

CITY OF HIALEAH, FLORIDA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

CITY OF HIALEAH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared by:
Finance Department

CITY OF HIALEAH, FLORIDA

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INTRODUCTORY SECTION





Julio Robaina

Mayor

Carlos Hernandez

Council President

Jose Yedra

Council Vice President

Council Members

Jose F. Caragol

Luis Gonzalez

Vivian Casals-Muñoz

Isis Garcia-Martinez

Katharine E. Cue

City of Hialeah

March 11, 2009

To the Members of the City Council and Citizens of the City of Hialeah:

The Government Finance Officers Association recommends that local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that recommendation, we hereby issue the comprehensive annual financial report of the City of Hialeah for the fiscal year ended September 30, 2008.

This report consists of management's representation concerning the finances of the City of Hialeah. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Hialeah has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Hialeah's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hialeah's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Hialeah's financial statements have been audited by Alborni, Caballero & Castellanos, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Hialeah for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Hialeah's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Hialeah's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Hialeah was incorporated in 1925 by the laws of the State of Florida contained in Chapter 11516 Special Acts of 1925. The City of Hialeah occupies a land area of 23 square miles and serves a population of 232,155. The City of Hialeah receives tax levies on real and personal properties located within its boundaries.

The City of Hialeah has operated under a strong mayor form of government since its inception. Policy making and legislative authority are vested in a governing council consisting of a seven member council. The council is responsible for, among other things, passing ordinances and adopting the budget. The Mayor is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and appointing the heads of various departments.

The City of Hialeah offers a wide range of services, including, public safety (police and fire), public works, streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning, library and education services, and general administrative services.

The annual budget serves as a foundation for the City of Hialeah financial planning and control. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Upon request of the Mayor, the City Council may transfer, at any time, any part of an unencumbered balance of an appropriation within a department. Upon request of the Mayor and only after the first six months of the budget year have passed, the City Council, in the form of a resolution, may transfer any part of the unencumbered balance of an appropriation between departments. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level. The City Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the funds for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the City of Hialeah operates.

Local Economy

Annexation Area. In 2005 the City of Hialeah annexed from Miami Dade County an area located along the northwest corner of the City of Hialeah with Highway I-75 lying directly to the east and the Florida Turnpike lying directly to the west. The Annexation Area consists of 1,890 acres of land, of which, a third has been designated for residential use and two-thirds have been designated for commercial and industrial use. As part of the inter-local agreement between the City and Miami-Dade County, the City will provide the necessary regional pre-development infrastructure, including: water and sewer services, road improvements, and regional recreational facilities.

The Annexation Area will provide continued strong economic growth to the City of Hialeah by expanding its revenue base and maximizing the land use within its borders.

Long-term financial planning. The City is on course to complete several major projects in the coming year as well as completing projects that were underway at the beginning of the year. During the current fiscal-year the City completed 150 of the 300 units of the new 300-unit affordable housing complex for the elderly on the southwest sector of the City; and is still on schedule to complete the remaining 150 units by the end of 2008. In addition, the City has completed major park renovations around the City including Southeast Park and O'Quinn Park, and construction of a new facility at Walker Park, which will include a Police substation, an adult center, and an E-Library planned for fiscal year 2008-2009.

During the current fiscal-year the City completed construction of the new 200 seat vocational charter school located adjacent to Slade Park in the west sector of the City. The new Jeb Bush Educational Center will integrate a high school core curriculum with career education in the fields of Emergency Response, Health and Law Enforcement. The City also completed and began to operate the new Fire Station No. 8 in the southwest sector of the City, which will provide additional Fire Rescue Services to that area.

The City plans to continue the long tradition of providing excellent city services to residents. In the current fiscal-year the City's Fire Protection Services received the highest Public Protection Classification rating awarded by the Insurance Services Office of a Class1 rating, being the top rating a fire department can receive. We have also been successful in securing funding from the Children's Trust of Miami Dade County. These funds provide teaching and tutorial services to our community. Furthermore, our ongoing streets and stormwater improvements are extensive and are a model for other local governments. With the City Council working together with the City's administration, planning for growth as well as beautification of our City will continue, including in our newly annexed areas.

Continuing initiatives. The City's water and sewer infrastructure improvements, including retrofitting the City's sewer lines are continuing on schedule. The City has completed the lining of well over 190,000 lineal feet of sewer main and in the current fiscal year the City will complete the lining of well over 45, 000 lineal feet of sewer main. The City will continue with the lining of additional sections in the coming fiscal year and has recently released another 50,000 lineal feet to the lining contractors. The City of Hialeah has completed the construction of several projects for the necessary water, sewer and roadway infrastructure in the annexation area. This work continues to date. Also as part of an inter-local agreement between the City of Hialeah and Miami-Dade County, the City has commenced with the planning, design and permitting of a new reverse osmosis water treatment plant that will provide water service to the annexed area of the City as well as adjacent municipalities and unincorporated areas in the northwest quadrant of the County. The design and construction of the new Water treatment plant will be evenly funded between the City and Miami-Dade County based on the inter-local agreement. The City also continues with the ongoing program to repair and modernize sewer pump stations around the City in accordance with the State of Florida (recently closed satisfactorily) and Miami Dade County Consent Orders. These stations are upgraded with the latest state-of-the-art pumps and control systems enhancing an already efficient water and sewer department.

In an effort to go green, this past fiscal-year, the city launched a Bio-diesel Pilot Program, the first step in turning our City vehicles in the "green direction". This alternative fuel burns cleaner than regular diesel and it reduces oil and carbon based emissions. Currently the City has several vehicles and machines on the program; however, after the necessary evaluation, more city vehicles will be making the switch to Bio-diesel. The Water & Sewer Department has implemented showerhead exchanges, which as a result will save on the consumption of water resident's use; it will reduce the overall carbon foot-print and offer citizens money saving alternatives that will directly benefit the environment. Our Solid Waste Department has initiated an awareness campaign informing our residents and encouraging them to participate in our recycle program. All City Departments are doing their part to become greener. We are turning off our lights and electrical equipment when not being use to save energy and consumption. We have introduced new light bulbs that are more efficient and greener throughout our city facilities. We are using bio-degradable paper products, and recycling at our Departments.

The City is currently in the process of a major renovation project at Milander Park and Milander Auditorium to convert these facilities into a new Performing Arts and Exhibition Center; which the City has been approved to receive \$6 million for the massive reconstruction project through a General Obligation Bond from Miami Dade County. In addition, with help of Miami-Dade County Commissioner Natasha Seijas, the City was approved for an additional \$5 million in GOB funds for the 300 space parking garage that will be built in the same location to alleviate the parking congestion when events occur at the art center. An additional \$3 million has been approved from the Miami-Dade Cultural Affairs Council for the construction of the new art center, which was approved by the Board of Miami-Dade County Commissioners. The state of the art facility has an estimated date of completion set for 2010. In addition, the comprehensive renovation of our park system infrastructure currently on schedule include the construction of a new building and parking lot facility at Sparks Park, new state of the art batting cages and refurbished racquetball courts at Babcock Park and drainage overhauls for softball fields at Bucky Dent Park.

Other construction projects include the construction of a multipurpose facility that will house a Jackson Health Clinic, a neighborhood service center, approximately 75 affordable housing units and a parking garage to accommodate the project. The project, due to an inter-local agreement between the City and Miami-Dade County, will be funded by \$14 million allocated from the County's General Obligation Bond Program (GOB).

Cash management policies and practices. The City's Cash Management Policy has three elements: (1) funds are collected and deposited as quickly as possible; (2) cash is released at the last possible moment; and (3) investment objectives are safety of capital, liquidity of funds, and investment income yield. In addition, surplus cash is invested with the Florida Municipal Investment Trust (FMIVT).

Risk Management. The City is exposed to various types of claims related to general liability, worker's compensation, group health insurance, errors and omissions, and natural disasters. The City is self-insured for general liability, worker's compensation and group health. For all other coverages, the City obtains commercial insurance.

An actuarial study was recently completed for self-insured risks to determine the funding requirements necessary to meet projected losses. The reserve requirements include liabilities retained for claims losses and allocated loss adjustment expenses. It includes Incurred But Not Reported (IBNR) reserves, credit for future investment income, and margins for adverse results. The City has sufficient reserves to cover potential claims.

Pension and other post-employment benefits. The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City.

The City is the administrator of a single-employer Elected Officials' Retirement System (EORS) established by City Ordinance effective June 1998 to provide pension, annuity, death and disability benefits through a defined benefit pension plan. All qualified elected officials and City attorneys are eligible to participate in the plan.

The City has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of the Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through the state contributions provided by Chapter 175/185 of the Florida Statutes.

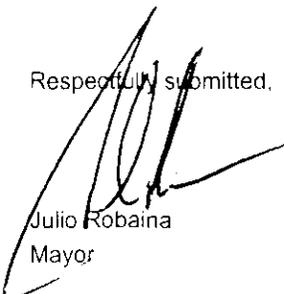
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hialeah for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the third year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

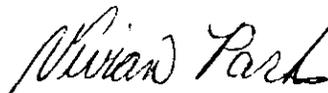
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and the Office of Management and Budget and the City's audit firm, Alberni, Caballero & Castellanos, LLP. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hialeah's finances.

Respectfully submitted,



Julio Robaina
Mayor



Vivian D. Parks
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Hialeah
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. +".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF HIALEAH, FLORIDA

List of Elected City Officials

September 30, 2008

Strong Mayor Form of Government

CITY COUNCIL

Julio Robaina, Mayor

Esteban Bovo, Council President

Carlos Hernandez, Council Vice President

Jose F. Caragol

Luis Gonzalez

Vivian Casals-Muñoz

Isis Garcia-Martinez

Jose Yedra

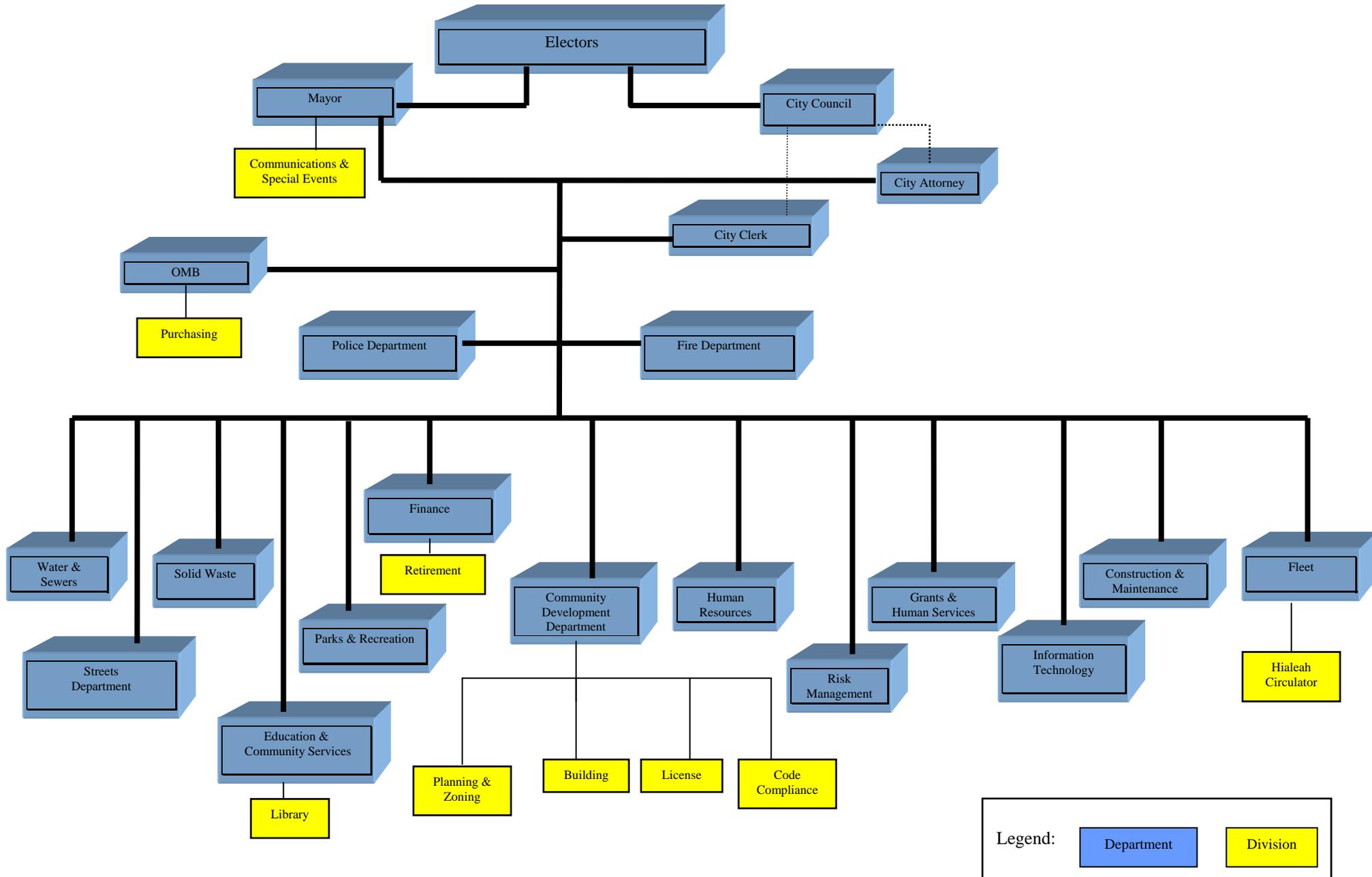
Prepared by:

Finance Department and Administration

CITY OF HIALEAH, FLORIDA

ORGANIZATIONAL CHART

SEPTEMBER 30, 2008



FINANCIAL SECTION



REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS





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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, Florida (the City) as of and for the fiscal year then ended September 30, 2008 which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 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, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards and state financial assistance projects have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.



Coral Gables, Florida
February 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hialeah, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008.

Financial Highlights

- The net assets of the City of Hialeah's Governmental and Business-type funds exceeded its liabilities at the close of the most recent fiscal year by \$269 million.
- Net assets of the City's governmental activities decreased by 6% (\$8.7 million) from \$143.9 million for last fiscal year, compared to \$135.2 million in the current fiscal year. This decrease was due primarily to the new GASB 45 pronouncement and the claims payable liability adjustment, based on the actuarial evaluation, which increased the liability and decreased total net assets of the City in the current fiscal year by \$9.5 and \$7.2 million, respectively. These changes reported in the statement of activities do not require the use of current financial resources. Therefore, not considering these non-cash changes, the City had an increase in net asset of \$8 million or 5.6% in the current fiscal year.
- Net assets of the City's business-type activities increased by 6% (\$7.6 million) from \$127.1 million for last fiscal year, compared to \$134.7 million in the current fiscal year.
- At the close of the current fiscal year, the City's Governmental Funds reported a combined ending fund balances of \$34.7 million, a decrease of \$11.3 million in comparison with the prior year.
- Approximately 87.6% of the City's Governmental Fund Balances total amount is considered unreserved funds. Of these \$30.3 million, \$8.5 million have been designated for subsequent years' expenditures, \$5 million for future construction, \$2.2 million for public safety and \$0.5 million for debt service. The remaining \$14.1 million is considered unreserved and undesignated at the closing of the year, and are funds *available for spending* at the government's discretion. It is important for readers to understand that these funds *available for spending* are essential for long-term commitments and unanticipated contingencies and should not be considered superfluous.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hialeah's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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 governmental activities of the City include police, fire, streets, grants and human services, state housing initiative, work investment act programs, library, code compliance, licenses, fleet maintenance, construction and maintenance, recreation and community services, planning and development, and general and administrative services.

The business type activities of the City include solid waste, bus circulator and water & sewer operations. The government-wide financial statements can be found on pages 17-18 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, 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 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 the City's near-term financing requirements.

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be the major fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 19-20 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 solid waste, bus transit and water & sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste and water & sewer operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

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

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

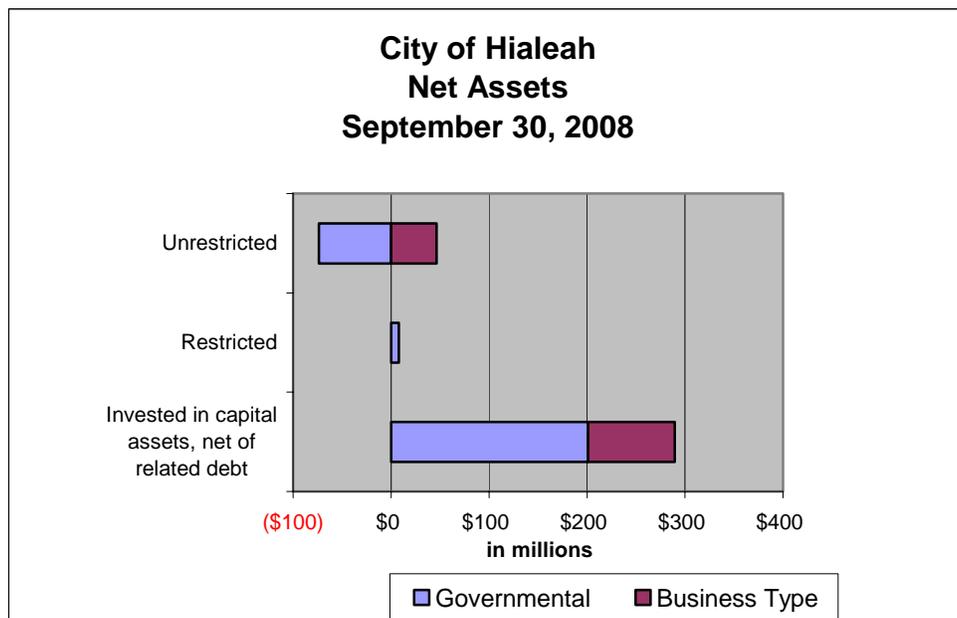
Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 29-67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including, but not limited to, the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 68-71 of this report. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 72-88 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Hialeah, total net assets exceed liabilities by \$269 million at the close of the most recent fiscal year. This is a less than 1% decrease compared to last year's net assets of \$271 million.



By far the largest portion of the City's net assets (97%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, they 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 net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is considered unrestricted net assets and that amount is a negative \$27.3 million. This figure illustrates that if all liabilities became due at this point in time, total assets would be insufficient to cover all our obligations. Fixed assets of the City would need to be sold in order to meet contingencies.

CITY OF HIALEAH - NET ASSETS						
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	<u>2008</u>	<u>Activities</u>	<u>Activities</u>	<u>2007</u>
Current and other assets	\$ 51,689,723	\$ 60,525,661	\$ 112,215,384	\$ 55,311,777	\$ 41,096,921	\$ 96,408,698
Restricted assets	7,778,905	23,925,492	31,704,397	15,977,876	34,918,895	50,896,771
Unamortized bond issue costs	-	-	-	-	-	-
Capital assets, net	<u>313,320,778</u>	<u>90,398,596</u>	<u>403,719,374</u>	<u>299,285,632</u>	<u>81,314,554</u>	<u>380,600,186</u>
Total assets	<u>372,789,406</u>	<u>174,849,749</u>	<u>547,639,155</u>	<u>370,575,285</u>	<u>157,330,370</u>	<u>527,905,655</u>
Long-term liabilities	218,780,001	12,085,144	230,865,145	115,783,952	2,511,086	118,295,038
Other liabilities	<u>18,832,760</u>	<u>28,090,662</u>	<u>46,923,422</u>	<u>110,843,937</u>	<u>27,737,670</u>	<u>138,581,607</u>
Total liabilities	<u>237,612,761</u>	<u>40,175,806</u>	<u>277,788,567</u>	<u>226,627,889</u>	<u>30,248,756</u>	<u>256,876,645</u>
Net Assets:						
Invested in capital assets, net of related debt	200,996,079	88,351,287	289,347,366	183,501,680	79,156,300	262,657,980
Restricted	7,778,905	-	7,778,905	14,206,203	21,446,086	35,652,289
Unrestricted	<u>(73,598,339)</u>	<u>46,322,656</u>	<u>(27,275,683)</u>	<u>(53,760,487)</u>	<u>26,479,228</u>	<u>(27,281,259)</u>
Total net assets	<u>\$ 135,176,645</u>	<u>\$ 134,673,943</u>	<u>\$ 269,850,588</u>	<u>\$ 143,947,396</u>	<u>\$ 127,081,614</u>	<u>\$ 271,029,010</u>

Net assets of the City's governmental activities decreased by 6% (\$8.7 million) from \$143.9 million for last fiscal year, compared to \$135.2 million in the current fiscal year. See detailed explanation under Financial Highlights.

Net assets of the City's business-type activities increased by 6% (\$7.6 million) from \$127.1 million for last fiscal year, compared to \$134.7 million in the current fiscal year.

