General government	10,003,729	9,988,252	-	-	10,003,729	9,988,252
Public safety	6,447,034	5,426,866	-	-	6,447,034	5,426,866
Human services	649,575	548,956	-	-	649,575	548,956
Culture and recreation	1,539,853	1,589,579	-	-	1,539,853	1,589,579
Interest on long-debt	85,488	77,979	-	-	85,488	77,979
Water and sewer	-	-	6,438,252	6,229,216	6,438,252	6,229,216
Stormwater	-	-	1,169,577	598,496	1,169,577	598,496
Total expenses	18,725,679	17,631,632	7,607,829	6,827,712	26,333,508	24,459,344
Change in net position	(424,430)	1,147,951	(180,073)	936,046	(604,503)	2,083,997
Net position, beginning	37,084,671	35,936,720	27,491,741	26,555,695	64,576,412	62,492,415
Net position, ending	\$ 36,660,241	\$ 37,084,671	\$ 27,311,668	\$ 27,491,741	\$ 63,971,909	\$ 64,576,412

The City's total net position showed a decrease of approximately \$605 thousand or -.79% during the current fiscal year as a result of a decrease in revenues on both Governmental Activities and Business Activities.

The City's total revenues decreased by -3.07% to \$25 million and total expenses increased by 4.47% to \$26 million.

Revenues for the City's governmental activities decreased from \$18.7 million to \$18.3 million, while the expenses increased from \$17.6 million to \$18.7 million. The decrease in net position for governmental activities totaled approximately \$424 thousand in 2020, compared to \$1.1 million increase in 2019.

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

- Decreases 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, 2020

Government-Wide Financial Analysis (Continued)

Summary of Changes in Net Position (Continued)

Business-type Activities

For 2020, there was an increase of approximately \$180 thousand 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 \$990 thousand, or an increase of \$500 thousand compared to last year's positive combined fund balances of \$400 thousand. Included in this year's total change in fund balances are a \$301 thousand gain in the general fund, a loss of \$12 thousand in the Streets and Roads Fund, and a gain of \$299 thousand in the CITT fund (major funds). Fund balance for the general fund increased in fiscal year 2020 to \$3.9 million from \$3.6 million in fiscal year 2019.

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 \$3.31 million, as compared with \$3.3 million in the prior year. Non-spendable fund balance increased to \$283,822 in the current year compared to \$0 for the prior year.

Compared to the prior year, total General Fund revenues increased by approximately \$1 million or 6% in fiscal year 2020. 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 2020, total General Fund expenditures increased by 1.8 million or 12% 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 2020, 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, 2020

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, 2020 increased by \$737 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	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Capital Assets	\$ 68,850,627	\$ 67,799,401	\$ 41,068,224	\$ 39,015,760	\$ 109,918,851	\$ 106,815,161
Accumulated depreciation	<u>(29,008,542)</u>	<u>(27,287,953)</u>	<u>(14,479,909)</u>	<u>(13,834,604)</u>	<u>(43,488,451)</u>	<u>(41,122,557)</u>
	<u>\$ 39,842,085</u>	<u>\$ 40,511,448</u>	<u>\$ 26,588,315</u>	<u>\$ 25,181,156</u>	<u>\$ 66,430,400</u>	<u>\$ 65,692,604</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 38 and 39 of this report.

Long-term debt

At year-end the City had \$3.5 million in bonds and notes outstanding— a decrease of approximately \$2 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 39 to 41 of this report.

Table 4
City of Hialeah Gardens' Debt

	<u>October 1,</u> <u>2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30,</u> <u>2020</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Total bonds and notes payable	\$ 2,541,643	\$ 750,000	\$ (609,342)	\$ 2,682,301	\$ 587,549
Other liabilities:					
Lease payable	-	-	-	-	-
OPEB liability	337,079	10,393	-	347,472	-
Net pension liability	886,794	395,475	(376,428)	905,841	-
Compensated absences	466,686	2,107,646	(1,255,144)	1,319,188	179,130
Governmental activity long-term liabilities	<u>\$ 4,232,202</u>	<u>\$ 3,263,514</u>	<u>\$ (2,240,914)</u>	<u>\$ 5,254,802</u>	<u>\$ 766,679</u>
Business-type activities:					
Notes payable:					
Utilities system revenue note, series 2012	\$ 1,328,000	\$ -	\$ (434,000)	\$ 894,000	\$ 443,000
Total notes payable	<u>1,328,000</u>	<u>-</u>	<u>(434,000)</u>	<u>894,000</u>	<u>443,000</u>
Other liabilities:					
OPEB liability	14,520	3,406	-	17,926	-
Compensated absences	105,109	81,130	(74,640)	111,599	28,836
Total other liabilities	<u>119,629</u>	<u>84,536</u>	<u>(74,640)</u>	<u>129,525</u>	<u>28,836</u>
Business-type activities long-term liabilities	<u>\$ 1,447,629</u>	<u>\$ 84,536</u>	<u>\$ (508,640)</u>	<u>\$ 1,023,525</u>	<u>\$ 471,836</u>

CITY OF HIALEAH GARDENS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

Economic Factors and Next Year's Budgets

- The City adopted a millage rate of 5.1613 for the fiscal year ended September 30, 2020 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, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,384,105	\$ 837,837	\$ 2,221,942
Accounts receivable - net	1,075,956	1,689,032	2,764,988
Prepays	283,822	-	283,822
Internal balances	390,941	(390,941)	-
Restricted assets:			
Cash and cash equivalents	-	1,708,997	1,708,997
Investments	361,255	-	361,255
Capital assets not being depreciated	6,251,193	13,384,952	19,636,145
Capital assets being depreciated, net	33,590,892	13,203,363	46,794,255
Total assets	<u>43,338,164</u>	<u>30,433,240</u>	<u>73,771,404</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension	1,503,851	-	1,503,851
OPEB	15,064	-	15,064
Total deferred inflows of resources	<u>1,518,915</u>	<u>-</u>	<u>1,518,915</u>
<u>LIABILITIES</u>			
Accounts payable	2,034,990	1,059,421	3,094,411
Accrued payroll	276,406	22,738	299,144
Accrued interest	14,841	-	14,841
Customer deposits	-	1,012,798	1,012,798
Unearned revenue	-	3,090	3,090
Noncurrent liabilities:			
Net pension liability	1,319,188	-	1,319,188
OPEB liability	347,472	17,926	365,398
The amount due in one year	766,679	471,836	1,238,515
The amount due in more than one year	2,821,463	533,763	3,355,226
Total liabilities	<u>7,581,039</u>	<u>3,121,572</u>	<u>10,702,611</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Business license tax	284,437	-	284,437
Pension	296,453	-	296,453
OPEB	34,909	-	34,909
Total deferred inflows of resources	<u>615,799</u>	<u>-</u>	<u>615,799</u>
<u>NET POSITION</u>			
Net investment in capital assets	30,002,750	25,694,315	55,697,065
Restricted for:			
Debt service	361,255	16,104	377,359
Public safety	176,337	-	176,337
Transportation	2,946,339	-	2,946,339
Unrestricted	3,173,560	1,601,249	4,774,809
Total net position	<u>\$ 36,660,241</u>	<u>\$ 27,311,668</u>	<u>\$ 63,971,909</u>

