

**CITY OF SUNNY ISLES BEACH, FLORIDA**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998**

# CITY OF SUNNY ISLES BEACH, FLORIDA

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**CITY OF SUNNY ISLES BEACH, FLORIDA**

**CITY OFFICIALS**

SEPTEMBER 30, 1998

**CITY COMMISSION**

David Samson - Mayor  
Irving Turetsky - Vice Mayor  
Danny Iglesias  
Lila Kauffman  
Connie Morrow

**CITY MANAGER**

James DiPietro

**CITY ATTORNEY**

Lynn M. Dannheisser

**FINANCE DIRECTOR**

Jack Neustadt

**CITY AUDITORS**

Rachlin Cohen & Holtz LLP  
Certified Public Accountants & Consultants



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
A Partnership Including Professional Associations

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Honorable Mayor, City Commission and City Manager  
City of Sunny Isles Beach, Florida

We have audited the general purpose financial statements of the City of Sunny Isles Beach, Florida (the City) as of September 30, 1998 and for the period from June 16, 1997 (date of incorporation) to September 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City at September 30, 1998 and the results of its operations and cash flows of its proprietary fund type for the period from June 16, 1997 (date of incorporation) to September 30, 1998, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 6, 1999 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

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Honorable Mayor, City Commission and City Manager  
City of Sunny Isles Beach, Florida  
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The year 2000 supplementary information on page 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

*Rachael Cohen - Holly LLP*

Miami, Florida  
April 6, 1999

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**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**(Combined Statements - Overview)**

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**CITY OF SUNNY ISLES BEACH, FLORIDA**

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 1998

	<u>Governmental</u>		<u>Proprietary</u>	<u>Account</u>		
	<u>Fund Types</u>		<u>Fund Type</u>	<u>Groups</u>		
	<u>General</u>	<u>Capital</u>		<u>General</u>	<u>General</u>	<u>Totals</u>
		<u>Projects</u>	<u>Enterprise</u>	<u>Fixed</u>	<u>Long-Term</u>	<u>(Memorandum</u>
				<u>Assets</u>	<u>Debt</u>	<u>Only)</u>
<b><u>ASSETS AND OTHER DEBITS</u></b>						
<b>Assets:</b>						
Cash and cash equivalents	\$ 424,254	\$ 116,822	\$ -	\$ -	\$ -	\$ 541,076
Taxes and fees receivable	465,577	-	-	-	-	465,577
Due from other funds	30,802	221,476	-	-	-	252,278
Due from other governments	-	-	50,000	-	-	50,000
General fixed assets	-	-	-	6,557,003	-	6,557,003
Prepaid costs	1,240	-	-	-	-	1,240
<b>Other debits:</b>						
Amount to be provided for retirement of general long-term obligations	-	-	-	-	4,987,418	4,987,418
<b>Total assets and other debits</b>	<b>\$ 921,873</b>	<b>\$ 338,298</b>	<b>\$ 50,000</b>	<b>\$ 6,557,003</b>	<b>\$ 4,987,418</b>	<b>\$ 12,854,592</b>
<b><u>LIABILITIES, EQUITY AND OTHER CREDITS</u></b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 154,790	\$ 34,638	\$ -	\$ -	\$ -	\$ 189,428
Due to other funds	221,476	-	30,802	-	-	252,278
Compensated absences payable	-	-	-	-	87,418	87,418
Revenue bonds payable	-	-	-	-	4,900,000	4,900,000
<b>Total liabilities</b>	<b>376,266</b>	<b>34,638</b>	<b>30,802</b>	<b>-</b>	<b>4,987,418</b>	<b>5,429,124</b>
Commitments and contingencies	-	-	-	-	-	-
<b>Equity and other credits:</b>						
Investment in general fixed assets	-	-	-	6,557,003	-	6,557,003
Retained earnings	-	-	19,198	-	-	19,198
<b>Fund balance:</b>						
<b>Unreserved:</b>						
Designated for subsequent years appropriations	523,648	-	-	-	-	523,648
Designated for capital projects	-	303,660	-	-	-	303,660
Undesignated	21,959	-	-	-	-	21,959
<b>Total equity and other credits</b>	<b>545,607</b>	<b>303,660</b>	<b>19,198</b>	<b>6,557,003</b>	<b>-</b>	<b>7,425,468</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 921,873</b>	<b>\$ 338,298</b>	<b>\$ 50,000</b>	<b>\$ 6,557,003</b>	<b>\$ 4,987,418</b>	<b>\$ 12,854,592</b>