CITY OF HIALEAH - CHANGES IN NET ASSETS						
	Governmental	Business-type	Total	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	<u>2008</u>	<u>Activities</u>	<u>Activities</u>	<u>2007</u>
Revenues:						
Program revenues:						
Charges for services	\$ 23,472,526	\$ 57,635,618	\$ 81,108,144	\$ 18,254,177	\$ 56,037,292	\$ 74,291,469
Operating grants & contributions	8,534,749	-	8,534,749	11,346,564	-	11,346,564
Capital grants & contributions	14,978,580	4,413,317	19,391,897	22,174,756	3,557,718	25,732,474
General Revenues:						
Property taxes	68,833,515	-	68,833,515	61,549,502	-	61,549,502
Utility taxes	21,696,763	-	21,696,763	24,769,883	-	24,769,883
Franchise fees on gross receipts	11,865,713	-	11,865,713	11,929,276	-	11,929,276
Intergovernmental revenue	32,202,844	-	32,202,844	34,202,926	-	34,202,926
Grants & contributions unrestricted	-	-	-	-	-	-
Unrestricted interest	<u>992,459</u>	<u>1,995,210</u>	<u>2,987,669</u>	<u>2,402,998</u>	<u>3,361,773</u>	<u>5,764,771</u>
Total revenues	<u>182,577,149</u>	<u>64,044,145</u>	<u>246,621,294</u>	<u>186,630,082</u>	<u>62,956,783</u>	<u>249,586,865</u>

CITY OF HIALEAH - CHANGES IN NET ASSETS (Continued)

Expenses:						
General government	69,140,040	-	69,140,040	65,326,837	-	65,326,837
Police	47,982,487	-	47,982,487	42,209,396	-	42,209,396
Fire	38,058,400	-	38,058,400	32,354,377	-	32,354,377
Streets	14,561,927	-	14,561,927	12,593,306	-	12,593,306
Recreation & community service	16,045,320	-	16,045,320	13,128,189	-	13,128,189
Interest on long-term debt	5,559,726	-	5,559,726	5,491,719	-	5,491,719
Water & sewer	-	38,888,103	38,888,103	-	36,259,160	36,259,160
Solid waste	-	15,349,165	15,349,165	-	14,715,629	14,715,629
Hialeah circulator	-	<u>2,214,548</u>	<u>2,214,548</u>	-	<u>1,901,689</u>	<u>1,901,689</u>
Total expenses	<u>191,347,900</u>	<u>56,451,816</u>	<u>247,799,716</u>	<u>171,103,824</u>	<u>52,876,478</u>	<u>223,980,302</u>
Change in net assets	(8,770,751)	7,592,329	(1,178,422)	15,526,258	10,080,305	25,606,563
Net assets-beginning	<u>143,947,396</u>	<u>127,081,614</u>	<u>271,029,010</u>	<u>128,421,138</u>	<u>117,001,309</u>	<u>245,422,447</u>
Net assets-ending	<u>\$ 135,176,645</u>	<u>\$ 134,673,943</u>	<u>\$ 269,850,588</u>	<u>\$ 143,947,396</u>	<u>\$ 127,081,614</u>	<u>\$ 271,029,010</u>

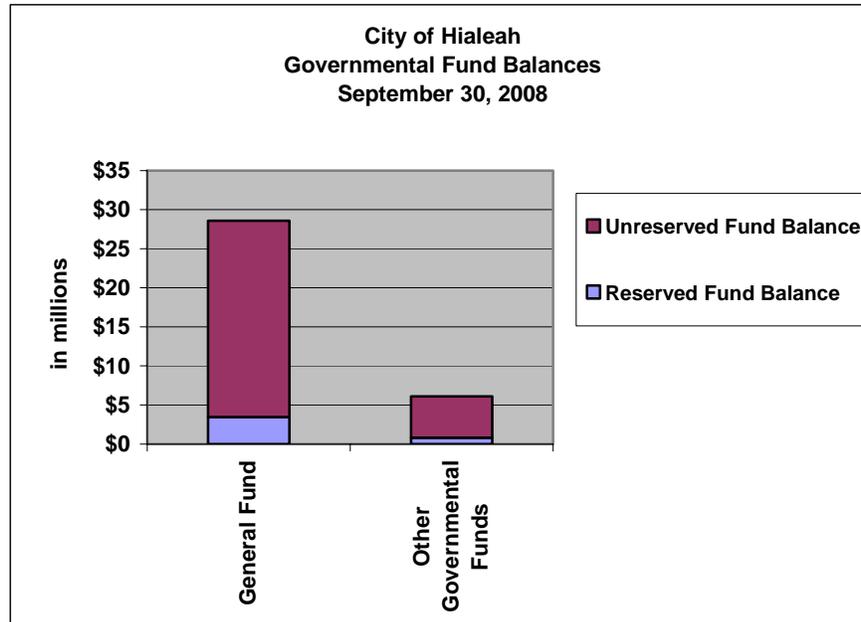
Governmental activities. Governmental activities decreased the City's net assets by \$8.7 million. This decrease was due primarily to the new GASB 45 pronouncement and the claims payable liability adjustment, based on the actuarial evaluation, which increased the liability and decreased total net assets of the City in the current fiscal year by \$9.5 and \$7.2 million, respectively. These changes reported in the statement of activities do not require the use of current financial resources. Therefore, not considering these non-cash changes, the City had an increase in net asset of \$8 million or 5.6% in the current fiscal year. In addition, property taxes increased by \$7.2 million in the current fiscal year; this was due to an increase in ad valorem taxes which resulted from an increased in assessed property values by Miami-Dade County Property Appraisers' Office. However, the City's millage rate was decrease to a rate of 6.54 mills from the prior fiscal year rate of 6.8 mills.

Business-type activities. Net assets for business-type activities increased by \$7.6 million in the current fiscal year. In addition, current year revenues increased by \$1 million while expenses increased by \$3.5 million. This increase in revenue was due to a rate increase in water and sewer utility rates based on the increase in the consumer price index. In addition, there was approximately a \$1 million increase in Capital grants and contributions received for Water and Sewer infrastructure projects of the newly annexed area that are currently taking place during the current fiscal year. This demonstrates that over the last several fiscal years of operations the City has been stable with reasonable sources of income while performing very efficiently. Current year operating loss for Solid Waste fund of \$1.8 million was due primarily to the new GASB 45 pronouncement and the depreciation expense amount in the current fiscal year of \$760 and \$823 thousand, respectively. These changes reported in the statement of revenues, expenses and changes in net assets do not require the use of current financial resources and are non-cash transactions. Therefore, not considering these non-cash transactions, Solid Waste fund operating loss in the normal course of operation was \$238 thousand in current fiscal year. This operational loss was due to an increase in the fees charged to the City by Miami-Dade County for waste disposal; however, due to the current economic crisis that the nation is undergoing the City has decided not to increase the rates charged to the residents for these services in order to alleviate their financial burden.

Financial Analysis of the City's Funds

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

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



As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (both reserved and unreserved) of \$34.7 million, a decrease of \$11.3 million in comparison with the prior year. These decreases in fund balances are mainly due to a decrease in the 300-units affordable housing capital project fund of \$9.2 million (i.e. Nonmajor governmental fund) in the current fiscal year. The decrease in fund balance was offset by a beginning fund balance of \$5.2 million that remained from the prior year for the continued construction of the project. This project was originally scheduled and funded to be completed in stages but because it became advantageous to the City and because there was a need in our community for affordable housing, the project was completed in one stage. Therefore, the City obtained an increase in a line of credit of \$3 million. The individual *statement of revenues, expenditures and changes in fund balances* for nonmajor governmental funds can be found on pages 76-78 of this report.

General Fund's of \$16.6 million or 58% constitutes *unreserved fund balance*, which is available for spending as explained earlier under Financial Highlights. The remainder of fund balance is *reserved* to indicate it is not available for new spending because it has already been committed for a variety of restricted purposes, such as encumbrances and inventory.

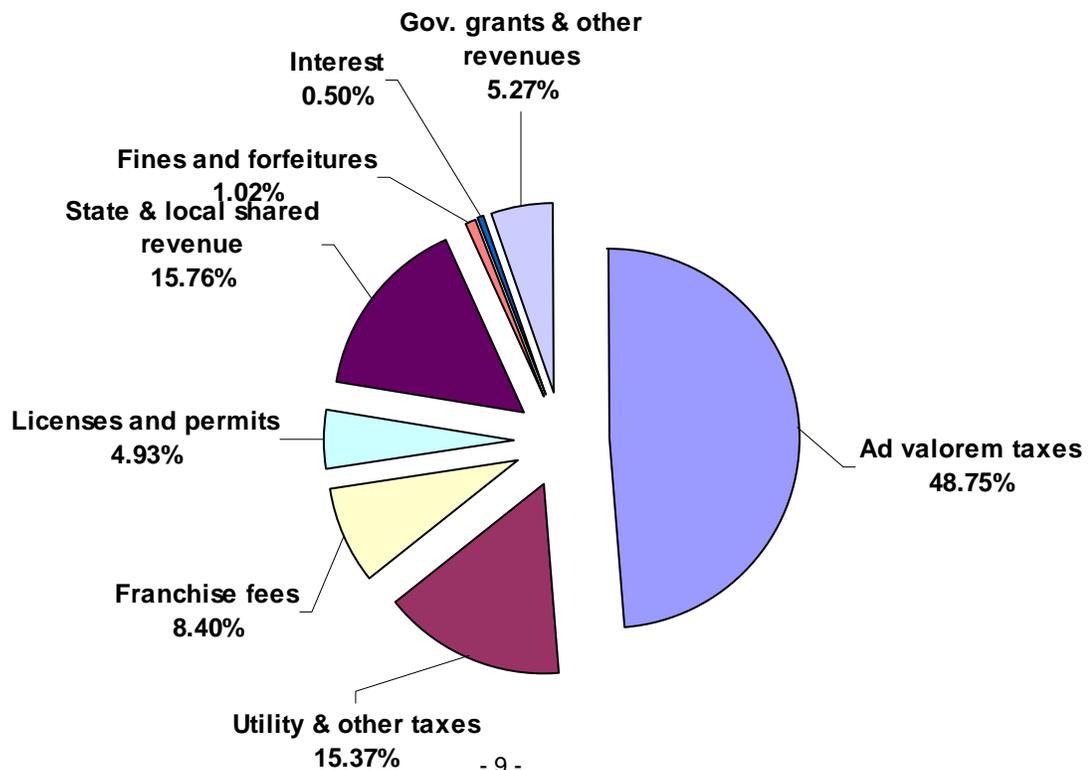
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund.

The amount of General Fund revenue from various sources, the percentage of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources	2008		2007		Amount Incr (Decr) from Prior Year	Percent Incr -Decr from Prior Year
	2008 Amount	Percent of Total	2007 Amount	Percent of Total		
-						-
Ad valorem taxes	\$ 68,833,515	48.75%	\$ 61,549,502	45.31%	\$ 7,284,013	11.83%
Utility & other taxes	21,696,763	15.37%	21,279,503	15.67%	417,260	1.96%
Franchise fees	11,865,713	8.40%	11,929,276	8.78%	(63,563)	-0.53%
Licenses and permits	6,958,549	4.93%	6,545,178	4.82%	413,371	6.32%
State & local shared revenue	22,258,302	15.76%	23,738,237	17.48%	(1,479,935)	-6.23%
Fines and forfeitures	1,446,391	1.02%	1,478,397	1.09%	(32,006)	-2.16%
Interest	712,949	0.50%	1,749,334	1.29%	(1,036,385)	-59.24%
Gov. grants & other revenues	<u>7,436,073</u>	5.27%	<u>7,568,934</u>	5.57%	<u>(132,861)</u>	-1.76%
Total	<u>\$ 141,208,255</u>	100%	<u>\$ 135,838,361</u>	100%	<u>\$ 5,369,894</u>	3.95%

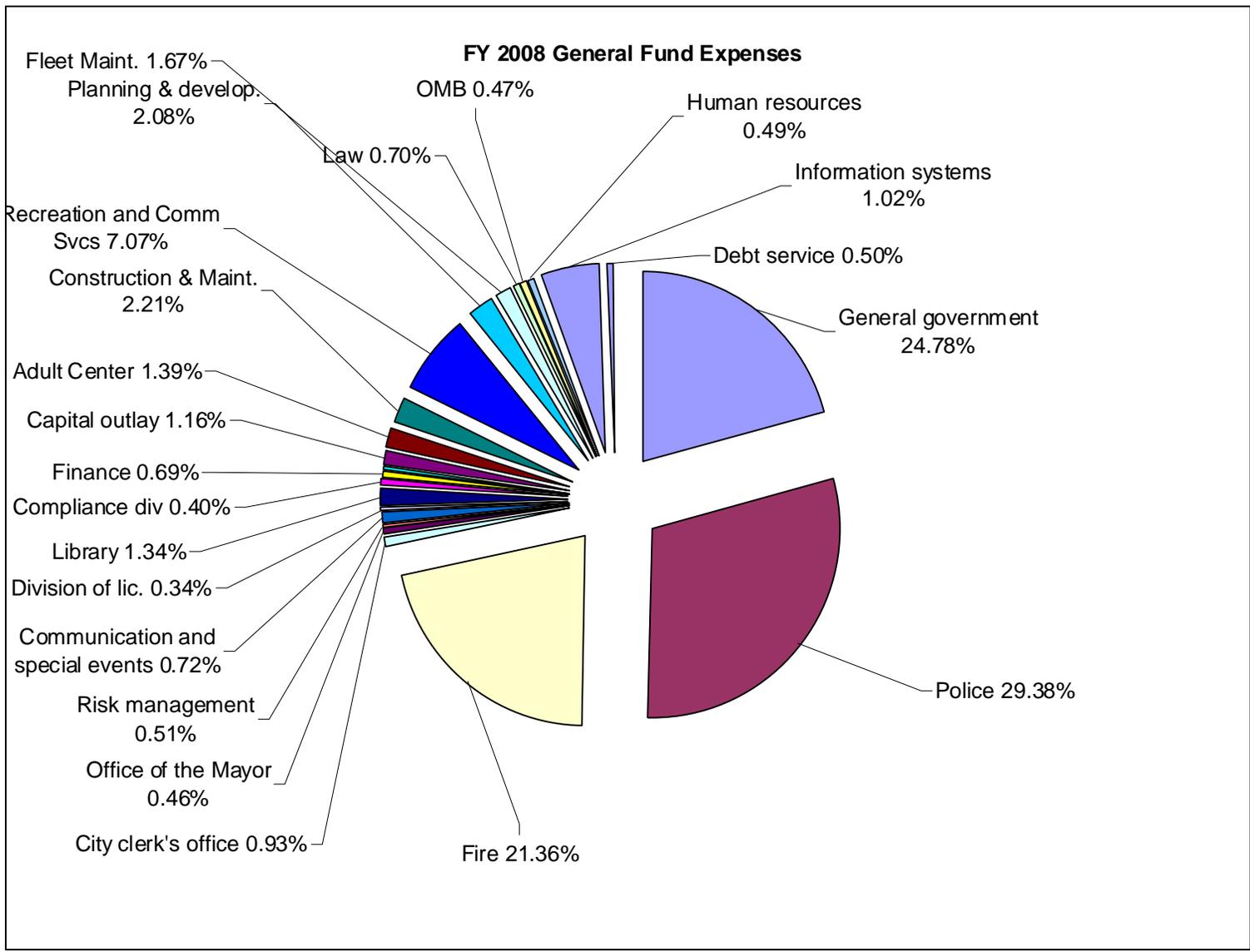
Compared to the prior fiscal year, total General Fund revenues increased by \$5.4 million or 4% in fiscal year 2008. The bulk of this increase is due to an increase in ad valorem taxes which resulted from increased assessed property values by Miami-Dade County Property Appraisers Office. However, the City's millage rate was decrease to a rate of 6.54 mills from the prior fiscal year rate of 6.8 mills. Interest revenue decreased by 59% in the current fiscal year due to the current economic conditions that has taken place in the financial markets during 2008. Licenses and permits increased by 6% due to an increase in the number of permits issued in the current fiscal year from the prior year; however, the increase was not significant as construction has slowed due to the current economic crisis that is taking place in the housing market.

FY 2008 General Fund Revenues



Expenditures in the General Fund are shown in the following schedule:

<u>Expenditures</u>	2008		2007		Amount Incr (Decr) from <u>Prior Year</u>	Percent Incr -Decr from Prior Year
	<u>2008</u>	Percent of <u>Total</u>	<u>2007</u>	Percent of <u>Total</u>		
-						-
General government	\$ 29,429,549	20.82%	\$ 28,805,443	21.38%	\$ 624,106	2.17%
Police	41,532,291	29.38%	40,115,011	29.77%	1,417,280	3.53%
Fire	30,189,478	21.36%	29,217,724	21.69%	971,754	3.33%
City clerks office	1,315,761	0.93%	1,112,082	0.83%	203,679	18.32%
OMB	668,269	0.47%	753,186	0.56%	(84,917)	-11.27%
Office of the Mayor	655,965	0.46%	714,702	0.53%	(58,737)	-8.22%
Commun. & spc. events	1,016,370	0.72%	941,837	0.70%	74,533	7.91%
Employees ret.	519,634	0.37%	455,229	0.34%	64,405	14.15%
Library	1,896,684	1.34%	1,743,219	1.29%	153,465	8.80%
Compliance division	563,559	0.40%	535,830	0.40%	27,729	5.17%
Finance	907,045	0.64%	890,882	0.66%	16,163	1.81%
Division of licenses	478,074	0.34%	397,628	0.30%	80,446	20.23%
Information systems	1,446,964	1.02%	1,109,924	0.82%	337,040	30.37%
Fleet maintenance	2,361,705	1.67%	2,107,047	1.56%	254,658	12.09%
Construction & maint.	3,123,798	2.21%	2,876,541	2.13%	247,257	8.60%
Recr. & comm.	9,991,115	7.07%	10,399,244	7.72%	(408,129)	-3.92%
Planning & develop.	2,939,020	2.08%	3,135,389	2.33%	(196,369)	-6.26%
Adult center	1,969,595	1.39%	1,675,303	1.24%	294,292	17.57%
Law	988,913	0.70%	965,169	0.72%	23,744	2.46%
Risk management	716,475	0.51%	578,003	0.43%	138,472	23.96%
Human resources	693,341	0.49%	838,335	0.62%	(144,994)	-17.30%
Capital outlay	7,236,301	5.12%	4,663,829	3.46%	2,572,472	55.16%
Debt service	<u>705,354</u>	0.50%	<u>705,360</u>	0.52%	<u>(6)</u>	0.00%
Total	<u>\$ 141,345,260</u>	79.18%	<u>\$ 134,736,917</u>	78.62%	<u>\$ 6,608,343</u>	4.90%



In fiscal year 2008, total General Fund expenditures increased by \$6.6 million or 4.9% as compared to the prior year. The bulk of the increase was due to a 3% salary increase at the beginning of fiscal year 2008 across the board for General employees and 3.5% salary increase for Police and Fire employees, based on their respective labor agreements. In addition, Capital Outlay increased by \$2.6 million or 55% as compared to the prior year. This increased was due to the construction of several City projects including the construction of new roads and resurfacing projects around the City, the purchase new City vehicles and the construction of the new Police training facility and substation.

Proprietary funds. The City maintains three proprietary funds. *Enterprise funds* are used to provide the same type of information found in the government-wide financial statements, but in more detail. The City uses proprietary funds to account for its water and sewer, solid waster and Hialeah circulator operations.

Unrestricted net assets of all the enterprise funds at the end of the year amounted to \$46.3 million. Unrestricted net assets at the end of the year for the Water and Sewer Fund and Solid Waste Fund amounted to \$52.6 million and a negative \$6.4 million, respectively. Other factors concerning the finances of these two major funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The differences in the *actual* revenues and expenses as *compared* to the *budget* are summarized as follows:

- Utility taxes collected were lower than budgeted due to budget projection being based on prior year experience and projection information provided by the State of Florida.
- Franchise fees collected were higher than budgeted due to an increase in consumer usage.
- State and local-shared revenues were lower than budgeted due to the current economic crisis that is currently affecting the nation. Sales tax revenue, which is a major part of this revenue source, has been greatly affected since it is based on consumer spending.
- Interest revenue earned was lower than budgeted due to the low interest rates offered by financial institutions. This is a direct effect of the current economic crisis affecting the nation.
- Government grants and other revenues were higher than budgeted amounts in the current fiscal year due to the fact that most grants are not budgeted since they are based on requests for reimbursement. Although the grants were awarded to the City, the City cannot determine the amount that will be requested for reimbursement until related expenses are incurred.
- The City's departments were all efficient in staying under the budgeted figures by a total of \$17 million savings in actual expenditures when compared to budgeted amounts.
- Police, Fire and Recreation and community services department expenses were 3.2%, 3.3% and 15.27%, respectively, lower than budgeted figures due to vacant positions during the fiscal year as well as efficient management by the respective department directors.
- General government's expenses were lower than budgeted figures by \$8.6 million or 19% due to contingent reserves provided for in general government's budget that were not significantly utilized due to the efficient operation of the department.

Differences between the *original budget* and the *final amended budget* for expense accounts increase by \$1.7 million an increase of 1% over the original budget. These budget amendments are line item amendments; however, total actual expenditures were lower than the total final amended budget by \$17 million or 10.8%.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2008 totals \$404 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 6.1%.