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

<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	\$ 10,003,729	\$ 2,378,798	\$ 48,774	\$ 1,127,930	\$ (6,448,227)	\$ -	\$ (6,448,227)
Public safety	6,447,034	141,944	-	-	(6,305,090)	-	(6,305,090)
Human services	649,575	-	301,392	-	(348,183)	-	(348,183)
Culture and recreation	1,539,853	-	-	-	(1,539,853)	-	(1,539,853)
Interest on long-term debt	85,488	-	-	-	(85,488)	-	(85,488)
Total governmental activities	<u>18,725,679</u>	<u>2,520,742</u>	<u>350,166</u>	<u>1,127,930</u>	<u>(14,726,841)</u>	<u>-</u>	<u>(14,726,841)</u>
Business-type activities:							
Water & Sewer	6,438,252	6,751,560	-	-	-	313,308	313,308
Stormwater	1,169,577	668,816	-	-	-	(500,761)	(500,761)
Total business-type activities	<u>7,607,829</u>	<u>7,420,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(187,453)</u>	<u>(187,453)</u>
	<u>\$ 26,333,508</u>	<u>\$ 9,941,118</u>	<u>\$ 350,166</u>	<u>\$ 1,127,930</u>	<u>\$ (14,726,841)</u>	<u>\$ (187,453)</u>	<u>\$ (14,914,294)</u>
General revenues:							
Ad valorem taxes, levied for general purpose					\$ 6,797,226	\$ -	\$ 6,797,226
Utility taxes					2,301,058	-	2,301,058
Franchise fees on gross receipts					1,078,120	-	1,078,120
Intergovernmental (unrestricted)					3,980,746	-	3,980,746
Investment income (unrestricted)					13,404	7,380	20,784
Other					131,857	-	131,857
Total general revenues and transfers					<u>14,302,411</u>	<u>7,380</u>	<u>14,309,791</u>
Change in net position					(424,430)	(180,073)	(604,503)
Net position, beginning					<u>37,084,671</u>	<u>27,491,741</u>	<u>64,576,412</u>
Net position, ending					<u>\$ 36,660,241</u>	<u>\$ 27,311,668</u>	<u>\$ 63,971,909</u>

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Streets and Roads Fund	CITT Fund		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,335,542	\$ -	\$ -	\$ 48,563	\$ 1,384,105
Accounts receivable - net	1,075,956	-	-	-	1,075,956
Due from other funds	6,994,284	382,338	2,946,339	572,692	10,895,653
Prepays	283,822	-	-	-	283,822
Restricted assets:					
Investments	361,255	-	-	-	361,255
Total assets	10,050,859	382,338	2,946,339	621,255	14,000,791
<u>LIABILITIES</u>					
Accounts payable	284,342	-	-	-	284,342
Accrued payroll	276,406	-	-	-	276,406
Due to other funds	5,242,366	6,568,076	-	444,918	12,255,360
Total liabilities	5,803,114	6,568,076	-	444,918	12,816,108
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Business license tax	284,437	-	-	-	284,437
Total deferred inflows of resources	284,437	-	-	-	284,437
<u>FUND BALANCES</u>					
Nonspendable	283,822	-	-	-	283,822
Restricted	361,255	-	2,946,339	176,337	3,483,931
Unassigned	3,318,231	(6,185,738)	-	-	(2,867,507)
Total fund balances	3,963,308	(6,185,738)	2,946,339	176,337	900,246
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,050,859	\$ 382,338	\$ 2,946,339	\$ 621,255	\$ 14,000,791

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

Fund balances - total government funds (Page 14) \$ 900,246

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		68,850,627
Less accumulated depreciation		(29,008,542)

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	(1,702,796)	
Note payable	(979,505)	
OPEB liability	(347,472)	
Accrued interest	(14,841)	
Compensated absences	(905,841)	(3,950,455)

Net pension liability		(1,319,188)
-----------------------	--	-------------

Deferred outflows of resources related to pension contributions and OPEB are not recognized in the governmental funds; however, they are reported in the statement of net position under full accrual accounting		1,518,915
--	--	-----------

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		(331,362)
--	--	-----------

Net position of governmental activities (Page 12) \$ 36,660,241

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Streets and Roads Fund	CITT Fund		
REVENUES:					
Ad valorem taxes	\$ 6,797,226	\$ -	\$ -	\$ -	\$ 6,797,226
Intergovernmental	4,453,836	655,407	882,753	-	5,991,996
Utility taxes	2,301,058	-	-	-	2,301,058
Franchise taxes	1,078,120	-	-	-	1,078,120
Impact fees	-	-	-	110,904	110,904
Licenses and permits	1,078,090	-	-	-	1,078,090
Charges for services	767,554	-	-	-	767,554
Fines and forfeitures	27,509	-	-	3,532	31,041
Interest	13,404	-	-	-	13,404
Other	131,857	-	-	-	131,857
Total revenues	<u>16,648,654</u>	<u>655,407</u>	<u>882,753</u>	<u>114,436</u>	<u>18,301,250</u>
EXPENDITURES:					
Current:					
General government	7,800,041	511,774	378,517	-	8,690,332
Public safety	6,112,195	-	-	-	6,112,195
Human services	628,114	-	-	-	628,114
Culture and recreation	1,355,258	-	-	-	1,355,258
Debt service:					
Principal retirement	281,599	149,056	178,707	-	609,362
Interest and fiscal charges	54,447	7,133	26,885	-	88,465
Capital outlay:					
General government	865,964	-	-	-	865,964
Public safety	-	-	-	185,261	185,261
Total expenditures	<u>17,097,618</u>	<u>667,963</u>	<u>584,109</u>	<u>185,261</u>	<u>18,534,951</u>
Excess (Deficiency) of revenues over expenditures before other financing sources	<u>(448,964)</u>	<u>(12,556)</u>	<u>298,644</u>	<u>(70,825)</u>	<u>(233,701)</u>
Other financing sources (uses):					
Special obligation note issued	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Total other financing sources (uses)	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Net change in fund balances	301,036	(12,556)	298,644	(70,825)	516,299
FUND BALANCES, beginning of year	<u>3,662,272</u>	<u>(6,173,182)</u>	<u>2,647,695</u>	<u>247,162</u>	<u>383,947</u>
FUND BALANCES, end of year	<u>\$ 3,963,308</u>	<u>\$ (6,185,738)</u>	<u>\$ 2,946,339</u>	<u>\$ 176,337</u>	<u>\$ 900,246</u>

See notes to basic financial statements

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, 2020

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)	\$	516,299
<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	\$ 1,051,225	
Less current year depreciation	<u>(1,720,591)</u>	
Net adjustment		(669,366)
<p>The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.</p>		
		(4,184)
<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	609,362	
Accrued interest	2,973	
Note payable	(750,000)	
OPEB liability	(10,393)	
Compensated absences	(19,047)	
Adjustment to net pension liability	<u>(852,502)</u>	
		<u>(1,019,607)</u>
<p>Changes in the City's pension and OPEB deferred outflows and pension deferred inflows</p>		
for the current year are not reported in the governmental funds but are reported in the statement of activities		752,428
Change in net position of governmental activities (Page 13)	\$	<u>(424,430)</u>