See notes to general purpose financial statements.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES

FROM JUNE 17, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

	<u>Governmental</u> <u>Fund Types</u>		Totals
	<u>General</u>	Capital <u>Projects</u>	(Memorandum <u>Only</u> )
<b>Revenues:</b>			
Utility taxes	\$ 2,957,886	\$ -	\$ 2,957,886
Franchise fees	137,142	-	137,142
Impact fees	38,672	255,414	294,086
Intergovernmental	225,960	-	225,960
Licenses and permits	332,121	-	332,121
Charges for services	14,904	-	14,904
Fines and forfeitures	5,843	-	5,843
Interest	59,436	-	59,436
Miscellaneous	<u>5,917</u>	<u>-</u>	<u>5,917</u>
<b>Total revenues</b>	<u><b>3,777,881</b></u>	<u><b>255,414</b></u>	<u><b>4,033,295</b></u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	691,167	-	691,167
Public safety	751,139	-	751,139
Community services	70,343	-	70,343
Capital outlay	<u>956,825</u>	<u>5,614,554</u>	<u>6,571,379</u>
<b>Total expenditures</b>	<u><b>2,469,474</b></u>	<u><b>5,614,554</b></u>	<u><b>8,084,028</b></u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u><b>1,308,407</b></u>	<u><b>(5,359,140)</b></u>	<u><b>(4,050,733)</b></u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	762,800	762,800
Operating transfers out	(762,800)	-	(762,800)
Debt proceeds	<u>-</u>	<u>4,900,000</u>	<u>4,900,000</u>
<b>Total other financing sources (uses)</b>	<u><b>(762,800)</b></u>	<u><b>5,662,800</b></u>	<u><b>4,900,000</b></u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>545,607</b>	<b>303,660</b>	<b>849,267</b>
<b>Fund balances, beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, ending</b>	<u><b>\$ 545,607</b></u>	<u><b>\$ 303,660</b></u>	<u><b>\$ 849,267</b></u>

See notes to general purpose financial statements



**CITY OF SUNNY ISLES BEACH, FLORIDA**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES**

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

	<u>General Fund</u>			<u>Capital Projects</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>						
Utility taxes	\$ 2,949,530	\$ 2,957,886	\$ 8,356	\$ -	\$ -	\$ -
Franchise fees	117,500	137,142	19,642	-	-	-
Impact fees	-	38,672	38,672	-	255,414	255,414
Intergovernmental	208,000	225,960	17,960	-	-	-
Licenses and permits	197,000	332,121	135,121	-	-	-
Charges for services	-	14,904	14,904	-	-	-
Fines and forfeitures	1,500	5,843	4,343	-	-	-
Interest	50,000	59,436	9,436	-	-	-
Miscellaneous	-	5,917	5,917	-	-	-
<b>Total revenues</b>	<u>3,523,530</u>	<u>3,777,881</u>	<u>254,351</u>	<u>-</u>	<u>255,414</u>	<u>255,414</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	874,710	691,167	183,543	-	-	-
Public safety	810,696	751,139	59,557	-	-	-
Community services	180,519	70,343	110,176	-	-	-
Capital outlay	<u>894,805</u>	<u>956,825</u>	<u>(62,020)</u>	<u>5,662,800</u>	<u>5,614,554</u>	<u>48,246</u>
<b>Total expenditures</b>	<u>2,760,730</u>	<u>2,469,474</u>	<u>291,256</u>	<u>5,662,800</u>	<u>5,614,554</u>	<u>48,246</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>762,800</u>	<u>1,308,407</u>	<u>545,607</u>	<u>(5,662,800)</u>	<u>(5,359,140)</u>	<u>303,660</u>
<b>Other financing sources (uses):</b>						
Operating transfers in	-	-	-	762,800	762,800	-
Operating transfers out	(762,800)	(762,800)	-	-	-	-
Debt proceeds	-	-	-	4,900,000	4,900,000	-
<b>Total other financing sources (uses)</b>	<u>(762,800)</u>	<u>(762,800)</u>	<u>-</u>	<u>5,662,800</u>	<u>5,662,800</u>	<u>-</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ 545,607</u>	<u>\$ 545,607</u>	<u>\$ -</u>	<u>\$ 303,660</u>	<u>\$ 303,660</u>