CITY OF HIALEAH - CAPITAL ASSETS (NET OF DEPRECIATION)						
	<u>September 30, 2008</u>			<u>September 30, 2007</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Land	\$ 29,051,407	\$ 329,356	\$ 29,380,763	\$ 28,874,935	\$ 329,356	\$ 29,204,291
Buildings and utility plants	74,642,849	1,583,613	76,226,462	44,267,828	1,528,738	45,796,566
Improvements other than buildings	13,290,805	143,122	13,433,927	12,511,755	173,287	12,685,042
Furniture, fixtures, machinery and equipment	14,499,846	3,944,676	18,444,522	15,700,218	4,884,933	20,585,151
Infrastructure	171,244,393	82,302,836	253,547,229	162,292,215	74,223,576	236,515,791
Construction in progress	10,591,478	2,094,993	12,686,471	35,638,681	205,578	35,844,259
Total capital assets	\$ 313,320,778	\$ 90,398,596	\$ 403,719,374	\$ 299,285,632	\$ 81,345,468	\$ 380,631,100

Additions to capital assets before depreciation for governmental activities equaled \$62.5 million and include the following items:

- Reconstruction of several City street projects totaling \$17.5 million and continued construction in progress of street projects as well as 150-units of the 300-unit affordable housing project in the amount of \$9.5 million that was completed as of the end of the current fiscal year.
- New vehicles and equipment for various departments totaling \$1.7 million.
- Completion of construction of 150-units of the total 300-units affordable housing project currently underway, remodeling and construction of the new Police training facility and substation, as well as the remodeling of several City parks and completion of the new Jeb Bush Educational Center Charter School at Slade Park totaling \$31.2 million.

Additions to capital assets before depreciation for business type activities equaled \$11.1 million and include the following items:

- Planning, design and permitting of a new reverse osmosis water treatment plant in annexation area totaling \$1.8 million.
- Lining of an additional 50,000 lineal feet of sewer mains, upgrading or replacing of water mains, repairing and modernizing sewer pump stations around the City in accordance with the State of Florida and Miami-Dade County ongoing program totaling \$13 million.

Additional information on the City's capital assets can be found in Note 8 starting on page 45 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2.2 million all of which is secured by revenues derived from rescue transportation fees. More in-depth detail can be found on pages 48 to 54, Note 10.

CITY OF HIALEAH'S OUTSTANDING DEBT						
General Obligation, Revenue Bonds and Notes Payable						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue bonds	\$ 2,223,591	\$ 2,610,000	\$ -	\$ -	\$ 2,223,591	\$ 2,610,000
Notes payable	<u>109,035,000</u>	<u>112,010,000</u>	<u>-</u>	<u>1,185,000</u>	<u>109,035,000</u>	<u>113,195,000</u>
Total	<u>\$ 111,258,591</u>	<u>\$ 114,620,000</u>	<u>\$ -</u>	<u>\$ 1,185,000</u>	<u>\$ 111,258,591</u>	<u>\$ 115,805,000</u>

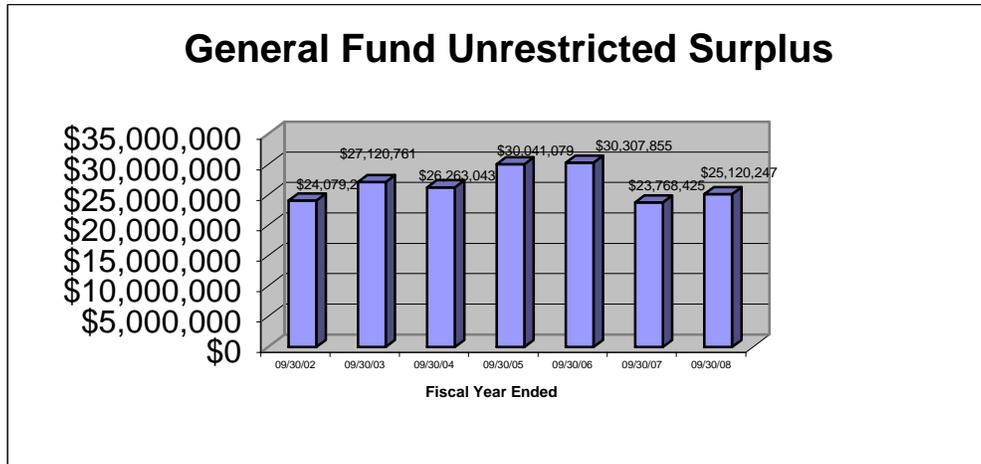
During the current fiscal year, the City's net outstanding debt decreased by \$4.5 million. The decreased was due to the payoff and refunding of existing debt during the current fiscal year. In addition, the City did not incur any additional debt during the current fiscal year which aided in reducing the City's total obligations. Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

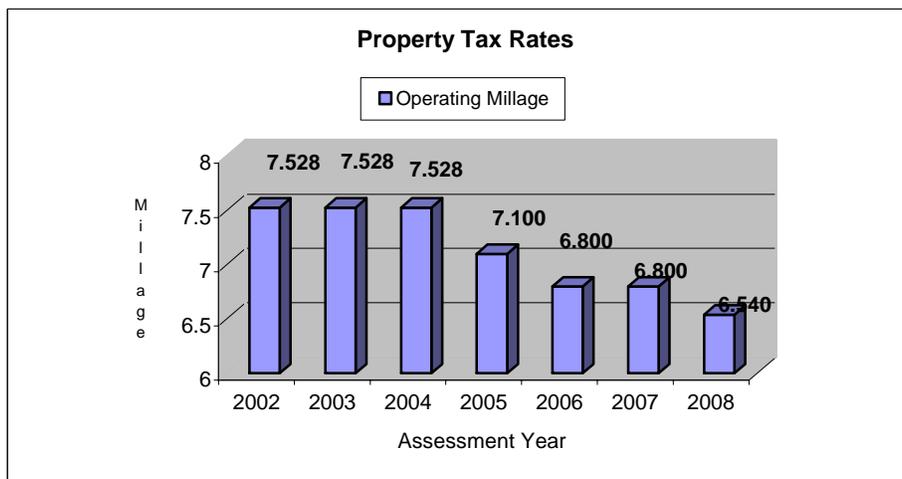
The City's local economy is primarily based upon industrial, light manufacturing and service related companies. The occupancy rates of the City's establishments for these businesses remained at approximately 95%.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$25.1 million. The City appropriated \$8.5 million of this amount for spending in the 2009 fiscal year budget. The remaining \$16.6 million is considered unreserved and undesignated.

The unreserved fund balance of \$25.1 million is approximately equal to two months of the General Fund expenditures. The following graph shows the City's fund balance for the last seven years:



In 1995, the State of Florida limited all local governments' ability to raise homestead assessed property value in any given year by 3% or cost of living, whichever is lower. As the following graph indicates, the City's property tax rates have been reduced by almost 1 mill since 2002 and have remained relatively steady. The City's operational expenditures, such as salaries, health insurance, pension contributions and gas and oil continue to increase while our revenue resources have become more and more limited. The City has its own police and fire services, recreational and aquatic facilities and a full service library system, which we maintain at optimum levels without the need for additional voter approved debt. This City has focused on maintaining taxes and service charges to a minimum while providing services to our taxpayers at a maximum level.



2008 Fiscal Year Accomplishments

During the 2007/2008 fiscal year, the City of Hialeah, has invested its revenues from all sources in a manner that reflects a vision towards the future. This investment will be enjoyed by the current residents of Hialeah as well as future generations. The following list illustrates a sampling of our major accomplishments this year.

- The City has annexed 1,890 acres of land located northwest of the City and construction of the infrastructure system is underway. The proposed future land use for this area is as follows:
 - 4,395 Residential units
 - 1,651,680 Square Feet Retail/Commercial/Office
 - 7,623,000 Square Feet Industrial
 - 30 to 50 Acre Park
- Water and Sewer Department
 - Continued repairs and rehabilitation to sewage pump stations around the City of Hialeah Completed the lining of approximately 45,000 lineal feet of sewer lines
 - Commenced with the planning, design and permitting of a new water treatment plant that will provide service to the new annexed area as well as other areas around the County
 - Commenced construction of a regional sewage pump station to serve the newly City annexed area
- Construction and Maintenance
 - Completion of 150-units of the 300-units affordable housing project
 - Completion of the a new Jeb Bush Educational Center Charter School at Slade Park
 - Completion of the new Police training facility and substation
 - Completion of a new parking garage adjacent to Hialeah High School to alleviate the high schools parking congestion and nearby new Performing Arts Center
- Street Department
 - Completion of road construction and resurfacing projects around the City
 - Continue median beautification/maintenance program
 - Completion of road design project for the new annexation area
- Recreation Department
 - Completion of major renovations and improvements at various City Park
 - Completion of the new Walker Park E-Library and Community Center project

Future Outlook

- Water and Sewer Department
 - Continue with ongoing programs to upgrade Sewer Pump Stations
 - Continue with ongoing program of lining an additional 50,000 lineal feet of sewer lines
 - Continue construction of a new regional pump station to support the new annexed area
 - Continue construction of the sanitary sewer system and the water distribution system to service the annexed area and to support development
- Construction and Maintenance Department
 - Completion of 150-units of the 300-units affordable housing project
 - Construction of a multipurpose facility that will house a Jackson Health Clinic, a neighborhood service center, 75 affordable housing units and an adjacent parking garage for the facility
- Streets Department
 - Continue road construction and resurfacing projects around the City
 - Continue implementation of median beautification/maintenance program

Future Outlook (Continued)

- Recreation Department

- Construction of state of the art batting cages and refurbished racquetball courts at Babcock Park

- Construction of drainage systems and new fencing for softball fields at Bucky Dent Park

- Continued major renovations at Milander Park and Auditorium to convert these facilities into a new Performing Arts and Exhibition Center

- Construction of the 300 space parking garage that will be built at Milander Park to alleviate parking congestion at the new art center

- Construction of a new building and parking lot facility at Sparks Park

All these factors were considered in preparing the City's budget for fiscal year 2009.

Requests for Information

This financial report is designed to provide a general overview of the City of Hialeah's finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Vivian Parks, Finance Director, Finance Department, City of Hialeah, 501 Palm Avenue, Hialeah, Florida 33010. In addition, the City's Comprehensive Annual Financial Report may be obtained through the City's website at <http://www.hialeahfl.gov>.

BASIC FINANCIAL STATEMENTS



CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 16,279,636	\$ 35,093,334	\$ 51,372,970
Investments	-	23,726,520	23,726,520
Receivables	23,119,797	8,898,302	32,018,099
Mortgage receivable	1,565,170	-	1,565,170
Net pension asset	1,751,613	-	1,751,613
Internal balances	7,669,527	(7,669,527)	-
Inventories	1,303,980	477,032	1,781,012
Restricted assets:			
Cash and cash equivalents	7,778,905	18,665,877	26,444,782
Other assets	-	5,259,615	5,259,615
Capital assets, not being depreciated	39,642,885	2,424,349	42,067,234
Capital assets, net of accumulated depreciation	<u>273,677,893</u>	<u>87,974,247</u>	<u>361,652,140</u>
Total assets	<u>372,789,406</u>	<u>174,849,749</u>	<u>547,639,155</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	9,439,789	7,647,100	17,086,889
Unearned revenue	8,942,260	10,353,769	19,296,029
Liabilities payable from restricted assets	-	10,089,793	10,089,793
Other liabilities	450,711	-	450,711
Non-current liabilities:			
Due within one year	7,724,562	557,612	8,282,174
Due in more than one year	<u>211,055,439</u>	<u>11,527,532</u>	<u>222,582,971</u>
Total liabilities	<u>237,612,761</u>	<u>40,175,806</u>	<u>277,788,567</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	200,996,079	88,351,287	289,347,366
Restricted for:			
Capital projects	5,017,981	-	5,017,981
Public safety	2,243,527	-	2,243,527
Debt service	517,397	-	517,397
Unrestricted	<u>(73,598,339)</u>	<u>46,322,656</u>	<u>(27,275,683)</u>
Total net assets	<u>\$ 135,176,645</u>	<u>\$ 134,673,943</u>	<u>\$ 269,850,588</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 69,140,040	\$ 15,978,981	\$ 5,695,957	\$ 10,520,506	\$ (36,944,596)	\$ -	\$ (36,944,596)
Police	47,982,487	2,217,049	304,058	-	(45,461,380)	-	(45,461,380)
Fire	38,058,401	3,674,530	1,016,601	-	(33,367,270)	-	(33,367,270)
Streets	14,561,927	-	-	772,706	(13,789,221)	-	(13,789,221)
Recreation and community services	16,045,320	1,601,966	1,518,133	3,685,368	(9,239,853)	-	(9,239,853)
Interest on long term debt	5,559,726	-	-	-	(5,559,726)	-	(5,559,726)
Total governmental activities	<u>191,347,900</u>	<u>23,472,526</u>	<u>8,534,749</u>	<u>14,978,580</u>	<u>(144,362,045)</u>	<u>-</u>	<u>(144,362,045)</u>
Business-type activities:							
Water and sewer	38,888,103	42,211,672	-	4,413,317	-	7,736,886	7,736,886
Solid waste	15,349,165	13,526,608	-	-	-	(1,822,557)	(1,822,557)
Hialeah circulator	2,214,548	1,897,338	-	-	-	(317,210)	(317,210)
Total business-type activities	<u>56,451,816</u>	<u>57,635,618</u>	<u>-</u>	<u>4,413,317</u>	<u>-</u>	<u>5,597,119</u>	<u>5,597,119</u>
	<u>\$ 247,799,716</u>	<u>\$ 81,108,144</u>	<u>\$ 8,534,749</u>	<u>\$ 19,391,897</u>	<u>(144,362,045)</u>	<u>5,597,119</u>	<u>(138,764,926)</u>
General revenues:							
Property taxes					68,833,515	-	68,833,515
Utility taxes					21,696,763	-	21,696,763
Franchise fees on gross receipts					11,865,713	-	11,865,713
Intergovernmental revenues					32,202,844	-	32,202,844
Unrestricted interest					992,459	1,995,210	2,987,669
Total general revenues					<u>135,591,294</u>	<u>1,995,210</u>	<u>137,586,504</u>
Change in net assets					(8,770,751)	7,592,329	(1,178,422)
Net assets - beginning					<u>143,947,396</u>	<u>127,081,614</u>	<u>271,029,010</u>
Net assets - ending					<u>\$ 135,176,645</u>	<u>\$ 134,673,943</u>	<u>\$ 269,850,588</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,946,249	\$ 601,312	\$ 18,547,561
Receivables	12,018,969	11,100,828	23,119,797
Due from other funds	20,766,569	11,876,750	32,643,319
Inventories	1,303,980	-	1,303,980
Restricted cash	-	5,510,980	5,510,980
Total assets	<u>\$ 52,035,767</u>	<u>\$ 29,089,870</u>	<u>\$ 81,125,637</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 6,848,693	\$ 2,591,096	\$ 9,439,789
Compensated absences payable	157,797	-	157,797
Self-insurance claims payable	2,477,448	-	2,477,448
Due to other funds	10,832,673	14,141,119	24,973,792
Deferred revenue	2,681,853	6,260,407	8,942,260
Other liabilities	450,711	-	450,711
Total liabilities	<u>23,449,175</u>	<u>22,992,622</u>	<u>46,441,797</u>
Fund balances:			
Reserved for:			
Encumbrances	2,162,365	831,483	2,993,848
Inventories	1,303,980	-	1,303,980
Unreserved:			
Designated for:			
Subsequent years' expenditures	8,549,440	-	8,549,440
Designated, reported in:			
Public safety	-	2,243,527	2,243,527
Capital project funds	-	5,017,981	5,017,981
Debt service fund	-	517,397	517,397
Undesignated, reported in:			
General fund	16,570,807	-	16,570,807
Special revenue funds	-	(2,513,140)	(2,513,140)
Total fund balances	<u>28,586,592</u>	<u>6,097,248</u>	<u>34,683,840</u>
Total liabilities and fund balances	<u>\$ 52,035,767</u>	<u>\$ 29,089,870</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			313,320,778
Long-term liabilities, including bonds payable, are not due and payable in the current period			(112,324,699)
Compensated absences			(15,985,818)
Claims payable			(37,391,672)
Net pension asset			1,751,613
Net pension obligation			(40,908,557)
OPEB Liability			(9,534,010)
Long term receivable			1,565,170
Net assets of governmental activities			<u>\$ 135,176,645</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes:			
Ad valorem taxes	\$ 68,833,515	\$ -	\$ 68,833,515
Utility taxes	21,696,763	3,827,175	25,523,938
Franchise	11,865,713	-	11,865,713
Licenses and permits	6,958,549	29,779	6,988,328
State and local shared revenues	22,258,302	10,117,884	32,376,186
Fines and forfeitures	1,446,391	770,658	2,217,049
Interest	712,949	279,510	992,459
Government grants and other revenues	<u>7,436,073</u>	<u>26,343,887</u>	<u>33,779,960</u>
Total revenues	<u>141,208,255</u>	<u>41,368,893</u>	<u>182,577,148</u>
Expenditures:			
Current:			
General government	29,429,549	3,076,385	32,505,934
Police	41,532,291	507,673	42,039,964
Fire	30,189,478	3,801,797	33,991,275
Streets	-	5,494,218	5,494,218
Grants and human services	-	2,146,882	2,146,882
State housing initiative program	-	1,017,306	1,017,306
Work Investment Act programs	-	2,209,604	2,209,604
City Clerk's office	1,315,761	-	1,315,761
Office of Management and Budget	668,269	-	668,269
Office of the Mayor	655,965	-	655,965
Communications and special events	1,016,370	-	1,016,370
Employee retirement	519,634	-	519,634
Library	1,896,684	-	1,896,684
Compliance division	563,559	-	563,559
Finance	907,045	-	907,045
Division of licenses	478,074	-	478,074
Information systems	1,446,964	-	1,446,964
Fleet maintenance	2,361,705	-	2,361,705
Construction and maintenance	3,123,798	-	3,123,798
Recreation and community services	9,991,115	-	9,991,115
Planning and development	2,939,020	-	2,939,020
Adult center	1,969,595	-	1,969,595
Law	988,913	-	988,913
Risk management	716,475	-	716,475
Human resources	693,341	-	693,341
Debt service:			
Principal	253,736	2,857,858	3,111,594
Interest	451,618	5,128,767	5,580,385
Capital outlay	<u>7,236,301</u>	<u>26,025,357</u>	<u>33,261,658</u>
Total expenditures	<u>141,345,260</u>	<u>52,265,847</u>	<u>193,611,107</u>
Deficiency of revenues over expenditures before other financing sources (uses)	<u>(137,005)</u>	<u>(10,896,954)</u>	<u>(11,033,959)</u>
Other financing sources (uses):			
Transfers in	-	1,714,930	1,714,930
Transfers out	(972,180)	(742,750)	(1,714,930)
Payment to refunded bond escrow agent	-	(2,610,000)	(2,610,000)
Proceeds of refunding bonds	-	2,283,000	2,283,000
Total other financing sources (uses)	<u>(972,180)</u>	<u>645,180</u>	<u>(327,000)</u>
Net change in fund balances	(1,109,185)	(10,251,774)	(11,360,959)
Fund balances - beginning	<u>29,695,777</u>	<u>16,349,022</u>	<u>46,044,799</u>
Fund balances - ending	<u>\$ 28,586,592</u>	<u>\$ 6,097,248</u>	<u>\$ 34,683,840</u>

See notes to basic financial statements

CITY OF HIALEAH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Amounts reported for governmental activities in the statement of activities (Page 18) are different because:

Net change in fund balances - total governmental funds (Page 20) \$ (11,360,959)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 33,261,658	
Depreciation expense	<u>(13,962,933)</u>	
Net adjustment		19,298,725

The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.

Capital outlay which did not meet the threshold for capitalization	<u>(5,238,696)</u>	(5,238,696)
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The issuance of long-term debt (e.g., bonds, master 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 assets.