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	Water & Sewer	Stormwater	
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 837,837	\$ -	\$ 837,837
Due from other funds	-	263,934	263,934
Accounts receivable - net	1,689,032	-	1,689,032
Restricted assets:			
Cash and cash equivalents	1,708,997	-	1,708,997
Total current assets	4,235,866	263,934	4,499,800
Non-current assets:			
Capital assets not being depreciated	12,325,571	1,059,381	13,384,952
Capital assets being depreciated, net	12,307,515	895,848	13,203,363
Total noncurrent assets	24,633,086	1,955,229	26,588,315
Total assets	28,868,952	2,219,163	31,088,115
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,059,421	-	1,059,421
Accrued payroll	22,738	-	22,738
Due to other funds	654,875	-	654,875
Unearned revenues	3,090	-	3,090
Customer deposits-payable from restricted assets	1,012,798	-	1,012,798
Current portion of non-current liabilities	471,836	-	471,836
Total current liabilities	3,224,758	-	3,224,758
Non-current liabilities:			
Note payable	451,000	-	451,000
OPEB liability	14,945	2,981	17,926
Compensated absences	73,099	9,664	82,763
Total non-current liabilities	539,044	12,645	551,689
Total liabilities	3,763,802	12,645	3,776,447
<u>NET POSITION</u>			
Net investment in capital assets	23,739,086	1,955,229	25,694,315
Restricted for debt service	16,104	-	16,104
Unrestricted	1,349,960	251,289	1,601,249
Total net position	\$ 25,105,150	\$ 2,206,518	\$ 27,311,668

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	Total
	<u>Water & Sewer</u>	<u>Stormwater</u>	
Operating revenues:			
Charges for services	\$ 6,751,560	\$ 668,816	\$ 7,420,376
Total operating revenues	<u>6,751,560</u>	<u>668,816</u>	<u>7,420,376</u>
Operating expenses:			
Operations and maintenance	2,561,205	1,119,843	3,681,048
Water and disposal costs	3,254,936	-	3,254,936
Depreciation	<u>595,569</u>	<u>49,734</u>	<u>645,303</u>
Total operating expenses	<u>6,411,710</u>	<u>1,169,577</u>	<u>7,581,287</u>
Operating income (loss)	<u>339,850</u>	<u>(500,761)</u>	<u>(160,911)</u>
Nonoperating revenues (expenses):			
Interest income	7,380	-	7,380
Interest expense and fees	<u>(26,542)</u>	<u>-</u>	<u>(26,542)</u>
Total nonoperating expenses	<u>(19,162)</u>	<u>-</u>	<u>(19,162)</u>
Change in net position	320,688	(500,761)	(180,073)
Net position, beginning of year	<u>24,784,462</u>	<u>2,707,279</u>	<u>27,491,741</u>
Net position, end of year	<u>\$ 25,105,150</u>	<u>\$ 2,206,518</u>	<u>\$ 27,311,668</u>

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	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	\$ 6,619,130	\$ 2,208,244	\$ 8,827,374
Cash paid to suppliers and other funds	(5,005,901)	(338,511)	(5,344,412)
Cash paid for employees	(705,288)	(787,372)	(1,492,660)
Net cash provided by operating activities	<u>907,941</u>	<u>1,082,361</u>	<u>1,990,302</u>
Cash flows from capital related financing activities:			
Acquisition and construction of capital assets	(970,101)	(1,082,361)	(2,052,462)
Principal retirements of capital debt	(405,164)	-	(405,164)
Interest paid on capital debt	(26,542)	-	(26,542)
Net cash used in capital and related financing activities	<u>(1,401,807)</u>	<u>(1,082,361)</u>	<u>(2,484,168)</u>
Cash flows from investing activities:			
Interest and other income	7,380	-	7,380
Net cash provided by investing activities	<u>7,380</u>	<u>-</u>	<u>7,380</u>
Net decrease in cash and cash equivalents	(486,486)	-	(486,486)
Cash and cash equivalents, October 1	<u>3,033,320</u>	<u>-</u>	<u>3,033,320</u>
Cash and cash equivalents, September 30	<u>\$ 2,546,834</u>	<u>\$ -</u>	<u>\$ 2,546,834</u>
Reported in statement of net position as follows:			
Unrestricted	\$ 837,837	\$ -	\$ 837,837
Restricted	1,708,997	-	1,708,997
	<u>\$ 2,546,834</u>	<u>\$ -</u>	<u>\$ 2,546,834</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 339,850	\$ (500,761)	\$ (160,911)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	595,569	49,734	645,303
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(138,073)	52,863	(85,210)
Due from other funds	-	1,486,565	1,486,565
Increase (decrease) in:			
Accounts payable and accrued liabilities	35,622	(3,584)	32,038
Compensated absences	(21,670)	(2,457)	(24,127)
OPEB liability	3,405	1	3,406
Due to other funds	80,114	-	80,114
Customer deposits	6,060	-	6,060
Other liabilities	7,481	-	7,481
Total adjustments	<u>568,091</u>	<u>1,583,122</u>	<u>2,151,213</u>
Net cash provided by operating activities	<u>\$ 907,941</u>	<u>\$ 1,082,361</u>	<u>\$ 1,990,302</u>

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	<u>Pension Trust Fund</u>	<u>Agency Fund</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 602,532	\$ 867,040
Receivables:		
State	209,871	-
City	48,247	1,750,648
Employee	11,455	-
Accrued interest and dividends	22,726	-
Due from broker	5,629	-
Total receivables	297,928	1,750,648
Investments, at fair value		
U.S. Government securities	2,117,723	-
Corporate bonds	1,593,364	-
Domestic equity	9,574,300	-
International equity	1,992,805	-
Fixed income fund	1,417,750	-
Real estate fund	1,549,940	-
Total investments	18,245,882	-
Total assets	19,146,342	2,617,688
<u>LIABILITIES</u>		
Accrued expenses	13,979	-
Payable for securities purchased	58,213	-
Other liabilities	-	2,617,688
Total liabilities	72,192	2,617,688
<u>NET POSITION</u>		
Net position restricted for pensions	\$ 19,074,150	\$ -

See notes to basic financial statements

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
City	\$611,800
State	145,253
Member	<u>209,871</u>
Total contributions	<u>966,924</u>
Investment income:	
Net appreciation in fair value of investments	743,471
Interest and dividend income	<u>490,085</u>
Total investment income	1,233,556
Less: investment expenses	<u>75,984</u>
Net investment income	<u>1,157,572</u>
Total additions	<u>2,124,496</u>
Deductions:	
Benefits paid	829,933
Refunds of contributions	21,751
Administrative expenses	<u>53,917</u>
Total deductions	<u>905,601</u>
Changes in net position	1,218,895
Net position, beginning of year	<u>17,855,255</u>
Net position, end of year	<u>\$ 19,074,150</u>

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

CITT Fund – This fund accounts for the proceeds of revenues from Citizen Independent Transportation Trust (CITT) of Miami Dade that is legally restricted for transportation and transit related activities.

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020 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 \$1,012,798 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 three years or more. 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 \$1,503,851 and OPEB of \$15,064.

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 \$284,437, \$34,909 related to OPEB, and \$296,453 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, 2020, 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance

As of September 30, 2020, 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.

	General Fund	Streets and Roads Fund	CITT Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable:					
Prepays	\$ 283,822	\$ -	\$ -	\$ -	\$ 283,822
Restricted:					
Transportation	-	-	2,946,339	176,337	3,122,676
Debt service	361,255	-	-	-	361,255
Unassigned:	3,318,231	(6,185,738)	-	-	(2,867,507)
Total fund balances	<u>\$ 3,963,308</u>	<u>\$ (6,185,738)</u>	<u>\$ 2,946,339</u>	<u>\$ 176,337</u>	<u>\$ 900,246</u>
Fund balances:					
Nonspendable	\$ 283,822	\$ -	\$ -	\$ -	\$ 283,822
Restricted	361,255	-	2,946,339	176,337	3,483,931
Unassigned	3,318,231	(6,185,738)	-	-	(2,867,507)
Total fund balances	<u>\$ 3,963,308</u>	<u>\$ (6,185,738)</u>	<u>\$ 2,946,339</u>	<u>\$ 176,337</u>	<u>\$ 900,246</u>

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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, 2020:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Streets and Roads Fund	\$ 6,185,738

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, expenditures exceeded appropriations in the following departments for the General Fund.