See notes to general purpose financial statements.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE - STORMWATER UTILITY FUND

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

Operating revenues:	
Charges for services	<u>\$ 50,000</u>
Operating expenses:	
Personal services	14,665
Operating expenses	<u>16,137</u>
Total operating expenses	<u>30,802</u>
Operating income	19,198
Retained earnings, beginning	<u>-</u>
Retained earnings, ending	<u>\$ 19,198</u>

See notes to general purpose financial statements.

**CITY OF SUNNY ISLES BEACH, FLORIDA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE - STORMWATER UTILITY FUND**

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

Operating income	\$ 19,198
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other governments	(50,000)
Increase in due to other funds	<u>30,802</u>
Net cash provided by operating activities	<u>-</u>
Net increase in cash	-
Cash and cash equivalents, beginning	<u>-</u>
Cash and cash equivalents, ending	<u>\$ -</u>

See notes to general purpose financial statements.

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**NOTES TO GENERAL PURPOSE  
FINANCIAL STATEMENTS**

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# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sunny Isles Beach, Florida (the City) was incorporated on June 16, 1997. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, public works and stormwater management. The general purpose financial statements of the City have been prepared in conformity with generally accepted accounting principles (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.

In the City's initial period of operations, the general purpose financial statements include the operations from the date of incorporation (June 16, 1997) to September 30, 1998.

#### 1. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the application of these criteria, there were no organizations that met the criteria described above.

#### 2. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City has the following fund types and account groups:

##### *Governmental Fund Types*

*Governmental fund types* are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Taxes, intergovernmental revenues, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

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

The *capital projects fund* accounts for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary fund.

##### *Proprietary Fund Type*

*Proprietary funds* are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or are contradicted by Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds include the following fund type:

*Enterprise funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's stormwater utility fund is the only enterprise fund.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### *Account Groups*

The *general fixed assets account group* is used to account for fixed assets of the general government. The *general long-term debt account group* is used to account for long-term liabilities of the general government.

#### 3. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as "due to/from other funds".

#### 4. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Public domain (infrastructure) general fixed assets consisting of streets, bridges, curbs and gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

#### 5. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service. For certain employees, the City also grants compensation time. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. The City's sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. The City's vacation policy is that earned vacation is cumulative although limited to certain maximums based on length of service.

#### 6. Long-Term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 6. Long-Term Obligations (Continued)

For governmental fund types, issuance costs are recognized during the current period. Bond proceeds are reported as an other financing source. Issuance costs, even if withheld from the net proceeds received, are reported as debt service expenditures.

#### 7. Investments

Investments are reported at fair value.

#### 8. Designations

Designated fund balance indicates that a portion of fund equity has been segregated based on tentative plans of the City. Such plans or intent are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

#### 9. Budgets and Budgetary Accounting

An annual appropriated budget is adopted for the general fund and the capital projects fund on a basis consistent with generally accepted accounting principles. The City follows these procedures in establishing the budgetary data reflected in the general purpose financial statements.

- (a) The City Manager submits to the City Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The City Commission, by ordinance, may make supplemental appropriations for the year. There were supplemental appropriations during the period of \$204,530.
- (e) Formal budgetary integration is employed as a management control device during the period for the general and the capital projects funds.
- (f) The City Manager is authorized to transfer part or all of an unencumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the City Commission. The classification detail at which expenditures may not legally exceed appropriations is at the department level.



# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 9. Budgets and Budgetary Accounting(Continued)

- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget. The City did not use encumbrance accounting for the period from June 16, 1997 (date of incorporation) to September 30, 1998.
- (h) Budgeted amounts are as originally adopted or as amended. Budget amendments were not material in relation to the original appropriations.