The details of the differences are as follows:

Issuance of debt		
Notes payable	(2,283,000)	
Principal payments:		
Revenue bonds	185,000	
Notes payable	5,459,409	
Mortgage payable	6,130	
Capital leases	<u>71,055</u>	
	<u>5,721,594</u>	
Net adjustment		3,438,594

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Net pension obligation	182,603	
Net pension asset	186,005	
OPEB liability	(9,534,010)	
Increase in claims payable	(7,228,776)	
Amortization bond issue costs	(71,624)	
Amortization of bond discount/premium	92,283	
Compensated absences	<u>1,465,104</u>	
Net adjustment		<u>(14,908,415)</u>

Change in net assets of governmental activities (Page 18)		\$ <u>(8,770,751)</u>
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CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	Water and Sewers Utility <u>System</u>	Solid Waste Utility <u>System</u>	Nonmajor Fund- Hialeah <u>Circulator</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 35,093,334	\$ -	\$ -	\$ 35,093,334
Investments	23,726,520	-	-	23,726,520
Customers accounts receivable	8,519,098	-	-	8,519,098
Other receivables	-	-	379,204	379,204
Due from other funds	-	3,423,235	132,486	3,555,721
Inventories	477,032	-	-	477,032
Restricted assets:				
Cash	18,665,877	-	-	18,665,877
Other assets	<u>5,259,615</u>	<u>-</u>	<u>-</u>	<u>5,259,615</u>
Total current assets	<u>91,741,476</u>	<u>3,423,235</u>	<u>511,690</u>	<u>95,676,401</u>
Non-current assets:				
Capital assets	157,839,887	12,709,462	322,151	170,871,500
Less accumulated depreciation	<u>(71,133,359)</u>	<u>(9,257,744)</u>	<u>(81,801)</u>	<u>(80,472,904)</u>
Total non-current assets	<u>86,706,528</u>	<u>3,451,718</u>	<u>240,350</u>	<u>90,398,596</u>
Total assets	<u>\$ 178,448,004</u>	<u>\$ 6,874,953</u>	<u>\$ 752,040</u>	<u>\$ 186,074,997</u>

(Continued)

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (Continued)

SEPTEMBER 30, 2008

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 7,249,301	\$ 205,109	\$ 192,690	\$ 7,647,100
Current portion of self-insurance claims payable	200,316	180,880	-	381,196
Current portion of Miami-Dade County water purchase agreement	176,416	-	-	176,416
Due to other funds	<u>1,064,935</u>	<u>-</u>	<u>-</u>	<u>1,064,935</u>
	<u>8,690,968</u>	<u>385,989</u>	<u>192,690</u>	<u>9,269,647</u>
Current liabilities payable from restricted assets:				
DERM payable	3,415,074	-	-	3,415,074
Due to other funds	5,124,860	5,035,453	-	10,160,313
Customer deposits	<u>6,674,719</u>	<u>-</u>	<u>-</u>	<u>6,674,719</u>
Total current liabilities payable from restricted assets	<u>15,214,653</u>	<u>5,035,453</u>	<u>-</u>	<u>20,250,106</u>
Total current liabilities	<u>23,905,621</u>	<u>5,421,442</u>	<u>192,690</u>	<u>29,519,753</u>
Non-current liabilities:				
Revolving loan	2,047,309	-	-	2,047,309
Deferred revenues, net	8,576,084	40,000	-	8,616,084
Deferred interest, net	1,737,685	-	-	1,737,685
Self-insurance claims payable	3,023,333	2,729,995	-	5,753,328
OPEB liability	832,283	760,087	119,322	1,711,692
Compensated absences payable	<u>1,041,315</u>	<u>924,928</u>	<u>48,960</u>	<u>2,015,203</u>
Total non-current liabilities	<u>17,258,009</u>	<u>4,455,010</u>	<u>168,282</u>	<u>21,881,301</u>
Total liabilities	<u>41,163,630</u>	<u>9,876,452</u>	<u>360,972</u>	<u>51,401,054</u>
Net assets:				
Invested in capital assets, net of related debt	84,659,219	3,451,718	240,350	88,351,287
Unrestricted	<u>52,625,155</u>	<u>(6,453,217)</u>	<u>150,718</u>	<u>46,322,656</u>
Total net assets	<u>\$ 137,284,374</u>	<u>\$ (3,001,499)</u>	<u>\$ 391,068</u>	<u>\$ 134,673,943</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Total
Operating revenues:				
Metered water sales	\$ 14,765,828	\$ -	\$ -	\$ 14,765,828
Sanitary sewer service	26,286,533	-	-	26,286,533
Sanitation fees	-	13,448,137	-	13,448,137
State and local shared revenues	-	-	1,454,794	1,454,794
Other	<u>1,159,311</u>	<u>78,471</u>	<u>442,544</u>	<u>1,680,326</u>
Total operating revenues	<u>42,211,672</u>	<u>13,526,608</u>	<u>1,897,338</u>	<u>57,635,618</u>
Operating expenses:				
Operating, administrative and maintenance	35,804,984	14,525,490	2,182,333	52,512,807
Depreciation	<u>3,050,531</u>	<u>823,675</u>	<u>32,215</u>	<u>3,906,421</u>
Total operating expenses	<u>38,855,515</u>	<u>15,349,165</u>	<u>2,214,548</u>	<u>56,419,228</u>
Operating income (loss)	<u>3,356,157</u>	<u>(1,822,557)</u>	<u>(317,210)</u>	<u>1,216,390</u>
Non-operating revenues (expenses):				
Interest income	1,995,210	-	-	1,995,210
Interest expense	<u>(32,588)</u>	<u>-</u>	<u>-</u>	<u>(32,588)</u>
Net non-operating revenues	<u>1,962,622</u>	<u>-</u>	<u>-</u>	<u>1,962,622</u>
Income (loss) before contributions	5,318,779	(1,822,557)	(317,210)	3,179,012
Capital contributions	<u>4,413,317</u>	<u>-</u>	<u>-</u>	<u>4,413,317</u>
Change in net assets	9,732,096	(1,822,557)	(317,210)	7,592,329
Net assets - beginning	<u>127,552,278</u>	<u>(1,178,942)</u>	<u>708,278</u>	<u>127,081,614</u>
Net assets, ending	<u>\$ 137,284,374</u>	<u>\$ (3,001,499)</u>	<u>\$ 391,068</u>	<u>\$ 134,673,943</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 40,414,800	\$ 13,526,608	\$ 462,712	\$ 54,404,120
Cash received from governmental agencies	9,500,000	-	1,454,794	10,954,794
Cash payments to suppliers	(28,789,092)	(8,839,314)	(1,650,167)	(39,278,573)
Cash payments to employees	<u>(5,412,661)</u>	<u>(4,675,064)</u>	<u>(267,339)</u>	<u>(10,355,064)</u>
Net cash provided by operating activities	<u>15,713,047</u>	<u>12,230</u>	<u>-</u>	<u>15,725,277</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(12,978,233)	(12,230)	-	(12,990,463)
Interest paid	(147,499)	-	-	(147,499)
Capital contributions	4,413,317	-	-	4,413,317
Payments on long-term debt	<u>(1,472,361)</u>	<u>-</u>	<u>-</u>	<u>(1,472,361)</u>
Net cash used in capital and related financing activities	<u>(10,184,776)</u>	<u>(12,230)</u>	<u>-</u>	<u>(10,197,006)</u>
Cash flows from investing activities:				
Interest received on investments	<u>1,995,210</u>	<u>-</u>	<u>-</u>	<u>1,995,210</u>
Net cash provided by investing activities	<u>1,995,210</u>	<u>-</u>	<u>-</u>	<u>1,995,210</u>
Net increase in cash and cash equivalents	7,523,481	-	-	7,523,481
Cash and cash equivalents, beginning	<u>69,962,250</u>	<u>-</u>	<u>-</u>	<u>69,962,250</u>
Cash and cash equivalents, ending	<u>\$ 77,485,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,485,731</u>
Cash and cash equivalents per statement of net assets:				
Unrestricted	\$ 58,819,854	\$ -	\$ -	\$ 58,819,854
Restricted - current	<u>18,665,877</u>	<u>-</u>	<u>-</u>	<u>18,665,877</u>
	<u>\$ 77,485,731</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,485,731</u>

(Continued)

CITY OF HIALEAH, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Water and Sewers Utility System	Solid Waste Utility System	Nonmajor Fund- Hialeah Circulator	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 3,356,157	\$ (1,822,557)	\$ (317,210)	\$ 1,216,390
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,050,531	823,675	32,215	3,906,421
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(1,796,872)	-	20,168	(1,776,704)
Other receivables	(180,718)	-	-	(180,718)
Due from other funds	311,208	(488,916)	153,416	(24,292)
Inventories	(13,680)	-	-	(13,680)
Increase (decrease) in:				
Vouchers payable and accrued liabilities	788,833	(188,324)	(9,001)	591,508
Self insurance claims payable	(119,848)	(257,899)	-	(377,747)
Compensated absences payable	232,571	(29,099)	1,090	204,562
OPEB liability	832,283	760,087	119,322	1,711,692
Due to other funds	(131,725)	1,215,263	-	1,083,538
Deferred revenues	8,556,255	-	-	8,556,255
Customer deposits	<u>828,052</u>	<u>-</u>	<u>-</u>	<u>828,052</u>
Total adjustments	<u>12,356,890</u>	<u>1,834,787</u>	<u>317,210</u>	<u>14,508,887</u>
Net cash provided by operating activities	<u>\$ 15,713,047</u>	<u>\$ 12,230</u>	<u>\$ -</u>	<u>\$ 15,725,277</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

SEPTEMBER 30, 2008

<u>ASSETS</u>	<u>Pension Trust</u>
Cash and cash equivalents	\$ 27,092,973
Securities lending cash collateral	164,808,552
Investments, at fair value:	
U.S. Treasury bonds and notes	16,670,043
U.S. Government securities	41,621,865
Asset backed securities	4,050,427
Mortgage backed securities	105,340,031
Corporate bonds and notes	52,598,116
Mutual funds- bonds	3,019,209
Mutual funds- equity	492,619
Common stocks	245,345,965
Receivables:	
Due from other funds	100,370
Employer and employee contributions	776,196
Accrued interest and dividends	2,213,738
Fraud recovery	227,351
Investments sold	1,711,996
Loans to members	<u>8,891,228</u>
Total assets	<u>674,960,679</u>
<u>LIABILITIES AND NET ASSETS</u>	
Obligations under securities lending	164,808,552
Due to retired participants	40,580,454
Investments purchased	4,341,771
Accounts payable and accrued liabilities	1,829,200
DROP payable	<u>860,643</u>
Total liabilities	<u>212,420,620</u>
Net assets held in trust for pension benefits	<u>\$ 462,540,059</u>

See notes to basic financial statements.

CITY OF HIALEAH, FLORIDA
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Pension Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 18,269,494
Employee	6,120,402
State	<u>461,878</u>
Total contributions	<u>24,851,774</u>
Investment income:	
Net depreciation in fair value of investments	(78,885,003)
Investment earnings	<u>20,331,720</u>
	(58,553,283)
Less investment expenses	<u>1,125,602</u>
Net investment loss	<u>(59,678,885)</u>
Total additions	<u>(34,827,111)</u>
DEDUCTIONS	
Pension benefits	32,186,243
Refunds of contributions	13,853,937
DROP benefits	<u>807,819</u>
Total deductions	<u>46,847,999</u>
Net decrease	(81,675,110)
Net assets held in trust for pension benefits:	
Beginning	<u>544,215,169</u>
Ending	<u>\$ 462,540,059</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hialeah, Florida (the City) was incorporated in 1925. The City operates under a strong mayor form of government with the legislative function being vested in a seven-member council. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning and general administrative services. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The more significant of the City's accounting policies are described below.

a. The Financial Reporting Entity

The financial statements were prepared in accordance with Government Accounting Standards, 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.

Related Organization

The City Council is also responsible for appointing the members of the Board of the Hialeah Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. In fiscal year 2008, the City appropriated an operating grant of approximately \$135,000 to this organization, of which \$127,844 was expended.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

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 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary funds:

The *Water and Sewers Utility System Fund* accounts for the activities of the Water and Sewers Department. The Department operates the sewage treatment plan, sewage pumping stations and collection systems, and the water distribution system.

The *Solid Waste Utility System Fund* accounts for providing solid waste services to customers of the City.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. 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 City's water and sewers fund and the solid waste fund are charges to customers for services. Operating expenses for 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.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity

1. *Deposits and Investments*

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

State statutes authorize the City to invest in obligations of the U.S. Government, certificates of deposit, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The City's Retirement Plans are authorized by its governing board to invest in obligations of the U.S. Government, common stocks, corporate bonds and other investment types allowed by Florida Statutes.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation/depreciation in fair value includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

2. *Interfund Activity*

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred as either "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".

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

3. Inventories

Inventories of the general fund are valued at cost determined on the first-in/first-out (FIFO) method, and consist of gasoline and expendable supplies available for consumption. Inventory acquired by the City is expensed when purchased (purchase method). Inventories are recorded on the balance sheet with a reservation of fund balance. Inventories of the water and sewers fund are valued at lower of cost (determined using the weighted average) or market and consist of pipe, valves, fittings and meters.

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements other than buildings	15-25
Furniture, fixtures, machinery and equipment	5-15
Public domain and system infrastructure	50

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

5. *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 is accrued when incurred in proprietary funds and reported as a fund liability. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary 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.

6. *Deferred Revenues*

Revenues collected in advance are deferred and recognized as revenue in the period earned.

7. *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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

9. *Capital Contributions*

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

10. *Use of Estimates*

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. 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. *New Accounting Pronouncements*

As further discussed in Note 15, the City implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers of Postretirement Benefits Other Than Pensions, effective October 1, 2007.

As further discussed in Note 13, the City implemented Governmental Accounting Standards Board Statement No. 50, "Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)"; effective October 1, 2007.

NOTE 2. PROPERTY TAXES

Property taxes (ad valorem taxes) are assessed on January 1 and are billed and payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1 and accrue interest charges from April 1 until a tax sale certificate is sold at auction.

Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The assessed value of property at January 1, 2007, upon which the 2007-2008 levy was based, was approximately \$10.85 billion. The County bills and collects all property taxes for the City.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. PROPERTY TAXES (Continued)

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2008 was 6.540 mills per \$1,000 of assessed valuation.

NOTE 3. CASH AND INVESTMENTS

Cash

In addition to insurance provided by the Federal Deposit 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 deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. City administration is authorized to invest in those instruments authorized by the Florida statutes and the City's By Laws. Investments consist of the Florida Municipal Investment Trust administered by the Florida League of Cities, Inc., and investments held by the City's retirement funds. The investments held in the Retirement Plans may be invested in obligations of the U.S. Government or its agencies, first mortgages or first mortgage bonds, corporate bonds, and common and preferred stock. Investments are carried at fair value as determined by quoted market prices.

Interest Rate Risk

Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the City places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. Interest rate risk disclosures are required for all debt investment as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<u>City of Hialeah Employees' Retirement System's</u>					
U.S. Treasuries	\$ 16,670,043	\$ -	\$ 4,652,064	\$ 12,017,979	\$ -
U.S. Agencies/Instrumentalities	41,621,865	8,464,720	10,717,703	12,987,990	9,451,452
Corporate Bonds	52,598,116	6,120,745	13,140,290	16,945,957	16,391,124
Mortgage Backed Securities	105,340,031	-	-	4,889,906	100,450,125
Asset Backed Securities	<u>4,050,427</u>	<u>-</u>	<u>4,050,427</u>	<u>-</u>	<u>-</u>
Sub-total	<u>220,280,483</u>	<u>14,585,465</u>	<u>32,560,484</u>	<u>46,841,832</u>	<u>126,292,702</u>
Common stocks	<u>245,345,965</u>				
Sub-total	<u>465,626,448</u>	<u>14,585,465</u>	<u>32,590,484</u>	<u>46,841,832</u>	<u>126,292,702</u>
<u>Elected Officials Retirement Plan</u>					
FMIT-bond mutual funds	<u>3,019,209</u>	<u>-</u>	<u>3,019,209</u>	<u>-</u>	<u>-</u>
FMIT-equity funds	<u>492,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub-total	<u>3,511,828</u>	<u>-</u>	<u>3,019,209</u>	<u>-</u>	<u>-</u>
<u>Primary Government</u>					
Money Market Funds	20,140,036	20,140,036	-	-	-
FMIT-Money Market Funds	1,656,829	1,656,829	-	-	-
FMIT-bond mutual funds	<u>24,633,007</u>	<u>-</u>	<u>24,633,007</u>	<u>-</u>	<u>-</u>
Sub-total	<u>46,429,872</u>	<u>21,796,865</u>	<u>24,633,007</u>	<u>-</u>	<u>-</u>
Total	<u>\$512,056,320</u>	<u>\$36,3582,330</u>	<u>\$57,223,491</u>	<u>\$46,841,832</u>	<u>\$126,292,702</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has an investment policy that limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSPO) – (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Excess funds are also invested daily with the Florida Municipal Investment Trust (FMIT).

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

As of September 30, 2008, the City's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
<u>City of Hialeah Employees' Retirement System's</u>		
U.S. Treasuries	\$16,670,043	AAA
U.S. Agencies/Instrumentalities	41,621,865	AAA
Mortgage Backed Securities	102,435,178	AAA
Mortgage Backed Securities	1,051,806	A2
Mortgage Backed Securities	1,853,047	Not rated
Asset Backed Securities	3,517,671	AAA
Asset Backed Securities	532,757	Not rated
Corporate Bonds	10,400,869	A1
Corporate Bonds	9,348,509	A2
Corporate Bonds	2,973,723	A3
Corporate Bonds	2,444,769	AA1
Corporate Bonds	5,541,030	AA2
Corporate Bonds	5,596,814	AA3
Corporate Bonds	2,879,767	AAA
Corporate Bonds	7,465,051	BAA1
Corporate Bonds	2,697,949	BAA2
Corporate Bonds	<u>3,249,635</u>	BAA3
Sub-total	<u>220,280,483</u>	
<u>Elected Officials Retirement Plan</u>		
Florida Municipal Investment Trust:		
Intermediate High Quality Bond Fund	2,195,192	AAA/V3
Broad Market High Quality Bond Fund	<u>824,017</u>	AA/V4
Sub-total	<u>3,019,209</u>	
<u>Primary Government</u>		
Florida Municipal Investment Trust:		
1-3 Year High Quality Bond	<u>24,633,007</u>	AAA/V2
Total	<u>\$247,932,699</u>	

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Concentration Credit Risk

GASB Statement 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the City's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

As of September 30, 2008, concentration of the Plan's investments was as follows:

FHLMC	9.4%
FNMA Pool - 637370	10.6%
FNMA Pool - 981358	5.52%

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City 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 City of Hialeah Employees' Retirement System's (the Plan) securities lending policy, \$164,808,552 was held by the counterparty that was acting as the Plan's agent in securities lending transactions.

Securities Lending Transactions

State statutes do not prohibit the City of Hialeah Employees' Retirement System (the Plan) from participating in securities lending transactions, and Plan has, pursuant to a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending Plan's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the Fiscal Year, State Street lent, on behalf of Plan, certain securities held by State Street as custodian, and received cash (U.S. currency), securities issued or guaranteed by the United States government and its agencies, and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to not less than one hundred and two percent (102%) of the market value of the loaned security.

State Street indemnified Plan by agreeing to purchase replacement securities or return the cash collateral in the event that any borrower failed to return a loaned security or pay distributions thereon. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the Fiscal Year (other than the default by Lehman Brothers Inc. which occurred in September, 2008). There were no losses during the Fiscal Year resulting from a default of the borrowers or State Street.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Securities Lending Transactions (Continued)

During the Fiscal Year, Plan and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a commingled investment pool. As of September 30, 2008, such investment pool had a weighted average maturity of 33.94 days and an average final maturity of 359.20 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2008, Plan had no credit risk exposure to borrowers.

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

The market values of collateral held and securities on loan for Plan as of September 30, 2008, were \$164,808,552 and \$164,350,467; respectively. The \$164,808,552 was cash collateral and has been reported in the statement of net assets as an asset of the Plan along with the liability of \$164,808,552 for obligations under security lending.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. RECEIVABLES

Receivables as of September 30, 2008 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	Water & <u>Sewers</u>	Nonmajor <u>Circulator</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Receivables:					
Billed	\$ -	\$ 5,358,336	\$ -	\$ 826,683	\$ 6,185,019
Unbilled	-	3,504,320	-	-	3,504,320
Franchise and utility	4,989,778	-	-	-	4,989,778
Intergovernmental	2,481,263	-	361,984	1,263,102	4,106,349
Grants	1,334,475	-	-	9,545,532	10,880,007
Other	1,165,876	2,134,388	-	-	3,300,264
Sales taxes	<u>2,047,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,047,577</u>
Gross receivables	12,018,969	10,997,044	361,984	11,635,317	35,013,3314
Less allowance for uncollectibles	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>534,489</u>	<u>934,489</u>
Net total receivables	<u>\$12,018,969</u>	<u>\$ 10,597,044</u>	<u>\$ 361,984</u>	<u>\$11,100,828</u>	<u>\$34,078,825</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

Revenues of the Water & Sewer, Fire Prevention and Rescue Transportation fund are reported net of uncollectible amounts. Total amount charged to the provision related to revenues of the current period are as follows:

Uncollectible related to fire rescue transport fees	\$2,238,174
Total uncollectible for the current fiscal year	<u>\$2,238,174</u>

At the end of the current fiscal year, *deferred* or *unearned revenue* reported in the governmental funds was as follows:

Occupational licenses	\$ 1,509,001
Grants and other deferred revenues	2,072,299
Hayes program	444,650
Community Development Block Grant (CDBG)	2,459,026
State Housing Initiative Program (SHIP)	<u>2,457,284</u>
	<u>\$8,942,260</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. MORTGAGE RECEIVABLE

The Hialeah Housing Authority (“the Authority”) assumed a Housing Development Grant (“HODAG Loan”) awarded on July 12, 1989 to a developer through the City in the amount of \$2,843,097 receivable from Hialeah Housing. The HODAG bears interest at 10.125% and is payable in full, including interest, on May 1, 2025 unless the Project is sold or transferred, or due to a violation of the grant covenants with HUD. Interest does not accrue unless the Project’s revenues exceed the sum of the Project’s net operating income (after payment of debt service in the Palm Centre Bonds) plus a cumulative return to the Authority of twelve percent (12%) per annum on the Authority’s equity contribution. The HODAG loan is secured by a Second Mortgage issued to the City and is subordinated to Hialeah Housing Authority Bonds.