		Final <u>Budget</u>	<u>Actual</u>		Amount in Excess <u>of Final Budget</u>
General government services	\$	8,598,500	9,002,051	\$	403,551
Public Safety		6,028,500	6,112,195		83,695
Human services		594,000	628,114		34,114

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

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, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	Maturities (In Years) Less Than <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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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.

<u>Authorized Investments</u>	<u>Target %</u>	<u>2020 Actual %</u>
Domestic equity	47.5%	51.6%
Fixed income	30.0%	28.6%
International equity	12.5%	10.4%
Real estate	10.0%	8.2%
Cash and cash equivalents	0.0%	1.1%

As of September 30, 2020, the Plan had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
Collateralized mortgage obligations	\$ 538,349	\$ -	\$ 19,838	\$ 100,784	\$ 417,727
Corporate bonds	1,593,364	131,175	942,178	457,028	62,983
Foreign bonds notes & debentures	275,421	30,453	163,125	81,843	-
Mortgage backed securities	1,060,440	1	121,209	514,312	424,918
Municipal obligations	89,819	20,050	59,695	10,074	-
U.S. government obligations	153,694	-	88,934	64,760	-
Total fixed income securities	\$ 3,711,087	\$ 181,679	\$ 1,394,979	\$ 1,228,801	\$ 905,628

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020:

	<u>Fair Value</u>	<u>2020</u> Percentage <u>of Portfolio</u>
* U.S. government guaranteed risk debt securities:	\$ 1,563,983	42.14%
AAA	100,388	2.71%
AA+	197,825	5.33%
AA	46,364	1.25%
AA-	65,667	1.77%
A+	206,643	5.57%
A	192,064	5.18%
A-	141,238	3.81%
BBB+	493,717	13.30%
BBB	222,956	6.01%
BBB-	453,491	12.22%
B+	26,753	0.72%
Total credit risk debt securities	<u>2,147,104</u>	<u>57.86%</u>
Total fixed income securities	<u>\$ 3,711,087</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, 2020, 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.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Pension Plan (Continued)

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.

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.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Plan's investments within the fair value hierarchy at September 30, 2020:

	Fair Value Measurements Using		
	9/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Investments by fair value level</u>			
Short-term investment funds	\$ 602,532	\$ 589,129	\$ -
Total short-term investment funds	<u>602,532</u>	<u>589,129</u>	<u>-</u>
<u>Equity Securities</u>			
Foreign stocks	1,865,388	600,747	1,264,641
Common stocks	2,968,176	2,968,176	-
Mutual fund - equity	<u>6,733,540</u>	<u>6,733,540</u>	<u>-</u>
Total equity securities	<u>11,567,104</u>	<u>10,302,463</u>	<u>1,264,641</u>
<u>Debt Securities</u>			
US government obligations	153,694	85,489	68,205
Municipal obligations	89,819	-	89,819
Collateralized mortgage obligations	538,348	-	538,348
Corporate/foreign bonds	1,868,786	-	1,868,786
Mortgage backed securities	1,060,441	-	1,060,441
Mutual fund - fixed income	<u>1,417,750</u>	<u>1,417,750</u>	<u>-</u>
Total debt securities	<u>5,128,838</u>	<u>85,489</u>	<u>3,625,599</u>
Subtotal investments at fair value	<u>\$ 17,298,474</u>	<u>\$ 10,977,081</u>	<u>\$ 4,890,240</u>
<u>Investments measured at Net Asset Value (NAV)</u>			
Real estate fund	<u>1,549,940</u>		
Total investment by NAV	<u>\$ 1,549,940</u>		
Total Investments at Fair Value	<u>\$ 18,848,414</u>		

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, 2020 and 2019. 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.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020.

The Plan's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2020, are as follows:

Investments measured at the NAV

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate Fund	1,549,940	-	Quarterly	30 Days
Total investments measured at NAV	<u>\$ 1,549,940</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, 2020 and 2019. 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.

NOTE 5 – RECEIVABLES

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

	<u>General</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Receivables:			
Accounts	\$ -	\$ 1,954,453	\$ 1,954,453
Taxes	1,014,532	-	1,014,532
Special Assessment	<u>61,424</u>	<u>-</u>	<u>61,424</u>
Total receivables	1,075,956	1,954,453	3,030,409
Less: Allowance for uncollectibles	<u>-</u>	<u>(265,421)</u>	<u>(265,421)</u>
Net receivables	<u>\$ 1,075,956</u>	<u>\$ 1,689,032</u>	<u>\$ 2,764,988</u>

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – INTERFUND ACTIVITY

Interfund balances at September 30, 2020 are as follows:

	Interfund <u>Receivable</u>	Interfund <u>Payable</u>
General Fund	6,994,284	5,296,195
Streets and Roads Fund	382,338	6,568,076
CITT	2,946,339	-
Agency Fund	1,804,477	-
Water & Sewer Fund	-	654,875
Stormwater Fund	263,934	-
Non-major governmental funds	<u>572,692</u>	<u>444,918</u>
Total	<u><u>12,964,064</u></u>	<u><u>12,964,064</u></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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2020, was as follows:

	Beginning	Additions	Deletions	Transfers	Ending
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,839,157	\$ -	\$ -	\$ -	\$ 2,839,157
Construction in progress	3,170,067	241,969	-	-	3,412,036
Total capital assets not being depreciated	<u>6,009,224</u>	<u>241,969</u>	<u>-</u>	<u>-</u>	<u>6,251,193</u>
Capital assets being depreciated:					
Building and improvements	18,176,449	-	-	-	18,176,449
Vehicles	2,742,200	726,185	-	-	3,468,385
Office equipment	532,233	-	-	-	532,233
Machinery and equipment	3,624,677	83,071	-	-	3,707,748
Infrastructure	36,714,619	-	-	-	36,714,619
Total capital assets being depreciated	<u>\$ 61,790,178</u>	<u>\$ 809,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,599,434</u>
Less accumulated depreciation for:					
Building and improvements	(5,634,512)	(435,347)	-	-	(6,069,859)
Vehicles	(2,084,649)	(273,106)	-	-	(2,357,755)
Office equipment	(476,914)	(35,339)	-	-	(512,253)
Machinery and equipment	(3,408,798)	(101,259)	-	-	(3,510,057)
Infrastructure	(15,683,078)	(875,540)	-	-	(16,558,618)
Total accumulated depreciation	<u>(27,287,951)</u>	<u>(1,720,591)</u>	<u>-</u>	<u>-</u>	<u>(29,008,542)</u>
Total capital assets being depreciated, net	<u>34,502,227</u>	<u>(911,335)</u>	<u>-</u>	<u>-</u>	<u>33,590,892</u>
Governmental activities capital assets, net	<u>\$ 40,511,451</u>	<u>\$ (669,366)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,842,085</u>
	Beginning	Additions	Deletions	Transfers	Ending
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,341,534	\$ -	\$ -	\$ -	\$ 1,341,534
Construction in progress	10,517,495	1,525,923	-	-	12,043,418
Total capital assets not being depreciated	<u>11,859,029</u>	<u>1,525,923</u>	<u>-</u>	<u>-</u>	<u>13,384,952</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	3,727,377	526,536	-	-	4,253,913
Total capital assets being depreciated	<u>27,156,736</u>	<u>526,536</u>	<u>-</u>	<u>-</u>	<u>27,683,272</u>
Less accumulated depreciation for:					
Building	(502,004)	(48,976)	-	-	(550,980)
Water system	(8,387,515)	(337,345)	-	-	(8,724,860)
Stormwater system	(1,326,543)	(45,138)	-	-	(1,371,681)
Right to use Miami-Dade waterline	(510,901)	(22,942)	-	-	(533,843)
Machinery and equipment	(3,107,643)	(190,902)	-	-	(3,298,545)
Total accumulated depreciation	<u>(13,834,606)</u>	<u>(645,303)</u>	<u>-</u>	<u>-</u>	<u>(14,479,909)</u>
Total capital assets being depreciated, net	<u>13,322,130</u>	<u>(118,767)</u>	<u>-</u>	<u>-</u>	<u>13,203,363</u>
Business-type activities capital assets, net	<u>\$ 25,181,159</u>	<u>\$ 1,407,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,588,315</u>