#### 10. Use of Estimates

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

#### 11. Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

### NOTE 2. 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 every qualified public depository to deposit with the Treasurer eligible collateral equal to or in excess of the required collateral of the depository. The Treasurer, by rule, shall establish minimum required collateral pledging levels and shall notify each qualified public depository of its required pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon any one or any combination of the formulas allowable under this chapter. 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 deemed as insured or collateralized and are, therefore, not subject to classification by credit risk category under the provisions of GASB Statement No. 3.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

#### *Deposits* (Continued)

At September 30, 1998, the City's deposits included cash on hand (in interest bearing accounts) and a certificate of deposit.

#### *Investments*

The City's administration is authorized to invest in those instruments authorized by the Florida statutes. Investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. At year end, the City's investment was as follows:

	Category <u>1</u>	Carrying <u>Amount</u>
Repurchase agreements	<u>\$148,000</u>	<u>\$148,000</u>

A reconciliation of cash and cash equivalents as shown on the combined balance sheet follows:

Cash and cash equivalents	<u>\$541,076</u>
Carrying amount of investments	\$148,000
Carrying amount of certificates of deposit	250,000
Cash on hand	143,076
Total	<u>\$541,076</u>

### NOTE 3. FIXED ASSETS

Changes in general fixed assets during the period are as follows:

	Balance June 16, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>1998</u>
Land	\$ -	\$5,601,060	\$ -	\$5,601,060
Equipment	-	659,537	-	659,537
Improvements	-	261,532	-	261,532
Furniture and fixtures	-	34,874	-	34,874
Total	<u>\$ -</u>	<u>\$6,557,003</u>	<u>\$ -</u>	<u>\$6,557,003</u>

Depreciation is not required and has not been provided on general fixed assets.

**CITY OF SUNNY ISLES BEACH, FLORIDA**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
(Continued)

**NOTE 4. LONG-TERM DEBT**

***Revenue Bonds***

The source of payment for these bonds is the income derived from the acquired, constructed assets or specific revenue sources. The outstanding revenue bonds are the following:

**Utilities Tax Revenue Bond, Series 1998** - On June 26, 1998, the City issued \$4,900,000 for the purpose of acquiring land to build two City parks. Principal and interest payments are payable in equal installments of \$151,919 commencing October 1, 1998 and maturing on July 1, 2008. Installments are paid quarterly on October 1, January 1, April 1 and July 1 with interest accruing at the rate of 4.36%. The balance outstanding at September 30, 1998 was \$4,900,000. The principal and interest is secured solely by and payable from the pledged revenues of utility taxes imposed by the City on the purchase of electricity.

The City may prepay this bond in whole or in part, at any time, without penalty or premium, by paying to the registered holder all or part of the principal amount of this bond, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
1999	\$ 396,258	\$ 213,161	\$ 609,419
2000	416,608	192,811	609,419
2001	435,858	173,561	609,419
2002	455,447	153,972	609,419
2003	475,916	133,503	609,419
Thereafter	<u>2,719,913</u>	<u>327,182</u>	<u>3,047,095</u>
Total	<u>\$4,900,000</u>	<u>\$1,194,190</u>	<u>\$6,094,190</u>

Changes in general long-term debt during the period are summarized as follows:

	Balance June 16, <u>1997</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>1998</u>
Compensated absences	\$ -	\$ 87,418	\$ -	\$ 87,418
Revenue bonds payable	-	<u>4,900,000</u>	-	<u>4,900,000</u>
Total	<u>\$ -</u>	<u>\$4,987,418</u>	<u>\$ -</u>	<u>\$4,987,418</u>

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 5. COMMITMENTS AND CONTINGENCIES

#### *Interlocal Agreements*

##### **Miami-Dade County**

The City and Miami-Dade County (the County) entered into an interlocal agreement to stipulate service levels and costs of municipal services to be provided to the City by the County from June 16, 1997 through September 30, 1997 (the interim period) and from October 1, 1997 through September 30, 1998 (the extended transition period). The services provided include police, planning, parks and recreation, public works, stormwater management, solid waste collection, code enforcement, and building and zoning services. Effective August 1, 1998, the City commenced police department operations and was no longer liable to the County for police services.