The future minimum receivable and net present value of these minimum payments as of September 30, 2008 were:

Long-term receivable	\$3,578,872
Less present value	<u>(2,013,702)</u>
Present value of future receivable payments	<u>\$1,565,170</u>

The City has recorded the mortgage term receivable in its governmental-wide financial statements as of September 30, 2008. No allowance against this long-term receivable is deemed necessary at September 30, 2008.

In connection with the construction of the Hialeah Housing Project mentioned above, the United States Department of Housing and Urban Development (“HUD”) has challenged the manner in which certain of the proceeds of the HODAG Loan were used. HUD has claimed that \$989,039 of the HODAG Loan was expended for nonqualified purposes (the “Claim”). The City has challenged the Claim. The Authority has agreed that the City will not be responsible for payment of any such challenged cost in the event it is required to fully indemnify the City for any payments to HUD regarding the claim. In a subordination agreement, the Authority and the City have agreed that, in the event that litigation is instituted by HUD regarding payment of the Claim, the City will fully cooperate with the Authority to resolve the litigation, and that the City will not foreclose on the Second Mortgage in the event the Claim is not paid on demand.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. DUE FROM/TO OTHER FUNDS

The amounts due from/to other funds at September 30, 2008 were as follows:

	<u>Receivables</u>	<u>Payables</u>
Major Governmental Funds	<u>\$20,766,569</u>	<u>\$10,832,673</u>
Nonmajor Governmental Funds	<u>17,827,540</u>	<u>20,091,909</u>
Major Proprietary Type Funds		
Water and Sewer	-	6,189,795
Solid Waste	<u>3,423,235</u>	<u>5,035,453</u>
Total Major Proprietary Type Funds	<u>3,423,235</u>	<u>11,225,248</u>
Non-major Proprietary Type Funds		
Hialeah Circulator	<u>132,486</u>	<u>-</u>
	<u>\$42,149,830</u>	<u>\$42,149,830</u>

- Amounts due from the Non-Major Governmental Funds to the general fund are for advances made to those funds to cover expenditures until the receivables on those funds are collected.
- Amounts due to the Non-Major Governmental Funds from the general fund are for amounts due to those funds for amounts collected on their behalf.
- Amounts due to the Solid Waste and Hialeah Circulator fund are for receivables collected by the Water & Sewer fund before year end which are owed to those funds
- Amounts due from the water and sewer fund to the solid waste fund, Hialeah Circulator and general fund are for waste fees collected and utility taxes collected at year end

As of September 30, 2008, major fund and nonmajor fund activity was as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
Major Governmental Funds		
General Fund	<u>\$ -</u>	<u>\$972,180</u>
Total Major Governmental Funds	<u>-</u>	<u>972,180</u>
Nonmajor Governmental Funds	<u>1,714,930</u>	<u>742,750</u>
	<u>\$1,714,930</u>	<u>\$1,714,930</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. DUE FROM/TO OTHER FUNDS (Continued)

The general fund transfers to the nonmajor governmental funds were made to provide additional resources for current operations, and the transfers from the nonmajor governmental funds to other nonmajor funds were made to provide additional resources for current operations.

NOTE 7. RESTRICTED ASSETS

Restricted assets consist of the cash restricted for debt service, capital projects, advances, public safety and customer deposits at September 30, 2008:

Water and Sewers Fund	
Customers' deposit - cash and investments	\$ 6,674,719
Restricted for Miami-Dade County DERM – DERM Fee	3,415,074
Joint Participation Agreement	<u>8,576,084</u>
Total restricted cash water and sewers fund	<u>18,665,877</u>
Other restricted assets	
Customer accounts - Solid Waste Fund	4,195,114
Customer accounts - Stormwater Fund	673,939
Customer accounts - City Utility Tax	390,562
Total other restricted assets water and sewers fund	<u>5,259,615</u>
Total restricted assets water and sewers fund	<u>23,902,902</u>
Governmental Funds	
Capital Project Funds	
Capital Improvement Construction	1,881,257
Building Impact Fee	153,575
Street	1,772,167
E-911 Wireless	<u>1,210,982</u>
Total Restricted for Capital Project	<u>5,077,981</u>
Special Revenue Funds	
Rescue Transportation	\$920,788
Fire Prevention	185,783
Metro Medical Response System	546,633
State Law Enforcement Trust	144,842
Federal Law Enforcement Trust	<u>475,481</u>
Total Restricted for Public Safety	<u>2,243,527</u>
Debt Service	
Debt Service Funds	<u>517,397</u>
Total Restricted for Debt Service	<u>517,397</u>
Total Restricted Assets	<u>\$31,704,397</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. CAPITAL ASSETS

A summary of the City's capital assets at September 30, 2008 is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$28,874,935	\$ 176,472	\$ -	\$ 29,051,407
Construction-in-progress	<u>35,638,681</u>	<u>9,475,540</u>	<u>34,522,743</u>	<u>10,591,478</u>
Total capital assets not being depreciated	<u>64,513,616</u>	<u>9,652,012</u>	<u>34,522,743</u>	<u>39,642,885</u>
Capital assets being depreciated:				
Buildings	59,560,412	31,736,399	-	91,296,811
Improvements other than buildings	22,374,165	1,848,203	-	24,222,368
Furniture, fixtures, machinery and equipment	38,640,922	1,731,714	80,871	40,291,765
Infrastructure	<u>292,787,629</u>	<u>17,552,493</u>	<u>-</u>	<u>310,340,122</u>
Total capital assets being depreciated	<u>413,363,128</u>	<u>52,868,809</u>	<u>80,871</u>	<u>466,151,065</u>
Less accumulated depreciation for:				
Buildings	15,292,584	1,361,378	-	16,653,962
Improvements other than buildings	9,862,410	1,069,153	-	10,931,563
Furniture, fixtures, machinery and equipment	22,940,704	2,932,086	80,871	25,791,919
Infrastructure	<u>130,495,414</u>	<u>8,600,315</u>	<u>-</u>	<u>139,095,729</u>
Total accumulated depreciation	<u>178,591,112</u>	<u>13,962,932</u>	<u>80,871</u>	<u>192,473,173</u>
Total capital assets being depreciated, net	<u>234,772,016</u>	<u>38,905,877</u>	<u>-</u>	<u>273,677,893</u>
Governmental activities capital assets, net	<u>\$299,285,632</u>	<u>\$48,557,889</u>	<u>\$34,522,743</u>	<u>\$313,320,778</u>

During 2008, the City transferred approximately \$34,522,743 of completed projects to buildings, improvements and infrastructure.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. CAPITAL ASSETS (Continued)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<u>Business-type activities</u>				
Capital assets not being depreciated:				
Land	\$329,356	\$ -	\$ -	\$ 329,356
Construction-in-progress	<u>205,578</u>	<u>1,889,415</u>	-	<u>2,094,993</u>
Total capital assets not being depreciated	<u>534,934</u>	<u>1,889,415</u>	-	<u>2,424,349</u>
Capital assets being depreciated:				
Buildings and utility plant	3,515,980	160,093	-	3,676,073
Improvements to other than building	320,533	-	-	320,533
Machinery and equipment	17,427,287	169,206	(12,630)	17,609,124
Infrastructure	<u>136,125,335</u>	<u>10,740,831</u>	<u>(56,258)</u>	<u>146,922,424</u>
Total capital assets being depreciated	<u>157,389,135</u>	<u>11,070,130</u>	<u>(68,888)</u>	<u>168,528,154</u>
Less accumulated depreciation for:				
Buildings and utility plant	1,987,242	105,218	-	2,092,460
Improvements other than building	147,246	30,166	-	177,412
Machinery and equipment	12,542,355	1,109,462	(12,630)	13,664,447
Infrastructure	<u>61,901,759</u>	<u>2,661,571</u>	<u>(56,258)</u>	<u>64,619,588</u>
Total accumulated depreciation	<u>76,578,561</u>	<u>3,906,417</u>	<u>(68,888)</u>	<u>80,553,907</u>
Total capital assets being depreciated, net	<u>80,810,534</u>	<u>7,163,713</u>	-	<u>87,974,247</u>
Business-type activities capital assets, net	<u>\$81,345,468</u>	<u>\$9,053,128</u>	\$ -	<u>\$90,398,596</u>

Construction Commitments

The City has the following active construction projects as of September 30, 2008:

	<u>Spent to Date</u>	<u>Remaining Committed</u>
Police Training Building	\$545,356	\$34,491
Street Construction	11,486,472	2,671,075
Bucky Dent Park	128,407	24,711
Walker Park and E-Library	326,023	65,563
Parks	298,650	17,100
300 Unit	8,922,971	50,721
Annexation Area	-	2,913,498
Water & Sewer Lines	-	4,149,633
Hialeah High Parking Garage	<u>2,228,931</u>	<u>50,342</u>
	<u>\$23,936,811</u>	<u>\$9,977,134</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 1,425,489
Police	1,157,876
Fire	1,142,398
Streets	8,860,548
Recreation	<u>1,376,621</u>
Total depreciation expense - governmental activities	<u>\$13,962,932</u>
Business-type activities:	
Water and sewer	\$ 3,050,531
Solid waste	823,675
Hialeah Circulator	<u>32,215</u>
Total depreciation expense - business-type activities	<u>\$ 3,906,421</u>

NOTE 9. CAPITAL LEASES

The City has entered into a lease agreement as lessee for the retrofit installation of energy efficiency equipment in City buildings. Payment on the lease is due quarterly through 2010. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the fixed assets section and the related liability in the governmental-wide financial statements.

Capital assets acquired through the issuance of capital leases are as follows:

	Governmental <u>Activities</u>
Buildings	\$875,500
Less accumulated depreciation	<u>(760,591)</u>
	<u>\$114,909</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008 were:

<u>Year ending September 30:</u>	
2009	\$ 79,625
2010	39,812
Total minimum lease payments	119,437
Less amount representing interest	<u>(5,446)</u>
Present value of minimum lease payments	<u>\$113,991</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT

1993 Revenue Bonds - On November 1993, the City issued \$4,400,000 Capital Improvement Revenue Bonds, Series 1993 (the "Series 1993 Bonds"). Proceeds from the Series 1993 Bonds were used to finance construction of a new fire administration building, fund the debt service account and pay certain issuance costs. The Series 1993 bonds mature October 2018 and bear interest ranging from 3.1% to 5.5%. The Series 1993 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs. During 2008, the City refunded the 1993 Revenue Bonds with the issuance of the Capital Improvement Revenue Refunding Bonds, Series 2007.

2007 Revenue Bonds- On December 16, 2007, the City issued \$2,283,000 of Capital Improvement Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds") The Series 2007 bonds mature December 2018 and bear interest at 4.33%. The Series 2007 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs.

The net proceeds of \$2,283,000 were used to advance refund the Series 1993 Bonds with a total principal amount of \$2,610,000 and an interest rate ranging from 3.1% to 5.5%.

The advance refunding was done in order to reduce debt payments in the short-term. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$200,000.

<u>Series 2007 Bonds</u>			
<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$175,841	\$94,730	\$270,571
2010	183,688	86,882	270,570
2011	191,886	78,684	270,570
2012	200,250	70,320	270,570
2013	209,387	61,184	270,571
2014-2018	1,195,630	157,222	1,352,852
2019	<u>66,909</u>	<u>732</u>	<u>67,641</u>
	<u>\$2,223,591</u>	<u>\$549,754</u>	<u>\$2,705,705</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

State of Florida

In fiscal year 1977, the Water and Sewers Fund borrowed \$43,490,000 from the State of Florida toward the construction of the East Side Sewer System. The loan, which bears interest at rates ranging from 5.4% to 5.6%, is payable in varying annual installments of principal and interest through 2008. The loan is collateralized by a secondary lien on net revenues of the water and sewer system after the funding requirements of the 1968 revenue bonds have been met.

Construction of the East Side Sewer System was completed during 1980. Interest on the loan from the State of Florida, amounting to approximately \$5,602,000, has been capitalized and included in construction costs and will be expensed over the estimated useful life of the system (50 years).

The loan agreement provides that the State will deposit the loan proceeds in a restricted, interest-bearing investment account to be used by the Water and Sewers Fund as debt service reserves and for future construction requirements. Interest earned on the construction funds during the time the East Side Sewer was being built, which is credited to the Water and Sewers Fund, has been deferred and is being amortized to income over the same period that the related capitalized interest is being expensed (50 years). At September 30, 2008, the unamortized deferred interest balance was \$1,737,685. During 2008, the City paid off the State of Florida loan.

Notes Payable

Notes payable recorded in the governmental entity-wide statement relate to loans from the Florida Municipal Loan Council and a Community Development Block Grant Section 108 Loan.

1) Florida Municipal Loan Council

On April 28, 1999, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$30,000,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 1999 for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$20,865,000 and calls for semi-annual payments due on April 1 and October 1, commencing on October 1, 1999 through April 1, 2019 and bears interest at varying rates ranging from 3.2% to 5.1%.

On May 1, 2003, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$48,135,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2003A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$44,795,000 and calls for annual payments due on May 1, commencing on May 1, 2004 through May 1, 2033 and bears interest at varying rates ranging from 2.0% to 5.25%.

On February 15, 2005, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$29,090,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2005A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$28,075,000 and calls for annual payments due on February 1, commencing on February 1, 2006 through February 1, 2035 and bears interest at varying rates ranging from 3.0% to 5.0%.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

1) Florida Municipal Loan Council (Continued)

The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2008.

2) Community Development Block Grant Section 108 Loan

On June 14, 2000, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Community Development Block Grant (CDBG) Section 108 Loan Program. The loan totaled \$4,400,000 and calls for semi-annual principal and interest payments at varying interest rates commencing on August 1, 2000 through August 1, 2019. The loan is payable to a bank as the trustee and registered holder of the note, guaranteed by HUD and collateralized by future CDBG funds granted to the City.

The loan had an outstanding balance of \$3,090,000 at September 30, 2008.

The City granted all of the guaranteed loan funds to a local business to finance economic development activities, including the purchase of machinery and equipment for the local business warehousing and distributing facilities and corporate headquarters. A grant agreement was also executed with the local business and the City obtained a first priority security interest in the local business machinery and equipment as stipulated in the grant agreement. The City paid the local business \$4,000,000 of the loan amount and has designated the additional \$400,000 net of transaction fees in the City's CDBG special revenue fund.

3) Bond Anticipation Note

On December 16, 2005, the City entered into a loan agreement with SunTrust Bank for a construction line of credit for the purpose of financing the construction of a 300-unit affordable housing project in the amount of \$15,000,000. Quarterly interest only payments shall be due and payable commencing on March 1, 2006 and ending on December 1, 2008 (the "Maturity Date") with the entire unpaid principal balance due and payable in full on the maturity date at a variable interest rate, currently at 4.69% and not to exceed 12% over the life of the loan. At September 30, 2008, the loan had an outstanding balance of \$15,000,000.

Subsequent to year end, the City entered into a new loan agreement with the bank which extended the maturity date to January 31, 2010 and increased the line of credit to \$18,000,000.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Annual debt service requirements to maturity for notes payable are as follows:

<u>Florida Municipal Loan Council - Series 1999:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2009	\$1,400,000	\$930,963	\$2,330,963
2010	1,460,000	871,463	2,331,463
2011	1,525,000	807,508	2,332,508
2012	1,595,000	738,963	2,333,963
2013	1,665,000	667,187	2,332,187
2014-2018	9,645,000	2,022,156	11,667,156
2019	<u>2,230,000</u>	<u>105,925</u>	<u>2,335,925</u>
	<u>\$19,520,000</u>	<u>\$ 6,144,243</u>	<u>\$25,664,243</u>

<u>Florida Municipal Loan Council - Series 2003A:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2009	\$930,000	\$2,173,738	\$3,103,738
2010	960,000	2,145,837	3,105,837
2011	1,005,000	2,097,838	3,102,838
2012	1,055,000	2,047,588	3,102,588
2013	1,110,000	1,994,837	3,104,837
2014-2018	6,480,000	9,037,062	15,517,062
2019-2023	8,360,000	7,160,325	15,520,325
2024-2028	10,555,000	4,961,025	15,516,025
2029-2033	<u>13,435,000</u>	<u>2,080,750</u>	<u>15,515,750</u>
	<u>\$43,890,000</u>	<u>\$33,699,000</u>	<u>\$77,589,000</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Florida Municipal Loan Council - Series 2005A:

Fiscal Year ending September 30:

2009	\$555,000	\$1,288,101	\$1,843,101
2010	575,000	1,270,002	1,845,002
2011	595,000	1,249,005	1,844,005
2012	620,000	1,226,540	1,846,540
2013	640,000	1,202,357	1,842,357
2014-2018	3,590,000	5,609,078	9,199,078
2019-2023	4,505,000	4,654,635	9,159,635
2024-2028	5,755,000	3,383,098	9,138,098
2029-2033	7,255,000	1,832,915	9,087,915
2034-2035	<u>3,445,000</u>	<u>178,483</u>	<u>3,623,483</u>
	<u>\$27,535,000</u>	<u>\$21,894,213</u>	<u>\$49,429,213</u>

CDBG Section 108:

Fiscal Year ending September 30:

2009	\$200,000	\$239,342	\$439,342
2010	210,000	224,946	434,946
2011	225,000	209,305	434,305
2012	240,000	192,435	432,435
2013	255,000	174,080	429,080
2014-2018	1,575,000	542,344	2,117,344
2019	<u>385,000</u>	<u>30,638</u>	<u>415,638</u>
	<u>\$ 3,090,000</u>	<u>\$ 1,613,090</u>	<u>\$ 4,703,090</u>

Bond Anticipation Loan:

Fiscal Year ending September 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$15,000,000</u>	<u>\$ -</u>	<u>\$15,000,000</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Mortgage Payable

In September 1991, the City executed a mortgage note payable with the Miami-Dade Housing Agency for the purchase of an apartment building to be used for low-income housing. The mortgage calls for monthly principal and interest payments at 3% per annum of \$759 through August 1, 2021 and is secured by the property.

Annual debt service requirements to maturity for notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Fiscal Year ending September 30:</u>			
2009	\$6,270	\$2,837	\$9,107
2010	6,461	2,646	9,107
2011	6,657	2,450	9,107
2012	6,860	2,247	9,107
2013	7,068	2,039	9,107
2014-2018	38,700	6,833	45,533
2019-2021	<u>19,745</u>	<u>1,159</u>	<u>20,904</u>
	<u>\$91,761</u>	<u>\$20,211</u>	<u>\$111,972</u>

Revolving Loan

On May 11, 2001, the City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection for the purpose of providing financial assistance for planning and designing water and sewer system improvements. At September 30, 2008 the project had not been completed and the amount of the loan available for the project was \$2,997,370 of which the City had withdrawn \$2,047,309. The loan shall be repaid in 18 semiannual loan payments of \$110,945 beginning September 15, 2007, which is based on the total amount owed. Amount due as of September 30, 2008 was \$2,047,309, which includes capitalized interest and other costs.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term debt for the year ended September 30, 2008:

	September 30, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	September 30, <u>2008</u>	Due Within <u>One Year</u>
Governmental activities:					
Revenue bonds- 1993	\$2,610,000	\$ -	\$(2,610,000)	\$ -	\$ -
Revenue bonds- 2007	-	2,283,000	(59,409)	2,223,591	94,730
Notes payable	112,010,000	-	(2,975,000)	109,035,000	3,085,000
Capital leases	185,047	-	(71,055)	113,992	74,971
Mortgage payable	<u>97,891</u>	<u>-</u>	<u>(6,130)</u>	<u>91,761</u>	<u>6,270</u>
Total	<u>114,902,938</u>	<u>2,283,000</u>	<u>(5,721,594)</u>	<u>111,464,344</u>	<u>3,260,971</u>
Less deferred amounts:					
Bond issuance costs	(1,474,716)	-	66,574	(1,408,142)	66,574
Discount	(58,072)	-	5,050	(53,022)	(5,050)
Premium	<u>2,413,802</u>	<u>-</u>	<u>(92,283)</u>	<u>2,321,519</u>	<u>92,283</u>
Total	<u>115,783,952</u>	<u>2,283,000</u>	<u>(5,742,253)</u>	<u>112,324,699</u>	<u>3,414,778</u>
Claims payable	<u>32,640,344</u>	<u>7,228,776</u>	<u>-</u>	<u>39,869,120</u>	<u>3,986,912</u>
Compensated absences	<u>17,185,638</u>	<u>11,224,884</u>	<u>(12,266,907)</u>	<u>16,143,615</u>	<u>322,872</u>
OPEB Liability	<u>-</u>	<u>9,534,010</u>	<u>-</u>	<u>9,534,010</u>	<u>-</u>
Net Pension Obligation	<u>41,091,160</u>	<u>-</u>	<u>(182,603)</u>	<u>40,908,557</u>	<u>-</u>
Total	<u>\$206,701,094</u>	<u>\$30,270,670</u>	<u>\$(18,191,763)</u>	<u>\$218,780,001</u>	<u>\$7,724,562</u>
Business-type activities:					
Notes payable	\$1,185,000	\$ -	\$(1,185,000)	\$ -	\$ -
Revolving loan	2,158,254	-	(110,945)	2,047,309	-
Miami-Dade County					
Water purchase agreement	<u>352,832</u>	<u>-</u>	<u>(176,416)</u>	<u>176,416</u>	<u>176,416</u>
Total bonds and loans payable	<u>3,696,086</u>	<u>-</u>	<u>(1,472,361)</u>	<u>2,223,725</u>	<u>176,416</u>
Claims payable	<u>6,512,271</u>	<u>-</u>	<u>(377,747)</u>	<u>6,134,524</u>	<u>381,196</u>
OPEB Liability	<u>-</u>	<u>1,711,692</u>	<u>-</u>	<u>1,711,692</u>	<u>-</u>
Compensated absences	<u>1,885,618</u>	<u>1,249,161</u>	<u>(1,119,576)</u>	<u>2,015,203</u>	<u>-</u>
Total	<u>\$12,093,975</u>	<u>\$2,960,853</u>	<u>\$(2,969,684)</u>	<u>\$12,085,144</u>	<u>\$557,612</u>

Other long-term liabilities such as compensated absences are normally paid from the general fund.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is self-insured for general liability, automobile, workers' compensation, and health. The City also carries \$150,000 of excess coverage for health insurance per insured. For all other coverage the City carries commercial insurance. The City currently reports all of its risk management activities in its General Fund, except those related to Enterprise Funds, which are reported in those funds.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claims liabilities are actuarially determined using historical and recent claim settlement trends. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage for each of the past three years.