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General Government	1,241,704
Public Safety	289,209
Human services	16,950
Culture and Recreation	172,728
	1,720,591
Business- type activities:	
Water & Sewer	595,569
Stormwater	49,734
	645,303

NOTE 8 – LONG-TERM DEBT

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.

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

	Principal	Interest	Total
2021	290,016	46,975	336,991
2022	298,427	38,564	336,991
2023	307,081	29,909	336,990
2024	315,936	21,055	336,991
2025	325,150	11,841	336,991
2026	166,186	2,411	168,495
Totals	\$ 1,702,796	\$ 150,755	\$ 1,853,449

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 System Note are as follows:

	Principal	Interest	Total
2021	443,000	13,316	456,316
2022	451,000	4,465	455,465
Totals	\$ 894,000	\$ 17,780	\$ 911,780

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 09/30/2020 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>
2021	1,053,330	192,665	1,245,995
2022	661,370	175,856	837,226
2023	666,780	146,304	813,084
2024	696,450	115,973	812,423
2025	727,440	84,291	811,731
2026-2027	1,530,460	68,347	1,598,807
Totals	\$ 5,335,830	\$ 783,436	\$ 6,119,266

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	152,203	4,025	156,228
2022	77,302	812	78,114
Totals	\$ 229,505	\$ 4,837	\$ 234,342

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 – LONG-TERM DEBT (CONTINUED)

Special Obligation Note – Series 2020 - On February 18, 2020, the City of Council authorized and issued \$750,000 Special Obligation Note – Series 2020 for the purpose of providing funds for (i) the purchase and equipping of police vehicles and (ii) paying certain costs associated with the issuance of the note. The note is due in monthly installments on the first day of each month.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	145,330	14,389	159,719
2022	147,620	9,074	156,694
2023	149,950	6,707	156,657
2024	152,320	4,313	156,633
2025	154,780	1,861	156,641
	<u>\$ 750,000</u>	<u>\$ 36,344</u>	<u>\$ 786,344</u>

Long-term debt activity for the year ended September 30, 2020 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	\$ 178,688	\$ -	\$ (178,688)	\$ -	\$ -
Capital improvement revenue bonds, 2014	1,984,395	-	(281,599)	1,702,796	290,016
Bank loan - vactor trucks	378,560	-	(149,055)	229,505	152,203
Special obligation note - series 2020	-	750,000	-	750,000	145,330
Total bonds and notes payable	<u>2,541,643</u>	<u>750,000</u>	<u>(609,342)</u>	<u>2,682,301</u>	<u>587,549</u>
Other liabilities:					
OPEB liability	337,079	10,393	-	347,472	-
Compensated absences	886,794	395,475	(376,428)	905,841	179,130
Net pension liability	466,686	2,107,646	(1,255,144)	1,319,188	-
Total other liabilities	<u>1,690,559</u>	<u>2,513,514</u>	<u>(1,631,572)</u>	<u>2,572,501</u>	<u>179,130</u>
Governmental activity long-term liabilities	<u>\$ 4,232,202</u>	<u>\$ 3,263,514</u>	<u>\$ (2,240,914)</u>	<u>\$ 5,254,802</u>	<u>\$ 766,679</u>
	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due within One Year</u>
Business-type activities:					
Notes payable:					
Utilities System Revenue Note, Series 2012	\$ 1,328,000	\$ -	\$ (434,000)	\$ 894,000	\$ 443,000
Total notes payable	<u>1,328,000</u>	<u>-</u>	<u>(434,000)</u>	<u>894,000</u>	<u>443,000</u>
Other liabilities:					
OPEB liability	14,520	3,406	-	17,926	-
Compensated absences	105,109	81,130	(74,640)	111,599	28,836
Total other liabilities	<u>119,629</u>	<u>84,536</u>	<u>(74,640)</u>	<u>129,525</u>	<u>28,836</u>
Business-type activities long-term liabilities	<u>\$ 1,447,629</u>	<u>\$ 84,536</u>	<u>\$ (508,640)</u>	<u>\$ 1,023,525</u>	<u>\$ 471,836</u>

At September 30, 2020 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 2020, 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 3851 West State Road 84, Apt #101, Davie, FL 33312.

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, 2019 was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.	19
Active participants:	
Nonvested	43
Total participants	62

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, 2020 was as follows:

Total pension liability	\$ 19,174,443
Plan fiduciary net position	17,855,255
Net pension liability	\$ 1,319,188

Plan fiduciary net position as a percentage of the net pension liability was 93.12%.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Significant Actuarial Assumptions -

Significant Actuarial Assumptions:

Valuation Date: October 01, 2018
 Measurement Date: Septemebr 30, 2019

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, 2017 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, 2020, there were no members in the DROP plan. At the end of September 30, 2020, 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, 2020, the City reported net pension liability of \$1,319,188. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2018.

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$915,045 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 4,994	\$ 296,453
Change of assumptions	343,568	-
Net difference between projected and actual earnings on Pension Plan investments	333,618	-
Total	<u>\$ 682,180</u>	<u>\$ 296,453</u>

The deferred outflows of resources related to pensions, totaling \$821,671, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Net Deferred Outflows of Resources</u>
2021	\$ (44,289)
2022	43,841
2023	185,022
2024	206,316
2025	(5,163)
Thereafter	-
Total	<u>\$ 385,727</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, 2020 summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Rate of Return</u>
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, 2020, the annual money-weighted rate of return on Plan investments, net of investment expense, was 6.13%. 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 \$	3,476,130	\$ 1,319,188	\$ (479,672)

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, 2020 were approximately \$575,925.

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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020 were \$ 2,826,731.

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 2020.

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 "pay-as-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, 2020, there are one hundred and fifty (150) active employees with health insurance coverage.

Total OPEB Liability -

The City's total OPEB liability of \$362,417 was measured as of September 30, 2019.