The County acknowledged that the residents, property owners and businesses of the City paid the County ad valorem taxes and other fees during the interim period. In consideration of the receipt of taxes and fees for the transition period, the County provided the municipal services described above through September 30, 1998.

In addition, the interlocal agreement acknowledged that the City was entitled to receive utility tax revenues commencing on June 16, 1997. Due to the time required to adjust the accounting systems of the utility and franchise fee collectors, the collectors remitted the amounts due the City to the County for a significant portion of the period after June 16, 1997. The interlocal agreement required that the County and City estimate the amount of utility taxes collected by the County on the City's behalf and pay that amount to the City. During the period ended September 30, 1998, the County paid the City \$1,583,000 representing utility taxes for the period from the date of incorporation. This amount is included in revenues and as a due from other governments at September 30, 1998.

##### **Miami-Dade County Stormwater Utility**

During 1998, the City executed an agreement with Miami-Dade County Stormwater Utility for stormwater management. Through this agreement the parties established relationships and responsibilities for operation, maintenance, repair, and enhancement of stormwater systems located within the municipal boundaries of the City. Under this agreement the City is responsible for investigating all stormwater flooding complaints and perform minor repairs and maintenance. The City received \$50,000 during 1998 and will receive another \$114,380 on a quarterly basis during fiscal year 1999 for a total of \$164,380 as full payment for services to be performed by the City under this agreement.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

### NOTE 5. COMMITMENTS AND CONTINGENCIES (Continued)

#### *Interlocal Agreements* (Continued)

##### **Miami-Dade County Stormwater Utility** (Continued)

In connection with the interlocal agreement, the City is required to participate with Miami-Dade County and other municipalities in the analytical sampling program, in compliance with the National Pollutant Discharge Elimination System (NPDES). The City has agreed to share in the costs of a five year NPDES Operating Permit required by the United States Environmental Protection Agency and the sampling, monitoring, analyzation of a variety of storm sewer systems throughout Miami-Dade County. The annual cost allocated to the City was \$15,000 per year for the duration of the agreement, which expires November 16, 2000. During 1998, the City paid \$15,000 to Miami-Dade County under this agreement. The annual commitment for 1999 and 2000 is \$15,000 per year.

#### *Lease Commitments*

The City entered into an operating lease for the City Hall on May 1, 1998 which was amended on October 1, 1998 to include the Police Station at a base annual rental of \$126,000 for approximately 21,000 square feet. The term of the lease is 60 months with an option to renew for two successive one-year option periods. For the period from June 16, 1997 (date of incorporation) to fiscal year ended September 30, 1998, there were no lease expenses as the City reached an agreement with the landlord that no rent would be paid for that period in lieu of the City paying for all the necessary improvements to the facilities.

The future minimum lease payments are as follows:

Fiscal year ending September 30:	
1999	\$126,000
2000	126,000
2001	126,000
2002	126,000
2003	<u>126,000</u>
Total minimum lease payments	<u>\$630,000</u>

Subsequent to year end, the City Commission approved the purchase of vacant land for approximately \$1,100,000 which will be the site of a new Government Center and Police Department facilities. The land was purchased from the City's current landlord and the existing lease agreement was amended to include a termination clause, without any penalties to the City, at the time of relocation to the new facilities. The City is required to inform the landlord of its intent to relocate four months in advance.

# CITY OF SUNNY ISLES BEACH, FLORIDA

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

### NOTE 5. COMMITMENTS AND CONTINGENCIES (Continued)

#### *Litigation*

The City is involved in several lawsuits incidental to its operations, the outcome of which, in the opinion of management and legal counsel, should not have a material adverse affect on the financial position of the City.

#### *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.

### NOTE 6. EMPLOYEE BENEFIT PLANS

#### *Defined Contribution Plans*

The City of Sunny Isles Beach is a single employer that contributes to two defined contribution plans based on employee classification created in accordance with Internal Revenue Code Section 401(a). The plans currently cover all full-time employees of the City. Under these plans, the City contributes 10% and employees contribute between 0% and 4% depending on the employee classification. The Plan can only be amended by approval of the City Commission. Employer contributions for period ended September 30, 1998 were \$57,475.