The City only records the current portion of claims payable within the General Fund if there is a settled claim which is due and payable at year end and is outstanding. The long-term portion is reported in the statement of net assets. Amounts payable from proprietary funds are accounted for within those funds.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning	\$39,047,904	\$39,047,904	\$42,074,119
Incurred claims (including IBNR)	41,832,579	34,611,139	30,863,868
Claims payments	<u>(34,981,550)</u>	<u>(34,506,428)</u>	<u>(33,890,083)</u>
Unpaid claims, ending	<u>\$46,003,644</u>	<u>\$39,152,615</u>	<u>\$ 39,047,904</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

Charter School Agreements

On April 17, 2008, the City executed a contract with the School Board of Miami-Dade County, Florida that provides for The City of Hialeah Education Academy to (1) provide a high-quality career-oriented curriculum for 21st Century occupations; (2) prepare students for productive employment within a multilingual work environment; and (3) prepare students for successful progression into postsecondary studies. The contract ends on June 30, 2013 but provides for a renewal of up to 15 years by mutual agreement of both parties.

The City has entered into an agreement with Academica Dade LLC to provide administrative and educational services for the City's charter school. The agreement terminates on June 30, 2013 with an option for renewal for two additional years.

Water and Sewers Fund

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 through September 2007 and February 2009, respectively, to the extent required by the City. (City is currently negotiating extensions.) Rates paid by the City of Hialeah vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the year ended September 30, 2008 were \$7,865,286 for water services and \$14,187,553 for wastewater treatment and disposal services.

Hialeah Branch Courthouse Lease

On November 4, 1996, the City entered into a lease with Miami-Dade County for two parcels of land owned by the City and reimbursement of design, construction and financing of a courthouse. The lease was amended in 2000 and extended to 2030 with annual payments from the County of \$500,000.

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS

EMPLOYEES' RETIREMENT SYSTEM

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

Plan Description

The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan, that covers substantially all of the employees of the City and its Department of Water and Sewers. Cost of living adjustments of 2% annually (excluding beneficiaries and those members who are receiving a Deferred Retirement Allowance), are made to members for Basic and Service Pensions. The City of Hialeah Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees' Retirement System, 501 Palm Avenue, Hialeah, Florida, 33010.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Membership in the Plan as of October 1, 2007 consisted of the following:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1,078
Terminated employees entitled to benefits but not yet receiving them	<u>86</u>
Subtotal	<u>1,164</u>
Active employees:	
General employees	689
Police officers and firefighters	<u>806</u>
Subtotal	<u>1,495</u>
Total members	<u>3,109</u>

Loans to Members

The Employees' Retirement System Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (6.50% as of September 30, 2008). Such loans are limited to and fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

Administrative Expenses

Administrative expenses incurred by the Plans are absorbed by the City.

Funding Policy

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$18,298,037
Interest on net pension obligation	3,287,293
Adjustment to annual required contribution	<u>(3,650,022)</u>
Annual pension cost	17,935,308
Contributions made	<u>(18,117,911)</u>
Decrease in net pension obligation	(182,603)
Net pension obligation, beginning of year	<u>41,091,160</u>
Net pension obligation, end of year	<u>\$ 40,908,557</u>

The annual required contribution for the current year was determined as part of the October 1, 2007 actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases ranging from 3.5% to 12% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using 5-year smoothed market method. The unfunded actuarial accrued liability is being amortized using the level dollar open basis. The remaining amortization period was 30 years.

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2006	\$14,928,237	103%	\$40,019,330
9/30/2007	\$15,501,815	93%	\$41,091,160
9/30/2008	\$17,935,308	101%	\$40,908,557

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

DROP Plan

Effective March 1, 2007, the City established a deferred retirement option plan (DROP) for Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months. As of September 30, 2008, there were twenty-three (23) DROP participants.

ELECTED OFFICIALS' RETIREMENT SYSTEM

Plan Description

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City of Hialeah. The EORS was established by City Ordinance effective June 1998. 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 qualified elected officials and city attorneys are eligible to participate in the plan. The Plan does not issue a stand alone financial report. The latest available actuarial valuation is as of September 30, 2007, however, employer contribution requirements for the year ended September 30, 2008 were based on the September 30, 2007 valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council.

Membership in the Plan as of September 30, 2007, the date of the most recent actuarial valuation, was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>12</u>
Current employees:	
Vested	14
Non-vested	<u>-</u>
Total	<u>14</u>

Pension Benefits

Participants earn one vesting credit for each year of service completed. A participant is considered fully vested after 8 years of credited service. After 8 years of credited service, the participant need not render any further service as an employee of the City, in order to begin receiving a pension benefit upon attaining eligibility.

A participant is eligible for normal retirement benefits when the participant has attained age 55 and 8 vesting credits or has attained 20 vesting credits regardless of age.

Normal retirement benefits are based on 3% of average final compensation multiplied by the years of service for each year of prior service.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Contributions and Funding Policy

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the individual entry age method. This method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the assumed exit age.

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

Annual Pension Cost and Net Pension Obligation (Asset)

The City's annual pension cost and net pension asset for the current year are as follows:

Annual required contribution	\$263,369
Interest on net pension obligation	(93,936)
Adjustment to annual required contribution	<u>144,562</u>
Annual pension cost	313,995
Contributions made	<u>500,000</u>
Decrease in net pension obligation	(186,005)
Net pension obligation, beginning of year	<u>(1,565,608)</u>
Net pension obligation, end of year	<u>\$ (1,751,613)</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Annual Pension Cost and Net Pension Obligation (Asset)

<u>Three-Year Trend Information</u>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9/30/2006	280,272	143%	(1,342,028)
9/30/2007	276,320	181%	(1,565,708)
9/30/2008	313,995	159%	(1,751,613)

The annual required contribution for the current year was determined as part of the September 30, 2007 actuarial valuation, using the individual entry age method. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6% per year compounded annually, (b) projected salary increases of 8% per year compounded annually, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques, which express it as a percentage of the actuarial accrued liability. The unfunded actuarial accrued liability is being expressed as a percentage of covered payroll which approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. The unfunded actuarial accrued liability is being amortized using the level percent of payroll closed basis. The remaining amortization period at September 30, 2008 was 5-26 years, closed.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

The statement of net assets and statement of changes in net assets for the Elected Officials' Retirement System are presented below:

STATEMENT OF NET ASSETS SEPTEMBER 30, 2008

<u>ASSETS</u>	
Cash and cash equivalents	<u>\$1,270,342</u>
Receivables:	
Other receivables	<u>64,162</u>
Investments, at fair value:	
Mutual Funds – Bonds	3,019,209
Mutual Funds – Equity	<u>492,619</u>
Total Investments, at fair value	<u>3,511,828</u>
 Total assets	 <u>4,846,332</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Accounts payable and accrued liabilities	<u>6,548</u>
Net assets held in trust for pension benefits	<u>\$4,839,784</u>

STATEMENT OF CHANGES IN NET ASSETS FISCAL YEAR ENDED SEPTEMBER 30, 2008

ADDITIONS	
Contributions:	
Employer	<u>\$ 500,000</u>
Investment income:	
Net depreciation in fair value of investment	<u>9,992</u>
	9,992
Less investment expenses	<u>8,659</u>
Net investment income	<u>1,333</u>
Total additions	<u>501,333</u>
 DEDUCTIONS	
Pension benefits	<u>169,428</u>
 Net increase	 331,905
Net assets held in trust for pension benefits:	
Beginning	<u>4,507,879</u>
Ending	<u>\$4,839,784</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

The funded status of the Plans as of October 1, 2007, the most recent actuarial valuation date, is as follows:

<u>EMPLOYEES' RETIREMENT SYSTEM</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2007	\$522,796,029	\$595,379,468	\$72,583,439	87.8%	\$75,461,003	96.2%
<u>ELECTED OFFICIALS' RETIREMENT SYSTEM</u>						
10/1/2007	\$4,507,879	\$5,044,765	\$536,886	89.4%	\$1,116,589	48.1%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

	<u>Employees' Retirement System</u>	<u>Elected Officials' Retirement System</u>
Valuation date	October 1, 2007	September 30, 2007
Actuarial cost method	Entry age normal	Individual entry age
Amortization method	Level dollar open	Level percent of payroll, closed
Remaining amortization period	30 years	5-26 years closed
Asset valuation method	5-year smoothed market vs actual returns	Market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 14. DEFINED CONTRIBUTION PLANS

The City of Hialeah has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employees' Retirement System. The City no longer receives passed-through State contributions for the police officers or firefighters. The City under Chapter 185 of the Florida Statutes has provided authorization to the State for the direct contribution of benefits to the Police Pension Fund.

NOTE 15. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City of Hialeah sponsors a defined benefit OPEB plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. The employer currently charges no contribution for retirees with single coverage, and the single funding rate for double (employee plus spouse) coverage. Self funded management retirees pay less for double coverage. Disabled contributions vary between plans.

Funding Policy

The OPEB obligation is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – fiscal 2008

	<u>Governmental Funds</u>	<u>Water & Sewer</u>	<u>Solid Waste</u>	<u>Circulator</u>	<u>Total</u>
Annual Required Contribution	\$ 15,136,467	\$ 1,233,212	\$ 1,206,737	\$ 277,584	\$ 17,854,000
Interest on the Net OPEB Obligation	-	-	-	-	-
Adjustment to the ARC	-	-	-	-	-
Annual OPEB cost	\$ 15,136,467	\$ 1,233,212	\$ 1,206,737	\$ 277,584	\$ 17,854,000
Less estimated employer contributions	<u>(5,602,457)</u>	<u>(400,929)</u>	<u>(446,649)</u>	<u>(158,262)</u>	<u>(6,608,297)</u>
Increase in Net OPEB Obligation	<u>9,534,010</u>	<u>832,283</u>	<u>760,087</u>	<u>119,322</u>	<u>11,245,703</u>
Net OPEB obligation— beginning of year	-	-	-	-	-
Net OPEB obligation—end of year	<u>\$ 9,534,010</u>	<u>\$ 832,283</u>	<u>\$ 760,087</u>	<u>\$ 119,322</u>	<u>\$ 11,245,703</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 15. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

The funded status of the plan (actuarial valuation date October 1, 2006) was as follows:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$140,501,000	\$76,786,000	\$64,631,000	\$281,918,000
Actuarial value of plan assets	-	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$140,501,000	\$76,786,000	\$64,631,000	\$281,918,000
Actuarial Value of Assets as a % of AAL	0%	0%	0%	0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan, including the method of sharing of costs between the employer and plan members.

In the October 1, 2006 actuarial valuation, the Entry age normal (percent of pay) actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11% initially, reduced by 1% per year to an ultimate rate of 5% after six years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30 year period beginning in fiscal 2008.

NOTE 16. JOINT PARTICIPATION AGREEMENT

On December 27, 2007, the City entered into a Joint Participation agreement with Miami-Dade County (the County) for the design, construction and operation of a 17.5 MGD reverse osmosis water treatment plant (the Plant).

The City and the County shall have equal 50% ownership of the Plant, exclusive of land but inclusive of structures, facilities and appurtenances to be situated in the Annexation Area of the City, having a capacity of 17.5 MGD ("WTP"). The construction of the WTP building structure shall be in one phase, while the water production and related appurtenances shall be in three phases, with the final phase at full production or capacity. The WTP shall operate to supply potable water to the Annexation Area of the City and upon agreement of the City and the County, to supply potable water to adjacent areas of unincorporated Miami-Dade County, to any other current or future wholesale or retail customers of the County, or to future customers of unincorporated Miami-Dade County in adjacent areas and outside City's service areas.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 16. JOINT PARTICIPATION AGREEMENT(Continued)

Construction of the WTP shall occur on the following schedule:

- a) In Phase I, the City shall construct or cause to be constructed the WTP, having a potential capacity of 17.5 MGD; however, the actual water production capacity at the end of Phase I shall be 10 MGD. The WTP shall be permitted and operational by February 1, 2011, with an option to extend for an additional year, with the consent of the South Florida Water Management District.
- b) In Phase II, the actual water production of the WTP shall be increased to 15 MGD by February 1, 2019.
- c) In Phase III, the actual water production of the WTP shall be increased to 17.5 MGD by February 1, 2029.

At all times during the operation of the WTP, the County and City shall each receive 50% of the water production produced by the WTP. However, if either party desires to purchase a portion of the other party's 50% share, the price of such water sold from one party to the other party shall be equal to the operation/maintenance cost per thousand gallons.

The term of the Agreement shall coincide with the later of two dates: (1) The expiration date of the original issuance of any bond related to the WTP issued by the County; and (2) The expiration date of the original issuance of any bond related to the WTP issued on behalf of the City. In no event shall the agreement expire before February 1, 2029. Upon termination, each party shall maintain a fifty percent interest in the WTP.

The County shall contribute and pay for 50% of the planning, design and construction and construction management (the "design and construction") costs for the WTP, in an amount not less than \$80 million, and the City shall contribute and pay for 50% of the design and construction costs of the WTP, in an amount not less than \$80 million based on an estimate. If the design and construction is accomplished for less than \$160 million, the County and the City shall bear half of such actual costs, and shall not be required to contribute amounts in excess of its share of the actual costs. However, in the event that the design and construction of the WTP costs less than \$160 million, the City shall retain funds not expended to pay for expanded appurtenances for Phases II and III, and City and the County shall share equally in those additional expenses, even if such expenses exceed the amount of the retained funds plus accrued interest.

The City shall receive a credit towards its contribution for the fair market value of the land that will be provided for the location of the WTP and the fair market value of the land for the well-fields as part of the City contribution to the design and construction costs. The City shall also receive a credit towards its contribution for administrative costs and financing costs as part of the City contribution to the design and construction costs. Additional funds that exceed the total design and construction estimate of \$160 million and cost overruns shall be shared equally by the City and the County. If the City determines that design and construction of the WTP will or will likely require a County contribution in excess of \$80 million, the City shall advise the County of same in writing, within 30 calendar days of such determination. The City and the County acknowledge that the \$160 million estimate for the design and construction of the WTP does not include additional capital costs for the procurement of land for and the construction of additional well-fields for Phase II and III, if necessary. The City and the County shall share equally in these additional expenses, if necessary. In the event that either the City or the County secure grant to design or construct the WTP, said grants shall be applied to the overall construction of the WTP, and the contribution required from each party shall be accordingly equally adjusted.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 16. JOINT PARTICIPATION AGREEMENT(Continued)

The County shall provide \$10 million within 60 days of the execution of this Agreement. The County shall provide an additional sum at the time of permitting and incremental payments as set forth in the Operating Agreement with the Contractor, and shall provide the balance of the \$80 million contribution at time of the commencement of operation of the WTP at Phase I. All money contributed by the City and the County shall be maintained by separate interest bearing accounts, and shall be used only for the purposes contemplated by this agreement. All interest that accrues in the account in which the County funds are deposited shall be credited towards the County required contribution. All interest that accrues in the account in which the City funds are deposited shall be credited towards the City required contribution. The City shall secure bond financing by June 2009 for its contribution to the design and construction costs.

A volunteer Oversight Board shall be established consisting of five members who will serve without compensation for staggered two-year terms. The Oversight Board shall manage operations of the WTP after completion of Phase I, subject to the Operating Agreement with the Contractor. The Oversight Board shall review and approve the annual operating budget of the WTP, and shall provide overall financial oversight and financial management of the activities of the WTP within the physical perimeter of the WTP and well-fields. The Oversight Board shall not have any management or oversight of the water distribution system of the Hialeah Utility System. The Oversight Board shall not establish water rates and connection fees and other charges. The City shall appoint two members to the Oversight Board and fill vacancies of its appointed members due to resignation, expiration of terms of service, ill health or death and other reasons. The County shall appoint two members to the Oversight Board and fill vacancies of its appointed members due to resignation, expiration of terms of service, ill health or death or other reasons. The four appointed members, by a majority vote, shall appoint the fifth member of the Oversight Board. The Chair of the Board shall be selected by majority vote of the entire membership. The City and the County will jointly prepare documents reflecting the duties and responsibilities of the Oversight Board.

During 2008, the City received \$9,500,000 from the County of which \$8,576,084 has been deferred in the Water and Sewer fund.

NOTE 17. SUBSEQUENT EVENT

On November 30, 2008, the City entered into a capital lease to finance the purchase of a E-One Rescue Pumper totaling \$369,788. The lease is for a five year term expiring at an interest rate of 4.35% and calls for five annual installments of \$84,089.



REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)



CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Ad valorem taxes	\$ 68,502,606	\$ 68,502,606	\$ 68,833,515	\$ 330,909
Utility taxes	24,611,000	24,611,000	21,696,763	(2,914,237)
Franchise fees	10,255,000	10,255,000	11,865,713	1,610,713
Licenses and permits	6,443,000	6,443,000	6,958,549	515,549
State and local shared revenues	27,017,053	27,017,053	22,258,302	(4,758,751)
Fines and forfeitures	290,000	290,000	1,446,391	1,156,391
Interest	3,324,484	3,324,484	712,949	(2,611,535)
Government grants and other revenues	<u>2,580,350</u>	<u>2,580,350</u>	<u>7,436,073</u>	<u>4,855,723</u>
Total revenues	<u>143,023,493</u>	<u>143,023,493</u>	<u>141,208,255</u>	<u>(1,815,238)</u>
Other financing sources				
Appropriation of prior year fund balance	<u>16,494,573</u>	<u>18,235,329</u>	<u>-</u>	<u>(18,235,329)</u>
Total revenues and other financing sources	<u>159,518,066</u>	<u>161,258,822</u>	<u>141,208,255</u>	<u>(20,050,567)</u>
Expenditures:				
Current:				
Police	\$ 43,458,401	\$ 43,629,894	\$ 42,203,172	\$ 1,426,722
Fire	31,215,783	31,232,178	30,189,478	1,042,700
Fleet maintenance	2,457,724	2,463,680	2,361,705	101,975
Construction and maintenance	3,420,709	3,420,979	3,124,111	296,868
Recreation and community services	11,716,647	11,989,337	10,167,942	1,821,395
Planning and development	3,441,034	3,455,724	2,939,020	516,704
Adult center	2,475,228	2,475,228	1,984,101	491,127
Law	1,282,335	1,312,466	988,913	323,553
Risk management	752,647	759,651	716,475	43,176
Human resources	993,687	996,927	693,341	303,586
City Clerk's office	1,601,448	1,618,802	1,315,761	303,041
Office of Management and Budget	751,387	751,387	668,269	83,118
Office of the Mayor	767,546	767,603	655,965	111,638
Communications and special events	1,217,049	1,228,085	1,016,370	211,715
Employee retirement	570,159	570,159	519,634	50,525
Library	2,258,038	2,258,126	2,239,659	18,467
Compliance division	676,527	676,527	563,559	112,968
Finance	1,069,484	1,069,484	907,045	162,439
Division of licenses	571,812	571,812	478,074	93,738
General government	44,184,537	44,717,539	36,165,702	8,551,837
Information systems	<u>1,750,619</u>	<u>2,407,969</u>	<u>1,446,964</u>	<u>961,005</u>
Total expenditures	<u>156,632,801</u>	<u>158,373,557</u>	<u>141,345,260</u>	<u>17,028,297</u>
Other financing (uses):				
Transfers out	<u>(2,885,265)</u>	<u>(2,885,265)</u>	<u>(972,180)</u>	<u>1,913,085</u>
Total expenditures and other financing (uses)	<u>159,518,066</u>	<u>161,258,822</u>	<u>142,317,440</u>	<u>15,115,212</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(1,109,185)</u>	<u>(1,109,185)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>29,695,777</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,586,592</u>	

See notes to budgetary comparison schedule.

CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding 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. At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last 6 months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level.
- e. The reported budgetary data represents the final approved budget after amendments adopted by the City Council. Individual type amendments were not material in relation to the original appropriations. Unencumbered appropriations lapse at fiscal year end.
- f. The City Council may make supplemental appropriations during the fiscal year. Supplemental appropriations were \$1,740,756 for the general fund, \$3,018,748 for the Streets Fund, \$2,550 for the Law Enforcement Fund, \$22,846 for the Fire Prevention Fund, \$35,432 for the Fire Rescue Fund, \$21,784 for the Stormwater Utility Fee Fund, \$390,735 for the Impact Fee Fund, \$4,762 for the Children's Trust Fund, \$29,106 for the Metro Medical Res. System Grant, \$3,079,009 for the Building Better Communities, \$361 for the Urban Areas Security Initiative Grant, \$74,959 for the 911 Wireless Fund, \$1,088 for the Affordable Housing, \$670,405 for the Capital Project Fund during fiscal year ended September 30, 2008.

NOTE 2. For fiscal year ended September 30, 2008, expenditures exceeded appropriations in the following non-major governmental funds.

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount in Excess of Final Budget</u>
E-911	\$425,000	\$825,273	\$427,273
Children's Trust Fund	1,369,906	1,466,865	96,959
300 Units Development	8,169,952	9,219,373	1,049,421

These excess were funded with excess revenues received in the current fiscal year or available fund balance.

NOTE 3. DEFICIT FUND EQUITY

The Solid Waste Fund had an accumulated deficit of \$3,001,499 as of September 30, 2008.

CITY OF HIALEAH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 SEPTEMBER 30, 2008

Fiscal Year Ended <u>September 30,</u>	<u>EMPLOYEES' RETIREMENT SYSTEM</u>		<u>ELECTED OFFICIALS' RETIREMENT</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 15,511,234	52%	\$ 136,116	100%
2004	15,257,996	69%	130,205	229%
2005	16,577,257	88%	250,415	160%
2006	15,084,481	102%	240,475	208%
2007	15,855,083	88%	263,369	190%
2008	18,298,037	99%	288,006	174%

The information presented in the required supplemental schedules was determined as part of the actuarial validations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2007	September 30, 2007
Actuarial cost method	Entry age normal	Individual entry age
Amortization method	Level dollar open	Level percent of payroll, closed
Remaining amortization period	30 years	5-26 years closed
Asset valuation method	5-year smoothed market vs actual returns	Market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

CITY OF HIALEAH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 SEPTEMBER 30, 2008

EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2002	\$ 452,978,637	\$ 481,947,418	\$ 28,968,781	94.0%	\$ 54,744,904	52.9%
10/1/2003	439,793,566	501,224,409	61,430,843	87.7%	58,129,374	105.7%
10/1/2004	442,293,992	516,284,449	73,990,457	85.7%	57,655,037	128.3%
10/1/2005	462,096,761	507,134,721	45,037,960	91.1%	60,364,488	74.6%
10/1/2006	500,501,442	556,466,663	55,965,221	89.9%	66,835,565	83.7%
10/1/2007	522,796,029	595,379,468	72,583,439	87.8%	75,461,003	96.2%

ELECTED OFFICIALS' RETIREMENT SYSTEM

10/1/2002	\$ 2,062,206	\$ 1,893,479	\$ (168,727)	108.9%	\$ 487,773	-34.6%
10/1/2003	2,664,848	3,154,525	489,677	84.5%	988,293	49.5%
10/1/2004	3,049,827	3,396,593	346,766	89.8%	965,463	35.9%
10/1/2005	3,455,014	3,810,238	355,224	90.7%	1,043,850	34.0%
10/1/2006	3,920,986	4,568,219	647,233	85.8%	986,381	65.6%
10/1/2007	4,507,879	5,044,765	536,886	89.4%	1,116,589	48.1%

COMBINING AND INDIVIDUAL FUND STATEMENTS



GENERAL FUND



CITY OF HIALEAH, FLORIDA

GENERAL FUND
COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 17,946,249	\$ 19,344,246
Receivables, net	12,018,969	10,228,423
Due from other funds	20,766,569	22,961,475
Inventories	1,303,980	1,186,595
Restricted cash	-	3,000,000
Total assets	<u>\$ 52,035,767</u>	<u>\$ 56,720,739</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 6,848,693	\$ 4,290,114
Compensated absences payable	157,797	225,848
Self-insurance claims payable	2,477,448	2,384,514
Due to other funds	10,832,673	16,905,951
Deferred revenue	2,681,853	2,743,790
Other liabilities	450,711	474,745
Total liabilities	<u>23,449,175</u>	<u>27,024,962</u>
Fund balances:		
Reserved for:		
Encumbrances	2,162,365	1,740,757
Inventories	1,303,980	1,186,595
Charter school	-	3,000,000
Unreserved:		
Designated for:		
Public safety	-	504,798
Subsequent years' expenditures	8,549,440	19,420,258
Undesignated	<u>16,570,807</u>	<u>3,843,369</u>
Total fund balances	<u>28,586,592</u>	<u>29,695,777</u>
Total liabilities and fund balances	<u>\$ 52,035,767</u>	<u>\$ 56,720,739</u>



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditure for particular purposes.

Streets – This fund was established to account for revenues derived from Miami-Dade County's 5 cents and 6 cents gas tax. The City funds its Streets Department from these gas tax revenues and the expenditures include regular salaries for the department, major repairs and maintenance to the City streets and capital outlay for road resurfacing and construction.

Stormwater – This fund administers revenues received from the Water & Sewers department from stormwater billings. Expenditures from this fund are mainly for salaries, stormwater drainage improvements and additions. The fees charged for Equivalent Residential Units (ERU) are \$2.50 per ERU.

Rescue Transportation – This fund administers revenues collected from fire rescue calls service billings. The main expenditures are for salaries of billing clerks, one lieutenant, and capital outlays for the Fire Department.

Fire Prevention – This fund administers revenues collected from fire re-inspection fees. Expenditures from this fund are mainly for salaries and operating expenses for the Fire Department.

E-911 – This fund administers revenues collected by the phone companies for emergency 911 calls. Expenditures from this fund are mainly for salaries of dispatchers for the Police and Fire Departments and for capital improvements.

E-911 Wireless Communication – This fund administers revenues collected from fire rescue calls service billings. The main expenditures are for salaries of billing clerks, one lieutenant, and capital outlays for the Fire Department.

Metro Medical Response System – This fund was created to account for revenues awarded by the State and Federal Governments. The funds are used for salaries, operating, and capital expenses for the Fire Department as specified by the MMRS agreement.

Law Enforcement Trust (State) – This fund is used to account monies received from state confiscated and forfeited property. These funds are to be used to purchase equipment for the Police Department and for improvements to the Police Department.

Law Enforcement Trust (Federal) – This fund is used to account monies received from federal confiscated and forfeited property. These funds are to be used to purchase equipment for the Police Department and for improvements to the Police Department.

Hialeah-Dade Development County Grant – HDDI provides economic development services for the City of Hialeah and Miami-Dade County. This fund was established to account for expenditures and revenues derived from CDBG funds passed through Miami-Dade County.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds (Continued)

Community Development Block Grant (CDBG) – This fund was established to account for expenditures and revenues derived from a Community Development Block Grant obtained from HUD. The grant was established to provide the following: Administration/Planning, Economic Development, Public Services, Housing Development, Commercial Improvement/ Urban Development, 1st Time Home Buyer Assistance, and Section 108 Loan Guarantees.

Worker Investment Act (WIA) – This fund administers grant funds for the Hayes Program. These programs were established to prepare youth and adults facing serious barriers to employment for participation in labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency.

Home Investment Partnership Program (HOME) Fund – This fund was established to account for expenditures and revenues derived from grants obtained from the U.S. Department of Housing and Urban Development. The purpose of the grants is for the City of Hialeah (the City) to provide affordable housing for its citizens. The City manages the grant and obtains reimbursements from HUD after expenditures are incurred.

Disaster Recovery Initiative Fund – This fund was established to account for expenditures and revenues derived from a Community Development Block Grant obtained from HUD. The grant was established to provide for residential rehabilitation.

Emergency Shelter Grant – This fund administers revenues from the Emergency Shelter Grants Program from HUD. The program was designed to help improve the quality of existing emergency shelters, make available additional emergency shelters and meet the costs to operate the shelters for the homeless.

Building Impact Fees – This fund was established to account for revenues derived from Park Impact Fees established by Ordinance 92-145 collected from building permits for new units. Expenditures from this fund are mainly for park improvements and development of open spaces.

Buffer Zone Protection Grant – This fund was established to account for expenditures and revenues derived from a grant obtained from the State of Florida Department of Law Enforcement, passed through from the Department of Homeland Security. The purpose of the grant is for the City to protect, secure and reduce the vulnerability of identified critical infrastructure and key resource sites.

Affordable Housing – Created to manage the building and revenues consisting of rental payments from the tenants and regular maintenance expenses as well as debt service payments on the mortgage.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds (Continued)

Hialeah Charter School Fund – This fund was established to account for expenditures and revenues of the Jebt Bush Educational Center Charter School.

State Housing Initiative Program (SHIP) – This fund was established to account for revenues and expenditures derived from a grant obtained from the State of Florida (the State). The purpose of the grant is for the City of Hialeah to provide affordable housing for its citizens. The City manages the grant and obtains reimbursements from the State after expenditures are incurred.

Children's Trust - This fund was established to account for revenues awarded by the Children's Trust to expand and enhance programs servicing the young community.

Emergency Disaster – This fund is used to administer funds received from the Federal Emergency Management Agency (FEMA) and the State of Florida Department of Community Affairs. All funds are passed through the Department of Community Affairs. Funds are received as reimbursements for expenditures caused by natural disasters (hurricanes, tropical storms, etc.). Once the President declares the area a national disaster area, the expenditures are submitted to the Department of Community Affairs for reimbursement from FEMA.

Urban Areas Security Grants – This fund was established to account for expenditures and revenues derived from an Interlocal Agreement entered into with Miami-Dade County, passed through from the State of Florida Department of Community Affairs. The purpose of the grant is for the City to carry out the Urban Areas Security Initiative (UASI) program objectives.

Building Better Communities – This fund was established to account for expenditures and revenues derived from a passed through grant from the Florida Recreation Development Assistance Program (FRDAP).

NONMAJOR GOVERNMENTAL FUNDS

Debt Service

Debt service funds are used to account for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

CITT Debt Service – The City of Hialeah’s Debt Service Fund accounts for the revenue bonds and related costs, which is funded by discretionary ½ cent sales tax.

Debt Service – The City of Hialeah’s Debt Service Fund accounts for the revenue bonds and related costs, which is funded by an operating transfer from Rescue Transportation User Fees Special Revenue Fund. The other debt service costs account for maintenance of the reserve account.

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary fund and trust funds.

300 Units Development – The 300 Units Development Fund accounts for the construction of the 300 unit affordable housing projects. The loan proceeds from a loan from SunTrust and the expenses related to this project are accounted for in this fund.

Capital Improvement Construction Fund - The Capital Improvement Construction Fund is a capital projects fund which is used to account for expenditures incurred for building City projects.

Vocational School Fund - The Charter School Fund is a capital projects fund which is used to account for expenditures incurred for building a charter school.

Parking Garage Construction Fund - The Capital Improvement Construction Fund is a capital projects fund which is used to account for expenditures incurred for building a parking garage at Hialeah High.

Fire Station #6 Construction Fund - The Capital Improvement Construction Fund is a capital projects fund which is used to account for expenditures incurred for building Fire Station #6.

Jackson Clinic/Housing Parking Fund - The Capital Improvement Construction Fund is a capital projects fund which is used to account for expenditures incurred for building the Jackson Clinic and Parking Garage.

Milander Park Construction Fund - The Capital Improvement Construction Fund is a capital projects fund which is used to account for expenditures incurred for building the Milander Auditorium and the Performance Arts and Exhibition Center.

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008

	Special Revenue												
	<u>Streets</u>	<u>Storm Water Utilities</u>	<u>Rescue Transportation</u>	<u>Fire Prevention Fund</u>	<u>EMS County Grant Fund</u>	<u>E-911</u>	<u>E-911 Wireless</u>	<u>Metro Medical Response System</u>	<u>State Law Enforcement Trust</u>	<u>Federal Law Enforcement Trust</u>	<u>Hialeah-Dade Development County Grant</u>	<u>CDBG</u>	<u>WIA</u>
ASSETS													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net	728,010	-	827,552	(869)	-	72,828	144,111	-	30,000	-	6,585	63,294	575,535
Due from other funds	2,000,000	2,060,423	44,868	68,183	45,446	-	1,139,934	677,905	59,217	-	30,000	2,459,027	-
Restricted cash and cash equivalents	-	-	1,056,269	881,988	-	-	-	-	166,028	994,633	-	-	-
Total assets	\$ 2,728,010	\$ 2,060,423	\$ 1,928,689	\$ 949,302	\$ 45,446	\$ 72,828	\$ 1,284,045	\$ 677,905	\$ 255,245	\$ 994,633	\$ 36,585	\$ 2,522,321	\$ 575,535
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable and accrued liabilities	\$ 354,925	\$ 57,212	\$ 63,756	\$ 115,829	\$ 8,246	\$ 6,726	\$ 17,985	\$ 27,118	\$ 135,202	\$ 40	\$ 30,000	\$ 36,000	\$ 14,683
Due to other funds	381,988	-	915,536	463,266	-	66,102	-	-	-	160,228	6,585	27,295	116,202
Deferred revenues	210,093	-	-	-	-	-	-	-	-	-	-	2,459,026	444,650
Total liabilities	947,006	57,212	979,292	579,095	8,246	72,828	17,985	27,118	135,202	160,268	36,585	2,522,321	575,535
Fund balances:													
Reserved for encumbrances	8,837	32,802	28,609	184,424	2,760	-	55,078	104,154	5,201	358,884	-	-	-
Unreserved:													
Designated for:													
Future construction	1,772,167	-	-	-	-	-	1,210,982	-	-	-	-	-	-
Public safety	-	-	920,788	185,783	-	-	-	546,633	114,842	475,481	-	-	-
Undesignated	-	1,970,409	-	-	34,440	-	-	-	-	-	-	-	-
Total fund balances	1,781,004	2,003,211	949,397	370,207	37,200	-	1,266,060	650,787	120,043	834,365	-	-	-
Total liabilities and fund balances	\$ 2,728,010	\$ 2,060,423	\$ 1,928,689	\$ 949,302	\$ 45,446	\$ 72,828	\$ 1,284,045	\$ 677,905	\$ 255,245	\$ 994,633	\$ 36,585	\$ 2,522,321	\$ 575,535

CITY OF HIALEAH, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
(Continued)

SEPTEMBER 30, 2008

	Special Revenue												
<u>ASSETS</u>	Home Investment Partnership	Disaster Recovery Initiative Fund	Emergency Shelter Grant	Building Impact Fees	Affordable Housing	S.H.I.P.	Hialeah Charter School	Children's Trust	Emergency Disaster Relief	Urban Area Security Grants	Buffer Zone Protection Grant	Building Better Communities	Total
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 601,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 601,312
Other receivables, net	513,158	136,659	7,263	-	-	-	44,785	170,182	-	949,127	-	2,445,753	6,713,973
Due from other funds	-	-	-	153,575	-	2,621,021	-	2,351	-	-	-	-	11,361,950
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	3,098,918
Total assets	<u>\$ 513,158</u>	<u>\$ 136,659</u>	<u>\$ 7,263</u>	<u>\$ 153,575</u>	<u>\$ 601,312</u>	<u>\$ 2,621,021</u>	<u>\$ 44,785</u>	<u>\$ 172,533</u>	<u>\$ -</u>	<u>\$ 949,127</u>	<u>\$ -</u>	<u>\$ 2,445,753</u>	<u>\$ 21,776,153</u>
<u>LIABILITIES AND FUND BALANCES</u>													
Liabilities:													
Accounts payable and accrued liabilities	\$ 513,158	\$ -	\$ 7,263	\$ -	\$ 8,990	\$ 102,903	\$ 29,786	\$ 2,550	\$ -	\$ 42,416	\$ -	\$ 311,878	\$ 1,886,666
Due to other funds	-	136,659	-	-	129,310	60,834	14,999	169,952	-	906,350	-	1,488,321	5,043,627
Deferred revenues	-	-	-	-	43,800	2,457,284	-	-	-	-	-	645,554	6,260,407
Total liabilities	<u>513,158</u>	<u>136,659</u>	<u>7,263</u>	<u>-</u>	<u>182,100</u>	<u>2,621,021</u>	<u>44,785</u>	<u>172,502</u>	<u>-</u>	<u>948,766</u>	<u>-</u>	<u>2,445,753</u>	<u>13,190,700</u>
Fund balances:													
Reserved for encumbrances	-	-	-	-	-	-	-	31	-	361	-	-	781,141
Unreserved:													
Designated for:													
Future construction	-	-	-	153,575	-	-	-	-	-	-	-	-	3,136,724
Public safety	-	-	-	-	-	-	-	-	-	-	-	-	2,243,527
Undesignated	-	-	-	-	419,212	-	-	-	-	-	-	-	2,424,061
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,575</u>	<u>419,212</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>361</u>	<u>-</u>	<u>-</u>	<u>8,585,453</u>
Total liabilities and fund balances	<u>\$ 513,158</u>	<u>\$ 136,659</u>	<u>\$ 7,263</u>	<u>\$ 153,575</u>	<u>\$ 601,312</u>	<u>\$ 2,621,021</u>	<u>\$ 44,785</u>	<u>\$ 172,533</u>	<u>\$ -</u>	<u>\$ 949,127</u>	<u>\$ -</u>	<u>\$ 2,445,753</u>	<u>\$ 21,776,153</u>

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
(Continued)

SEPTEMBER 30, 2008

	Debt Service		Capital Projects						Total Nonmajor Governmental Funds	
	CITT Debt Service Fund	Debt Service Fund	300 Units Development	Parking Garage Construction Fund	Vocational School	Fire Station #6 Capital Fund	Other Capital Projects Fund	Milander Park Construction Fund		Capital Improvement Construction
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 601,312
Other receivables, net	1,263,102	-	652,277	2,279,273	-	-	189,087	3,116	-	11,100,828
Due from other funds	-	490,930	-	-	23,870	-	-	-	-	11,876,750
Restricted cash and cash equivalents	-	26,467	3,563	-	-	-	-	-	2,382,032	5,510,980
Total assets	\$ 1,263,102	\$ 517,397	\$ 655,840	\$ 2,279,273	\$ 23,870	\$ -	\$ 189,087	\$ 3,116	\$ 2,382,032	\$ 29,089,870
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 62,942	\$ 36,058	\$ 23,870	\$ 6,705	\$ 74,080	\$ -	\$ 500,775	\$ 2,591,096
Due to other funds	2,187,564	-	4,595,894	2,192,873	-	3,038	115,007	3,116	-	14,141,119
Deferred revenues, net	-	-	-	-	-	-	-	-	-	6,260,407
Total liabilities	2,187,564	-	4,658,836	2,228,931	23,870	9,743	189,087	3,116	500,775	22,992,622
Fund balances:										
Reserved for encumbrances	-	-	-	50,342	-	-	-	-	-	831,483
Unreserved:										
Designated for:										
Debt service	-	517,397	-	-	-	-	-	-	-	517,397
Future construction	-	-	-	-	-	-	-	-	1,881,257	5,017,981
Public safety	-	-	-	-	-	-	-	-	-	2,243,527
Undesignated	(924,462)	-	(4,002,996)	-	-	(9,743)	-	-	-	(2,513,140)
Total fund balances	(924,462)	517,397	(4,002,996)	50,342	-	(9,743)	-	-	1,881,257	6,097,248
Total liabilities and fund balances	\$ 1,263,102	\$ 517,397	\$ 655,840	\$ 2,279,273	\$ 23,870	\$ -	\$ 189,087	\$ 3,116	\$ 2,382,032	\$ 29,089,870