Actuarial assumptions and other inputs -

The total OPEB liability in the September 30, 2020 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 BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Actuarial assumptions and other inputs - (continued)

Discount Rate	2.75%
Inflation Rate	2.20%
Healthcare Trend Rate	4.00%

Mortality Rates	<p>Healthy, <i>general</i>: Pub-2010 general employees headcount-weighted mortality projected with fully generational MP2019 mortality improvement scale.</p> <p>Pre-retirement, <i>LEOS</i>: Pub-2010 public safety employees headcount-weighted mortality projected with fully generational MP2019 mortality improvement scale.</p> <p>Healthy, <i>general</i>: Pub-2010 general retirees headcount-weighted mortality projected with fully generational MP2019 mortality improvement scale.</p> <p>Post-employment, <i>LEOS</i>: Pub-2010 public safety retirees headcount-weighted mortality projected with fully generational MP2019 mortality improvement scale.</p> <p>Disabled, <i>general</i>: Pub-2010 general disabled retirees headcount-weighted mortality projected with fully generational MP2019 mortality improvement scale.</p> <p>Disabled, <i>LEOS</i>: Pub-2010 public safety disabled retirees headcount-weighted mortality projected with fully generational MP2019 mortality improvement scale.</p>
-----------------	---

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 for FYE 2019	<u>\$ 351,599</u>
Service Cost	19,682
Interest	13,158
Differences between expected and actual experience	(28,204)
Changes in assumptions for other inputs	17,575
Benefit payments	(11,393)
Balance at 9/30/2019 for FYE 2020	<u>\$ 362,417</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 (1.75%), or one percentage higher (3.75%) than the current discount rate:

	1% Decrease 1.75%	Discount Rate 2.75%	1% Increase 3.75%
Total OPEB Liability \$	385,631	\$ 362,417	\$ 339,428

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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:

	1% Decrease 3.00%	Healthcare Trend Discount Rate 4.00%	1% Increase 5.00%
Total OPEB Liability \$	319,435	\$ 362,417	\$ 413,645

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

For the year ended September 30, 2020, the City Plan recognized OPEB expenses of \$28,911. At September 30, 2020, 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	\$ -	\$ 24,175
Changes in assumptions and other inputs	15,064	10,734
Benefits paid after the measurement	-	-
Total	\$ 15,064	\$ 34,909

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 ended September 30:</u>	<u>Net Deferred Outflows of Resources</u>
2020	(3,929)
2021	(3,929)
2022	(3,929)
2023	(3,932)
2024	(2,605)
Thereafter	(1,521)

NOTE 15 – RISKS AND UNCERTAINTIES

During March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and counties, could continue to be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and is continuously evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIALEAH GARDENS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive/(Negative)
Revenues:				
Ad valorem taxes	\$ 6,915,000	\$ 6,915,000	\$ 6,797,226	\$ (117,774)
Intergovernmental	4,025,500	4,025,500	4,453,836	428,336
Utility taxes	2,473,000	2,473,000	2,301,058	(171,942)
Franchise taxes	1,200,000	1,200,000	1,078,120	(121,880)
Licenses and permits	1,043,000	1,043,000	1,078,090	35,090
Charges for services	888,000	888,000	767,554	(120,446)
Fines and forfeitures	38,000	38,000	27,509	(10,491)
Interest	1,000	1,000	13,404	12,404
Other	86,000	86,000	131,857	45,857
Total revenues	<u>16,669,500</u>	<u>16,669,500</u>	<u>16,648,654</u>	<u>(20,846)</u>
Expenditures:				
General government	8,598,500	8,598,500	9,002,051	(403,551)
Public safety	6,028,500	6,028,500	6,112,195	(83,695)
Human services	594,000	594,000	628,114	(34,114)
Culture and recreation	1,448,500	1,448,500	1,355,258	93,242
Total expenditures	<u>16,669,500</u>	<u>16,669,500</u>	<u>17,097,618</u>	<u>(428,118)</u>
excess (Deficiency) of revenues over (under) expenditures	-	-	(448,964)	(448,964)
Fund balance appropriated	-	-	750,000	750,000
Net change in fund balance	-	-	301,036	301,036
FUND BALANCE, beginning of year			<u>3,662,272</u>	
FUND BALANCE, end of year			<u>\$ 3,963,308</u>	

See note to budgetary comparison schedule

CITY OF HIALEAH GARDENS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
STREETS AND ROADS FUND - MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 738,000	\$ 738,000	\$ 655,407	\$ (82,593)
Charges for services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>738,000</u>	<u>738,000</u>	<u>655,407</u>	<u>(82,593)</u>
Expenditures:				
Current:				
General government	<u>1,338,000</u>	<u>1,338,000</u>	<u>667,963</u>	<u>670,037</u>
Total expenditures	<u>1,338,000</u>	<u>1,338,000</u>	<u>667,963</u>	<u>670,037</u>
(Deficiency) excess of revenues over expenditures before	(600,000)	(600,000)	(12,556)	587,444
Net change in fund balance	<u>(600,000)</u>	<u>(600,000)</u>	<u>(12,556)</u>	<u>587,444</u>
Fund balances, beginning of year			<u>(6,173,182)</u>	
Fund balances, end of year			<u>\$ (6,185,738)</u>	

See note to budgetary comparison schedule

CITY OF HIALEAH GARDENS, FLORIDA
BUDGETARY COMPARISON SCHEDULE
CITT FUND - MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 876,700	\$ 876,700	\$ 882,753	\$ 6,053
Total revenues	<u>876,700</u>	<u>876,700</u>	<u>882,753</u>	<u>6,053</u>
Expenditures:				
Current:				
General government	<u>876,700</u>	<u>876,700</u>	<u>584,108</u>	<u>292,592</u>
Total expenditures	<u>876,700</u>	<u>876,700</u>	<u>584,108</u>	<u>292,592</u>
(Deficiency) excess of revenues over expenditures before	-	-	298,645	298,645
Net change in fund balance	<u>-</u>	<u>-</u>	<u>298,645</u>	<u>298,645</u>
Fund balances, beginning of year			<u>2,647,694</u>	
Fund balances, end of year			<u>\$ 2,946,339</u>	

See note to budgetary comparison schedule

CITY OF HIALEAH GARDENS, FLORIDA
NOTE TO BUDGETARY COMPARISON SCHEDULES
SEPTEMBER 30, 2020

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, 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, 2020, expenditures exceeded appropriations in the Streets and Roads Fund by \$12,556.