### NOTE 7. SUBSEQUENT EVENTS

The City purchased vacant land for approximately \$1,430,000 to provide additional parks for its residents.

The City was granted \$2,068,100 for the Safe Neighborhood Parks Bond Program as reimbursement of two park land purchases made by the City during the period ended September 30, 1998.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF SUNNY ISLES BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUE

SEPTEMBER 30, 1998

In accordance with GASB Technical Bulletin No. 98-1 as amended, the following presents the status of the year 2000 issue as it relates to the City of Sunny Isles Beach.

### Awareness Stage

The City of Sunny Isles Beach has actively worked on the year 2000 problem for the past year. Adequate funding for the project was provided.

### Assessment Stage

The City has identified all of its systems. Those systems and equipment that are critical to conducting operations have been given priority. We have tested and evaluated all of our software and hardware and have determined that no conversions were necessary.

### Remediation Stage

This stage deals primarily with the technical issues of converting existing systems when switching to compliant systems. We have no remaining systems to remediate or convert.

### Validation/Testing Stage

This includes the development of test data and test scripts, the running of test scripts and the review of test results. The testing results show no anomalies. Although minor problems will undoubtedly remain, the City of Sunny Isles Beach expects to resolve all of its year 2000 problems before January 1, 2000.



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**INDIVIDUAL FUND SCHEDULE -  
GENERAL FUND**

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# CITY OF SUNNY ISLES BEACH, FLORIDA

## GENERAL FUND

### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

	<u>Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
<b>Revenues:</b>			
<b>Taxes:</b>			
Utility taxes:			
Electric	\$ 2,249,530	\$ 1,932,348	\$ (317,182)
Telecommunication	400,000	533,093	133,093
Water	200,000	301,327	101,327
Gas	<u>100,000</u>	<u>191,118</u>	<u>91,118</u>
Total taxes	<u>2,949,530</u>	<u>2,957,886</u>	<u>8,356</u>
Franchise fees	<u>117,500</u>	<u>137,142</u>	<u>19,642</u>
Impact fees	<u>-</u>	<u>38,672</u>	<u>38,672</u>
<b>Intergovernmental:</b>			
State revenue sharing	43,000	49,998	6,998
State grants	40,000	-	(40,000)
Half cent sales tax	<u>125,000</u>	<u>175,962</u>	<u>50,962</u>
Total intergovernmental	<u>208,000</u>	<u>225,960</u>	<u>17,960</u>
Licenses and permits	<u>197,000</u>	<u>332,121</u>	<u>135,121</u>
Charges for services	<u>-</u>	<u>14,904</u>	<u>14,904</u>
Fines and forfeitures	<u>1,500</u>	<u>5,843</u>	<u>4,343</u>
Interest	<u>50,000</u>	<u>59,436</u>	<u>9,436</u>
Miscellaneous	<u>-</u>	<u>5,917</u>	<u>5,917</u>
<b>Total revenues</b>	<b><u>\$ 3,523,530</u></b>	<b><u>\$ 3,777,881</u></b>	<b><u>\$ 254,351</u></b>

# CITY OF SUNNY ISLES BEACH, FLORIDA

## GENERAL FUND

### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

Expenditures:	<u>Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)
Current:			
General government:			
City commission	\$ 10,772	\$ 2,856	\$ 7,916
City manager	146,644	140,080	6,564
Finance	84,497	74,340	10,157
Legal	220,216	218,297	1,919
City clerk	87,522	78,689	8,833
Administrative	<u>325,059</u>	<u>176,905</u>	<u>148,154</u>
Total general government	<u>874,710</u>	<u>691,167</u>	<u>183,543</u>
Public safety:			
Police	615,798	590,339	25,459
Planning and zoning	<u>194,898</u>	<u>160,800</u>	<u>34,098</u>
Total public safety	<u>810,696</u>	<u>751,139</u>	<u>59,557</u>
Community services:			
Public works	147,791	60,607	87,184
Recreation	<u>32,728</u>	<u>9,736</u>	<u>22,992</u>
Total community services	<u>180,519</u>	<u>70,343</u>	<u>110,176</u>
Capital outlay	<u>894,805</u>	<u>956,825</u>	<u>(62,020)</u>
Total expenditures	<u>\$ 2,760,730</u>	<u>\$ 2,469,474</u>	<u>\$ 291,256</u>