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	9/30/2020 9/30/2019	9/30/2019 9/30/2018	9/30/2018 9/30/2017	9/30/2017 9/30/2016	9/30/2016 9/30/2015	9/30/2015 9/30/2014
<u>Total pension liability</u>						
Service cost	\$ 656,877	\$ 595,447	\$ 538,779	\$ 490,341	\$ 491,321	\$ 435,930
Interest	1,324,351	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	(56,808)	(201,103)	(106,482)	(392,758)	67,419	17,978
Changes in assumptions	-	453,086	141,624	-	-	-
Refunds of contributions	(822,688)	(23,765)	-	(32,469)	(6,573)	-
Benefit payments, including refunds of member contributions	(14,446)	(832,824)	(1,376,619)	(1,229,360)	(521,971)	(868,735)
Other (increase in State contribution reserve)	58,553	59,704	8,844	49,973	18,856	18,634
Net change in total pension liability	1,145,839	1,316,490	590,034	99,140	1,198,951	684,205
Total pension liability-beginning	\$ 18,028,604	\$ 16,712,114	\$ 16,122,080	\$ 16,022,940	\$ 14,823,989	\$ 14,139,784
Total pension liability-ending	\$ 19,174,443	\$ 18,028,604	\$ 16,712,114	\$ 16,122,080	\$ 16,022,940	\$ 14,823,989
<u>Plan fiduciary net position</u>						
Contributions - City	\$ 575,925	\$ 523,208	\$ 541,601	\$ 483,462	\$ 505,211	\$ 470,955
Contributions - State	223,230	225,532	211,274	156,460	125,343	125,121
Contributions - Member	136,736	124,219	126,886	111,522	109,271	103,782
Net investment income (loss)	262,445	1,489,774	1,841,503	1,142,054	(175,980)	1,238,189
Benefit payments, including refunds of member contributions	(822,688)	(832,824)	(1,376,619)	(1,229,360)	(521,971)	(868,735)
Refunds of contributions	(14,446)	(23,765)	-	(32,469)	(6,573)	-
Administrative expenses	(67,865)	(57,873)	(78,535)	(67,632)	(54,534)	(47,780)
Net change in plan fiduciary net position	293,337	1,448,271	1,266,110	564,037	(19,233)	1,021,532
Plan fiduciary net position - beginning	\$ 17,561,918	\$ 16,113,647	\$ 14,847,537	\$ 14,283,500	\$ 14,302,733	\$ 13,281,201
Plan fiduciary net position - ending	\$ 17,855,255	\$ 17,561,918	\$ 16,113,647	\$ 14,847,537	\$ 14,283,500	\$ 14,302,733
City's net pension liability	\$ 1,319,188	\$ 466,686	\$ 598,467	\$ 1,274,543	\$ 1,739,440	\$ 521,256
Plan fiduciary net position as a percentage of the total pension liability	93.12%	97.41%	96.42%	92.09%	89.14%	96.48%
Covered payroll	\$ 2,734,720	\$ 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	48.24%	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%
2020	750,086	769,797 ****	(19,711)	2,905,060	26.50%

* 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 and the remaining \$52,575 is allocated to the Share Plan, based on the default rules of Senate Bill 172.

** 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 and the remaining \$59,704 is allocated to the Share Plan, based on the default rules of Senate Bill 172.

*** 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 remaining \$58,553 is allocated to the Share Plan, based on the default rules of Senate Bill 172.

**** Includes a City contribution of \$611,800 plus a State contribution of \$157,997. The Plan's financial statements as of September 30, 2020 include a receivable State contribution of \$209,871, \$157,997 of which is applied to the required contribution for the fiscal year ending September 30, 2020 and the remaining \$51,874 is allocated to the Share Plan, based on the default rules of Senate Bill 172.

Valuation Date: October 1, 2018

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, 2017 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 THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
SEPTEMBER 30, 2020

Total OPEB Liability for fiscal year ended September 30:	2020	2019	2018
Measurement Date:	9/30/2019	9/30/2018	9/30/2017
Service cost	\$ 19,682	\$ 19,872	\$ 20,215
Interest	13,158	11,748	10,187
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(28,204)	-	-
Changes in assumptions	17,575	(7,621)	(9,257)
Benefit payments	(11,393)	(16,107)	(12,096)
Net Change in total OPEB liability	10,818	7,892	9,049
Total OPEB liability- beginning	343,707	343,707	334,658
Total OPEB liability- ending	<u>\$ 354,525</u>	<u>\$ 351,599</u>	<u>\$ 343,707</u>
Covered payroll	\$ 7,810,700	\$ 7,830,753	\$ 6,227,270
Total OPEB liability as a percentage of covered payroll	4.64%	4.49%	5.52%

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, 2020

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Public Safety Impact Fund	Law Enforcement Forfeiture Fund	
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$48,563	\$ 48,563
Due from other funds	529,179	43,513	572,692
Total assets	529,179	92,076	621,255
<u>LIABILITIES</u>			
Due to other funds	444,918	-	444,918
Total liabilities	444,918	-	444,918
<u>FUND BALANCES</u>			
Restricted	84,261	92,076	176,337
Total fund balances	84,261	92,076	176,337
Total liabilities and fund balances	\$ 529,179	\$ 92,076	\$ 621,255

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, 2020

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Public Safety Impact Fund	Law Enforcement Forfeiture Fund	
Revenues:			
Intergovernmental	\$ -	\$ -	\$ -
Impact fees	110,904	-	110,904
Fines and forfeitures	-	3,532	3,532
Total revenues	<u>110,904</u>	<u>3,532</u>	<u>114,436</u>
Expenditures:			
Current:			
General government	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay:			
Public safety	185,261	-	185,261
Total expenditures	<u>185,261</u>	<u>-</u>	<u>185,261</u>
(Deficiency) excess of revenues over expenditures before other financing sources	<u>(74,357)</u>	<u>3,532</u>	<u>(70,825)</u>
Other financing sources:			
Transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(74,357)	3,532	(70,825)
Fund balances, beginning of year	<u>158,618</u>	<u>88,544</u>	<u>247,162</u>
Fund balances, end of year	<u>\$ 84,261</u>	<u>\$ 92,076</u>	<u>\$ 176,337</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, 2020

	Special Revenue Funds			
	Public Safety Impact Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Impact fees	\$ 40,000	\$ 40,000	\$ 110,904	\$ 70,904
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>110,904</u>	<u>70,904</u>
Expenditures:				
Current:				
Public safety	<u>40,000</u>	<u>40,000</u>	<u>185,261</u>	<u>(145,261)</u>
Total expenditures	<u>40,000</u>	<u>40,000</u>	<u>185,261</u>	<u>(145,261)</u>
Excess (deficiency) of revenues over expenditures	-	-	(74,357)	(74,357)
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,357)</u>	<u>\$ (74,357)</u>
Fund balances, beginning of year			<u>158,618</u>	
Fund balances, end of year			<u>\$ 84,261</u>	

CITY OF HIALEAH GARDENS, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2020

N.W. DISTRICT SPECIAL ASSESSMENT AGENCY FUND

	Balance September 30, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2020</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 867,181	\$ -	\$ 141	\$ 867,040
Receivable from City	1,939,165	-	134,688	1,804,477
Total assets	<u>2,806,346</u>	<u>-</u>	<u>134,829</u>	<u>2,671,517</u>
<u>LIABILITIES</u>				
Other liabilities	<u>\$ 2,806,346</u>	<u>\$ -</u>	<u>\$ 134,829</u>	<u>\$ 2,671,517</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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 31, 2021.

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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented or detected and corrected on a timely basis. We consider deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-02 and 2020-03 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-03 to be a significant deficiency.

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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of findings and questioned costs as item 2020-04.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 City'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
August 31, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR
GENERAL**

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

Report on Compliance for the Major State Project

We have audited City of Hialeah Gardens, Florida's (the "City") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the City's major State project for the fiscal year ended September 30, 2020. The City's State project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the City's major State project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the fiscal year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General and which are described in the accompanying schedule of findings and questioned costs as item 2020-05. Our opinion on each major state project is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we expressed no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Caballero Fierman Llerena & Garcia, LLP

Caballero Fierman Llerena & Garcia, LLP
Miami, Florida
August 31, 2021

City of Hialeah Gardens
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2020

State Agency/Pass-through Entity/State Project	CSFA Number	Contract/Grant Number	Expenditures
State Projects:			
Byrne Grant	16.034	2020-JAGC-DADE-4-Y5-127	\$ 7,552
State of Florida Department of Environmental Protection			
City of Hialeah Gardens - Central District Drainage Improvement	37.039	LP13220	1,127,930
State of Florida - Department of Elder Affairs			
Passed-Through Alliance for Aging			
Local Services Program - Hot Meals Program	65.009	None	257,919
State of Florida Department of Transportation			
Turf and Landscape Maintenance Joint Participation Program	55.003	AS451-R1	<u>6,831</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,400,231</u>

The accompanying notes are an integral part of this schedule

CITY OF HIALEAH GARDENS, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of the City of Hialeah Gardens, Florida (the "City") for the fiscal year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position/fund balance or cash flows of the Village.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Florida Single Audit Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - CONTINGENCY

The grant and contract revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor/contract agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of the Village. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the agreements and applicable state laws and other applicable regulations.

CITY OF HIALEAH GARDENS, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2019 schedule of findings and responses.

Matters that are not repeated in the accompanying schedule of findings and questioned costs.

- 2019-01 Journal Entries
- 2019-02 Outstanding Checks

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

- 2019-03 Deficit Fund Balance

HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Internal control over major State projects:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None reported

Type of auditors' report issued on compliance for major State projects:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?

Yes No

Identification of major State projects:

<u>CSFA No.</u>	<u>State Financial Assistance Project</u>
37.039	Florida Department of Environmental Protection Central District Drainage Improvement

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

II - CURRENT YEAR FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2020-02 Capital Assets

Criteria:

Appropriate tracking of capital assets is essential to ensure that assets on hand at a point in time are appropriately stated in addition to the related calculation of depreciation expense.

Condition:

During the performance of our fieldwork procedures, we noted that the City does not have an up to date inventory of capital assets. As a result, there were misstatements in the opening balances and current year additions of governmental activities capital assets and business-type capital assets. Corrections had to be made to the appropriate accounts, reconciliations, and capital asset detail schedules.

Cause:

The City's financial reporting system is not set to allow for tracking of capital assets when changes are made to the general ledger. As a result, the finance department would need to manually update the capital asset detail separate from the general ledger. There also appears to have been a lack of communication between the public works department and finance with regards to tracking of capital assets when projects are completed and assets are placed in service. In addition, the City has not kept an up to date inventory of capital assets.

Effect:

We identified several misstatements during the course of our audit and advised management, who made the corrections to the appropriate accounts, reconciliations, and capital asset detail schedules. Without a proper communication between the general ledger and the capital assets supporting schedules in the City's financial reporting system, the general ledger relies on manual updates and is exposed to human error leading to misstatements.

Recommendation:

We recommend the City perform an inventory of its capital assets to ensure the current assets on hand are accurate and adjust the financial reporting system to track capital assets when adjustments are made to the general ledger. In addition, we recommend the City evaluate its current roles and responsibilities to assign capital asset tracking and reviews of transaction to the appropriate management personnel.

Views of responsible officials and planned corrective actions

We agree with the auditors' recommendations and will perform an inventory of the City capital assets to ensure that reported assets are accurate.

2020-03 Internal Control over Financial Reporting

Criteria:

Prudent timely completion and review of account reconciliations and closure of accounting periods provides the ability to apply proper fiscal management/oversight. Municipalities should have adequate staffing to provide for a formal review of general ledger activity and account balances periodically to identify potential concerns and imbalances throughout fund activity. Additionally, a position to provide approval of entries including periodic reporting to Finance Director or management.

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – CURRENT YEAR FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

2020-03 Internal Control over Financial Reporting (CONTINUED)

Condition:

Timely preparation and accurate account reconciliations is key to maintaining adequate control over financial reporting. During the performance of our fieldwork procedures, we noted several misstatements in the areas of revenues, accounts receivable, debt, and capital assets suggesting the financial information provided was not complete and not fully adjusted.

Cause:

Insufficient controls in place to ensure appropriate review of financial reporting and timely closure of accounting periods. The City currently lacks personnel to allow for an appropriate review of accounting data and financial information.

Effect:

We identified several misstatements during the course of our audit and provided them to management, who made the corrections to the appropriate accounts and reconciliations. Without proper review, the effects may lead to misappropriation of assets, delays in financial reporting, and material misstatements.

Recommendation:

We recommend the City evaluate internal procedures as well as resources needs in the finance department to provide for timely accounting period closure and proper review of account activity.

Views of responsible officials and planned corrective actions

We agree with the auditor's recommendations, we will evaluate our internal procedures and proceed to make the necessary changes. In addition, we are in the process of obtaining quotes for a new accounting software which will provide a timely accounting period closure and review.

SIGNIFICANT DEFICIENCIES

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.

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION II – CURRENT YEAR FINANCIAL STATEMENT FINDINGS (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

2019-03 Deficit Fund Balance (CONTINUED)

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.

Views of responsible officials and planned corrective actions

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 were 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.

NONCOMPLIANCE

2020-04 Annual Financial Audit Report

Criteria:

Florida Statutes section 218.39 states that local government entity shall have an annual financial audit of its accounts and records completed within 9 months after the end of its fiscal year by an independent certified public accountant retained by it and paid from its public funds.

Condition:

The City did not complete its annual financial audit for the fiscal year ended 2020 within 9 months after year end.

Cause:

Delays in the financial close and reporting procedures of the City.

Effect:

The City is not in compliance with Florida Statute section 218.39.

Recommendation:

We recommend that, in the future, the City completes its annual financial audits within 9 months after its fiscal year end.

Views of responsible officials and planned corrective actions

We agree with the auditor's recommendations and will complete the annual financial audit within 9 months after the fiscal year end 2020-2021.

CITY OF HIALEAH GARDENS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

NONCOMPLIANCE

2020-05 Quarterly Submission of Progress Reports

Criteria:

Appropriate tracking of City projects is essential to ensure expenditures are appropriately stated for federal and state reporting at the time of reimbursement.

Condition:

During the performance of our state single audit, we noted that the City did not submit quarterly status reports as required by the reporting attribute stated in the 2020 Compliance Supplement.

Cause:

The City's financial reporting system is not set to allow for tracking of capital project expenditures when changes are made to the general ledger. As a result, the finance department would need to manually update the expenditure detail separate solely for each project undertaken by the City. Thereafter, submit the detail affiliated with the project on a quarterly basis. There also appears to have been a lack of communication between the public works department and finance with regards to tracking of expenditures when projects are completed.

Effect:

We identified noncompliance solely for the reporting attribute during the course of our audit and communicated to management, who made corrections to the internal controls.

Recommendation:

We recommend the City implement controls associated with the review of the requirements necessary for City projects and future projects.

Views of responsible officials and planned corrective actions

We will improve the communications between the public works department and finance with regards of tracking of expenditures when projects are completed. In addition, we will improve our reporting process in future projects so all progress reports are submitted in a timely matter or stipulated by the agreements or grants.



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, 2020 and have issued our report thereon dated August 31, 2021

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*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control Over Compliance; Summary Schedule of Prior Audit Findings, Schedule of Findings and Questioned Costs; and 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 schedules, which are dated August 31, 2021, 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 except as described in the Summary Schedule of Prior Audit Findings.

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.

Financial Condition and Management (Continued)

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.

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
August 31, 2021



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, 2019 to September 30, 2020. 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, 2019 to September 30, 2020.

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
August 31, 2021

BEFORE ME, the undersigned authority, personally appeared Juan Rivera, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of City of Hialeah Gardens which is a local governmental entity of the State of Florida;
2. The City of Hialeah Gardens adopted Ordinance No. **90-08** implementing an impact fee; and
3. The City of Hialeah Gardens has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.



Juan Rivera – Finance Director

STATE OF FLORIDA
COUNTY OF MIAMI-DADE

SWORN TO AND SUBSCRIBED before me this 20 day of JULY, 2021.



NOTARY PUBLIC
Print Name MARIA L. JOFFE

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires:

8/23/2022