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## **COMPLIANCE SECTION**

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
A Partnership Including Professional Associations

**Report of Independent Certified Public Accountants on Compliance and on  
Internal Control over Financial Reporting Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, City Commission and City Manager  
City of Sunny Isles Beach, Florida

We have audited the general purpose financial statements of the City of Sunny Isles Beach, Florida (the City), as of and for the period from June 16, 1997 (date of incorporation) to September 30, 1998, and have issued our report thereon dated April 6, 1999.

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

Compliance

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

Internal Control Over Financial Reporting

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

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Member of the Florida Institute of Certified Public Accountants.



Honorable Mayor, City Commission and City Manager  
City of Sunny Isles Beach, Florida  
Page Two

However, we noted one matter involving the internal control over financial reporting that we have reported to management in the accompanying schedule of findings.

This report is intended for the information of the Mayor, City Commission and management. However, this report is a matter of public record and its distribution is not limited.

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
April 6, 1999



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
A Partnership Including Professional Associations

**Management Letter in Accordance with the  
Rules of the Auditor General of the State of Florida**

Honorable Mayor, City Commission and City Manager  
City of Sunny Isles Beach, Florida

We have audited the general purpose financial statements of the City of Sunny Isles Beach, Florida (the City) as of and for the period from June 16, 1997 (date of incorporation) to September 30, 1998, and have issued our report thereon dated April 6, 1999, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In connection with our audit of the general purpose financial statements of the City for the period from June 16, 1997 (date of incorporation) to September 30, 1998, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Governmental Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(e):

1. The City, during the period from June 16, 1997 (date of incorporation) to September 30, 1998, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1).
2. Recommendations to improve the City's present financial management and accounting procedures are accompanying this report in the Schedule of Findings.
3. During the course of our audit, nothing came to our attention that caused us to believe that the City:
  - a. Was in violation of any laws, rules or regulations.
  - b. Made any illegal or improper expenditures.
  - c. Had improper or inadequate accounting procedures, other than those noted in our report of recommendations to improve the City's administrative and accounting controls.
  - d. Failed to record financial transactions which could have a material effect on the City's general purpose financial statements.
  - e. Had other inaccuracies, irregularities, shortages, defalcations or instances of fraud and fraud related matters.

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Honorable Mayor, City Commission and City Manager  
City of Sunny Isles Beach, Florida  
Page Two

4. The annual financial report for the year ended September 30, 1998 was filed with the State of Florida Department of Banking and Finance pursuant to Section 218.32 Florida Statutes, and was in agreement with the audited financial statements of the same period.
5. The City of Sunny Isles Beach was incorporated pursuant to the constitution of the State of Florida and the Home Rule Charter of Miami-Dade County.

This report is intended for the information of the Mayor, City Commission, management, the Auditor General of the State of Florida. However, this report is a matter of public record and its distribution is not limited.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
April 6, 1999



# CITY OF SUNNY ISLES BEACH, FLORIDA

## SCHEDULE OF FINDINGS

FROM JUNE 16, 1997 (DATE OF INCORPORATION) TO SEPTEMBER 30, 1998

### CURRENT COMMENTS AND RECOMMENDATIONS

#### *1. Year 2000*

The Year 2000 issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recent years, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, it is possible that some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether. Additionally, it is possible that the use of abbreviated dates may cause failures when systems currently attempt to perform calculations into the year 2000.

We recommend that you take the necessary actions to remediate or replace, and test all systems that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This project should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the City were to fail to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities which could have a material adverse effect upon the City.

#### *Management's Response*

- A) All of our computer systems have been tested and are Y2K compliant with regards to BIOS (basic input output system) and operating systems.
- B) All critical software, including accounting and communication are Y2K compliant with only minor exceptions of a technical nature.

The City will have all of its internal systems Y2K compliant, prior to January 1, 2000.