CITY OF HIALEAH, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue												
	Streets	Storm Water Utilities	Rescue Transportation	Fire Prevention Fund	EMS County Grant Fund	E-911 E-911 Wireless	Metro Medical Response System	State Law Enforcement Trust	Federal Law Enforcement Trust	Hialeah-Dade Development County Grant	CDBG	WIA	
Revenues:													
Utility taxes	\$ -	\$ 3,827,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-	
State and local shared revenues	4,229,297	-	-	-	-	-	-	-	-	-	-	-	
Fines and forfeitures	-	-	-	-	-	-	-	141,387	629,271	-	-	-	
Interest	-	-	78,099	25,053	-	-	-	1,391	19,550	-	-	-	
Government grants and other revenues	829,074	-	2,783,559	905,789	35,751	436,382	416,060	496,591	-	171,400	3,507,902	2,209,604	
Total revenues	<u>5,058,371</u>	<u>3,827,175</u>	<u>2,861,658</u>	<u>930,842</u>	<u>35,751</u>	<u>436,382</u>	<u>416,060</u>	<u>496,591</u>	<u>142,778</u>	<u>648,821</u>	<u>171,400</u>	<u>3,507,902</u>	<u>2,209,604</u>
Expenditures:													
Current:													
General government	-	-	-	-	5,498	852,273	93,728	37,839	-	-	1,549,210	-	
Police	-	-	-	-	-	-	-	-	181,914	228,051	-	-	
Fire	-	-	2,759,543	1,042,254	-	-	-	-	-	-	-	-	
Streets	2,814,893	1,603,702	-	-	-	-	-	-	-	-	-	-	
Grants and human services	-	-	-	-	-	-	-	-	-	171,400	-	-	
S.H.I.P. expenses	-	-	-	-	-	-	-	-	-	-	-	-	
Work Investment Act programs	-	-	-	-	-	-	-	-	-	-	-	2,209,604	
Capital outlay	3,481,223	34,480	37,326	376,426	28,939	264,186	436,286	3,055	5,605	-	1,520,997	-	
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	
Principal	-	535,205	-	-	-	-	-	-	-	-	185,000	-	
Interest	-	392,529	-	-	-	-	-	-	-	-	252,695	-	
Total expenditures	<u>6,296,116</u>	<u>2,565,916</u>	<u>2,796,869</u>	<u>1,418,680</u>	<u>34,437</u>	<u>852,273</u>	<u>357,914</u>	<u>474,125</u>	<u>184,969</u>	<u>233,656</u>	<u>171,400</u>	<u>3,507,902</u>	<u>2,209,604</u>
Excess (deficiency) of revenues over expenditures	<u>(1,237,745)</u>	<u>1,261,259</u>	<u>64,789</u>	<u>(487,838)</u>	<u>1,314</u>	<u>(415,891)</u>	<u>58,146</u>	<u>22,466</u>	<u>(42,191)</u>	<u>415,165</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):													
Transfers in	-	-	-	68,183	35,886	415,891	-	400,729	-	419,200	-	-	
Transfers out	-	-	(323,550)	-	-	-	-	-	(419,200)	-	-	-	
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(323,550)</u>	<u>68,183</u>	<u>35,886</u>	<u>415,891</u>	<u>-</u>	<u>400,729</u>	<u>(419,200)</u>	<u>419,200</u>	<u>-</u>	<u>-</u>	
Net change in fund balance	<u>(1,237,745)</u>	<u>1,261,259</u>	<u>(258,761)</u>	<u>(419,655)</u>	<u>37,200</u>	<u>-</u>	<u>58,146</u>	<u>423,195</u>	<u>(461,391)</u>	<u>834,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning	<u>3,018,749</u>	<u>741,952</u>	<u>1,208,158</u>	<u>789,862</u>	<u>-</u>	<u>-</u>	<u>1,207,914</u>	<u>227,592</u>	<u>581,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,781,004</u>	<u>\$ 2,003,211</u>	<u>\$ 949,397</u>	<u>\$ 370,207</u>	<u>\$ 37,200</u>	<u>\$ -</u>	<u>\$ 1,266,060</u>	<u>\$ 650,787</u>	<u>\$ 120,043</u>	<u>\$ 834,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HIALEAH, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue												Total
	Home Investment Partnership	Disaster Recovery Initiative Fund	Emergency Shelter Grant	Building Impact Fees	Affordable Housing	S.H.I.P.	Hialeah Charter School	Children's Trust	Emergency Disaster	Urban Area Security Grants	Buffer Zone Protection Grant	Building Better Communities	
Revenues:													
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,827,175
Licenses and permits	-	-	-	29,779	-	-	-	-	-	-	-	-	29,779
State and local shared revenues	-	-	-	-	-	-	-	-	-	-	-	-	4,229,297
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	770,658
Interest	-	-	-	-	16,479	69,363	-	-	-	-	-	-	209,935
Government grants and other revenues	1,404,575	136,659	252,000	7,255	871,619	947,943	44,785	1,462,133	-	297,044	-	3,656,286	20,872,411
Total revenues	1,404,575	136,659	252,000	37,034	888,098	1,017,306	44,785	1,462,133	-	297,044	-	3,656,286	29,939,255
Expenditures:													
Current:													
General government	-	-	-	-	537,837	-	-	-	-	-	-	-	3,076,385
Police	-	-	-	-	-	-	-	-	-	97,708	-	-	507,673
Fire	-	-	-	-	-	-	-	-	-	-	-	-	3,801,797
Streets	-	-	-	-	-	-	-	-	-	-	-	-	4,418,595
Grants and human services	137,048	136,659	252,000	-	-	-	-	1,449,775	-	-	-	-	2,146,882
S.H.I.P. expenses	-	-	-	-	-	1,017,306	-	-	-	-	-	-	1,017,306
Work Investment Act programs	-	-	-	-	-	-	-	-	-	-	-	-	2,209,604
Capital outlay	1,267,527	-	-	600,278	-	-	44,785	17,090	-	199,336	-	3,656,286	11,973,825
Debt service:													
Principal	-	-	-	-	6,130	-	-	-	-	-	-	-	726,335
Interest	-	-	-	-	2,976	-	-	-	-	-	-	-	648,200
Total expenditures	1,404,575	136,659	252,000	600,278	546,943	1,017,306	44,785	1,466,865	-	297,044	-	3,656,286	30,526,602
Excess (deficiency) of revenues over expenditures	-	-	-	(563,244)	341,155	-	-	(4,732)	-	-	-	-	(587,347)
Other financing sources (uses):													
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	1,339,889
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	(742,750)
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-	-	-	597,139
Net change in fund balance	-	-	-	(563,244)	341,155	-	-	(4,732)	-	-	-	-	9,792
Fund balances, beginning	-	-	-	716,819	78,057	-	-	4,763	-	361	-	-	8,575,661
Fund balances, ending	\$ -	\$ -	\$ -	\$ 153,575	\$ 419,212	\$ -	\$ -	\$ 31	\$ -	\$ 361	\$ -	\$ -	\$ 8,585,453

CITY OF HIALEAH, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Debt Service		Capital Projects						Total Nonmajor Governmental Funds	
	CITT Debt Service Fund	Debt Service Fund	300 Units Development	Parking Garage Construction Fund	Vocational School	Fire Station #6 Capital Fund	Other Capital Projects Fund	Milander Park Construction Fund		Capital Improvement Construction
Revenues:										
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,827,175
Licenses and permits	-	-	-	-	-	-	-	-	-	29,779
State and local shared revenues	5,888,587	-	-	-	-	-	-	-	-	10,117,884
Fines and forfeitures	-	-	-	-	-	-	-	-	-	770,658
Interest	-	12,859	12,904	-	-	-	-	-	43,812	279,510
Government grants and other revenues	-	-	-	2,279,273	3,000,000	-	189,087	3,116	-	26,343,887
Total revenues	5,888,587	12,859	12,904	2,279,273	3,000,000	-	189,087	3,116	43,812	41,368,893
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	3,076,385
Police	-	-	-	-	-	-	-	-	-	507,673
Fire	-	-	-	-	-	-	-	-	-	3,801,797
Streets	1,075,623	-	-	-	-	-	-	-	-	5,494,218
Grants and human services	-	-	-	-	-	-	-	-	-	2,146,882
State housing initiative program	-	-	-	-	-	-	-	-	-	1,017,306
Work Investment Act programs	-	-	-	-	-	-	-	-	-	2,209,604
Capital outlay	-	-	8,523,221	2,228,931	3,051,491	9,743	189,087	3,116	45,943	26,025,357
Debt service:										
Principal	2,072,114	59,409	-	-	-	-	-	-	-	2,857,858
Interest	3,665,312	119,103	696,152	-	-	-	-	-	-	5,128,767
Total expenditures	6,813,049	178,512	9,219,373	2,228,931	3,051,491	9,743	189,087	3,116	45,943	52,265,847
Excess (deficiency) of revenues over expenditures	(924,462)	(165,653)	(9,206,469)	50,342	(51,491)	(9,743)	-	-	(2,131)	(10,896,954)
Other financing sources (uses):										
Transfers in	-	323,550	-	-	51,491	-	-	-	-	1,714,930
Transfers out	-	-	-	-	-	-	-	-	-	(742,750)
Payment to refunded bond escrow agent	-	(2,610,000)	-	-	-	-	-	-	-	(2,610,000)
Proceeds of refunding bonds	-	2,283,000	-	-	-	-	-	-	-	2,283,000
Total other financing sources (uses)	-	(3,450)	-	-	51,491	-	-	-	-	645,180
Net change in fund balance	(924,462)	(169,103)	(9,206,469)	50,342	-	(9,743)	-	-	(2,131)	(10,251,774)
Fund balances, beginning	-	686,500	5,203,473	-	-	-	-	-	1,883,388	16,349,022
Fund balances, ending	\$ (924,462)	\$ 517,397	\$ (4,002,996)	\$ 50,342	\$ -	\$ (9,743)	\$ -	\$ -	\$ 1,881,257	\$ 6,097,248

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Streets Transportation Fund				Storm Water Utilities			
	Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000	\$ 3,300,000	\$ 3,827,175	\$ 527,175
State and local shared revenues	10,413,214	10,413,214	4,229,297	(6,183,917)	-	-	-	-
Government grants and other revenues	45,000	217,150	829,074	611,924	-	-	-	-
Total revenues	<u>10,458,214</u>	<u>10,630,364</u>	<u>5,058,371</u>	<u>(5,571,993)</u>	<u>3,000,000</u>	<u>3,300,000</u>	<u>3,827,175</u>	<u>527,175</u>
Other financing sources								
Appropriation of prior year fund balance	-	3,018,749	-	(3,018,749)	-	21,785	-	(21,785)
Total revenues and other financing sources	<u>10,458,214</u>	<u>13,649,113</u>	<u>5,058,371</u>	<u>(8,590,742)</u>	<u>3,000,000</u>	<u>3,321,785</u>	<u>3,827,175</u>	<u>505,390</u>
Expenditures								
Streets	3,685,362	4,088,773	2,814,893	1,273,880	1,730,042	1,783,677	1,603,702	179,975
Capital outlay	1,015,821	3,803,309	3,481,223	322,086	340,000	608,150	34,480	573,670
Debt service	5,757,031	5,757,031	-	5,757,031	929,958	929,958	927,734	2,224
Total expenditures	<u>10,458,214</u>	<u>13,649,113</u>	<u>6,296,116</u>	<u>7,352,997</u>	<u>3,000,000</u>	<u>3,321,785</u>	<u>2,565,916</u>	<u>755,869</u>
Net change in fund balance	-	-	(1,237,745)	(1,237,745)	-	-	1,261,259	1,261,259
Fund balances - beginning	-	-	3,018,749		-	-	741,952	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,781,004</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,003,211</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Rescue Transportation				Fire Prevention Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ 30,000	\$ 30,000	\$ 78,099	\$ 48,099	\$ -	\$ -	\$ 25,053	\$ 25,053
Government grants and other revenues	<u>3,065,159</u>	<u>3,115,109</u>	<u>2,783,559</u>	<u>(331,550)</u>	<u>790,000</u>	<u>790,700</u>	<u>905,789</u>	<u>115,089</u>
Total revenues	<u>3,095,159</u>	<u>3,145,109</u>	<u>2,861,658</u>	<u>(283,451)</u>	<u>790,000</u>	<u>790,700</u>	<u>930,842</u>	<u>140,142</u>
Other financing sources								
Transfers in	-	-	-	-	-	-	68,183	(68,183)
Appropriation of prior year fund balance	<u>112,034</u>	<u>147,466</u>	-	<u>(147,466)</u>	<u>1,035,406</u>	<u>1,057,553</u>	-	<u>(1,057,553)</u>
Total other financing sources	<u>112,034</u>	<u>147,466</u>	-	<u>(147,466)</u>	<u>1,035,406</u>	<u>1,057,553</u>	<u>68,183</u>	<u>(1,125,736)</u>
Total revenues and other financing sources	<u>3,207,193</u>	<u>3,292,575</u>	<u>2,861,658</u>	<u>(430,917)</u>	<u>1,825,406</u>	<u>1,848,253</u>	<u>999,025</u>	<u>(985,594)</u>
Expenditures								
Fire	2,885,193	2,927,001	2,759,543	167,458	1,825,406	1,308,997	1,042,254	266,743
Capital outlay	-	42,024	37,326	4,698	-	539,256	376,426	162,830
Debt service	<u>322,000</u>	<u>323,550</u>	-	<u>323,550</u>	-	-	-	-
Total expenditures	<u>3,207,193</u>	<u>3,292,575</u>	<u>2,796,869</u>	<u>495,706</u>	<u>1,825,406</u>	<u>1,848,253</u>	<u>1,418,680</u>	<u>429,573</u>
Other financing sources (uses):								
Transfers out	-	-	<u>(323,550)</u>	<u>(323,550)</u>	-	-	-	-
Total expenditures and other financing sources (uses)	<u>3,207,193</u>	<u>3,292,575</u>	<u>3,120,419</u>	<u>819,256</u>	<u>1,825,406</u>	<u>1,848,253</u>	<u>1,418,680</u>	<u>429,573</u>
Net change in fund balance	-	-	<u>(258,761)</u>	<u>\$ (258,761)</u>	-	-	<u>(419,655)</u>	<u>\$ (419,655)</u>
Fund balances - beginning	-	-	<u>1,208,158</u>		-	-	<u>789,862</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 949,397</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,207</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	E-911				E-911 Wireless Communication			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	425,000	425,000	436,382	11,382	435,000	435,000	416,060	(18,940)
Total revenues	<u>425,000</u>	<u>425,000</u>	<u>436,382</u>	<u>11,382</u>	<u>435,000</u>	<u>435,000</u>	<u>416,060</u>	<u>(18,940)</u>
Other financing sources :								
Appropriation of prior year fund balance	-	-	-	-	792,500	867,459	-	(867,459)
Transfers in	-	-	415,891	415,891	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>415,891</u>	<u>415,891</u>	<u>792,500</u>	<u>867,459</u>	<u>-</u>	<u>(867,459)</u>
Total revenues and other financing sources	<u>425,000</u>	<u>425,000</u>	<u>852,273</u>	<u>427,273</u>	<u>1,227,500</u>	<u>1,302,459</u>	<u>416,060</u>	<u>(886,399)</u>
Expenditures								
General government	425,000	425,000	852,273	(427,273)	377,500	378,175	93,728	284,447
Capital outlay	-	-	-	-	850,000	924,284	264,186	660,098
Total expenditures	<u>425,000</u>	<u>425,000</u>	<u>852,273</u>	<u>(427,273)</u>	<u>1,227,500</u>	<u>1,302,459</u>	<u>357,914</u>	<u>944,545</u>
Net change in fund balance	-	-	-	\$ -	-	-	58,146	\$ 58,146
Fund balances - beginning	-	-	-		-	-	1,207,914	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,266,060</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Law Enforcement Trust- Federal				Law Enforcement Trust- State			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Fines and forfeitures	\$ 474,700	\$ 474,700	\$ 629,271	\$ 154,571	\$ 100,000	\$ 100,000	\$ 141,387	\$ 41,387
Interest	<u>8,300</u>	<u>8,300</u>	<u>19,550</u>	<u>11,250</u>	<u>8,000</u>	<u>8,000</u>	<u>1,391</u>	<u>(6,609)</u>
Total revenues	<u>483,000</u>	<u>483,000</u>	<u>648,821</u>	<u>165,821</u>	<u>108,000</u>	<u>108,000</u>	<u>142,778</u>	<u>34,778</u>
Other financing sources:								
Appropriation of prior year fund balance	-	-	-	-	100,000	102,550	-	(102,550)
Transfers in	<u>-</u>	<u>-</u>	<u>419,200</u>	<u>419,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>419,200</u>	<u>419,200</u>	<u>100,000</u>	<u>102,550</u>	<u>-</u>	<u>(102,550)</u>
Total revenues and other financing sources	<u>483,000</u>	<u>483,000</u>	<u>1,068,021</u>	<u>585,021</u>	<u>208,000</u>	<u>210,550</u>	<u>142,778</u>	<u>(67,772)</u>
Expenditures								
Police	483,000	483,000	228,051	254,949	200,000	200,000	181,914	18,086
Capital outlay	<u>-</u>	<u>-</u>	<u>5,605</u>	<u>(5,605)</u>	<u>8,000</u>	<u>10,550</u>	<u>3,055</u>	<u>7,495</u>
Total expenditures	<u>483,000</u>	<u>483,000</u>	<u>233,656</u>	<u>249,344</u>	<u>208,000</u>	<u>210,550</u>	<u>184,969</u>	<u>25,581</u>
Other financing (uses):								
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(419,200)</u>	<u>(419,200)</u>
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(419,200)</u>	<u>(419,200)</u>
Total expenditures and other financing (uses)	<u>483,000</u>	<u>483,000</u>	<u>233,656</u>	<u>249,344</u>	<u>208,000</u>	<u>210,550</u>	<u>604,169</u>	<u>444,781</u>
Net change in fund balance	-	-	834,365	<u>\$ 834,365</u>	-	-	(461,391)	<u>\$ (42,191)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>581,434</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834,365</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,043</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Affordable Housing				Children's Trust			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ 20,000	\$ 20,000	\$ 16,479	\$ (3,521)	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	1,008,104	1,008,104	871,619	(136,485)	618,105	1,365,143	1,462,133	96,990
Total revenues	<u>1,028,104</u>	<u>1,028,104</u>	<u>888,098</u>	<u>(140,006)</u>	<u>618,105</u>	<u>1,365,143</u>	<u>1,462,133</u>	<u>96,990</u>
Other financing sources:								
Appropriation of prior year fund balance	-	1,088	-	(1,088)	-	4,763	-	(4,763)
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>1,088</u>	<u>-</u>	<u>(1,088)</u>	<u>-</u>	<u>4,763</u>	<u>-</u>	<u>(4,763)</u>
Total revenues and other financing sources	<u>1,028,104</u>	<u>1,029,192</u>	<u>888,098</u>	<u>(141,094)</u>	<u>618,105</u>	<u>1,369,906</u>	<u>1,462,133</u>	<u>92,227</u>
Expenditures								
General government	607,457	608,545	537,837	70,708	-	-	-	-
Grants and human services	-	-	-	-	600,621	1,359,920	1,449,775	(89,855)
Capital Outlay	-	-	-	-	17,484	9,986	17,090	(7,104)
Debt service	420,647	420,647	9,106	411,541	-	-	-	-
Total expenditures	<u>1,028,104</u>	<u>1,029,192</u>	<u>546,943</u>	<u>482,249</u>	<u>618,105</u>	<u>1,369,906</u>	<u>1,466,865</u>	<u>(96,959)</u>
Net change in fund balance	-	-	341,155	<u>\$ 341,155</u>	-	-	(4,732)	<u>\$ (4,732)</u>
Fund balances - beginning	-	-	78,057		-	-	4,763	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 419,212</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Urban Area Security Grants				Building Better Communities			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Government grants and other revenues	\$ 1,434,543	\$ 1,434,543	\$ 297,044	\$ (1,137,499)	\$ 5,739,000	\$ 6,453,528	\$ 3,656,286	\$ (2,797,242)
Total revenues	<u>1,434,543</u>	<u>1,434,543</u>	<u>297,044</u>	<u>(1,137,499)</u>	<u>5,739,000</u>	<u>6,453,528</u>	<u>3,656,286</u>	<u>(2,797,242)</u>
Other financing sources:								
Appropriation of prior year fund balance	-	361	-	(361)	-	3,079,009	-	(3,079,009)
Transfers in	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>361</u>	<u>-</u>	<u>(361)</u>	<u>-</u>	<u>3,079,009</u>	<u>-</u>	<u>(3,079,009)</u>
Total revenues and other financing sources	<u>1,434,543</u>	<u>1,434,904</u>	<u>297,044</u>	<u>(1,137,860)</u>	<u>5,739,000</u>	<u>9,532,537</u>	<u>3,656,286</u>	<u>(5,876,251)</u>
Expenditures								
Police	631,543	591,342	97,708	493,634	-	-	-	-
Capital Outlay	803,000	843,562	199,336	644,226	5,739,000	9,532,537	3,656,286	5,876,251
Total expenditures	<u>1,434,543</u>	<u>1,434,904</u>	<u>297,044</u>	<u>1,137,860</u>	<u>5,739,000</u>	<u>9,532,537</u>	<u>3,656,286</u>	<u>5,876,251</u>
Net change in fund balance	-	-	-	\$ -	-	-	-	\$ -
Fund balances - beginning	-	-	361		-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Building Impact Fees				EMS County Grant Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Licenses and permits	\$ 200,000	\$ 575,912	\$ 29,779	\$ (546,133)	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	-	-	7,255	7,255	37,250	37,250	35,751	(1,499)
Total revenues	<u>200,000</u>	<u>575,912</u>	<u>37,034</u>	<u>(538,878)</u>	<u>37,250</u>	<u>37,250</u>	<u>35,751</u>	<u>(1,499)</u>
Other financing sources:								
Appropriation of prior year fund balance	-	390,735	-	(390,735)	71,282	71,282	-	(71,282)
Transfers in	-	-	-	-	-	-	35,886	35,886
Total other financing sources	<u>-</u>	<u>390,735</u>	<u>-</u>	<u>(390,735)</u>	<u>71,282</u>	<u>71,282</u>	<u>35,886</u>	<u>(35,396)</u>
Total revenues and other financing sources	<u>200,000</u>	<u>966,647</u>	<u>37,034</u>	<u>(929,613)</u>	<u>108,532</u>	<u>108,532</u>	<u>71,637</u>	<u>(36,895)</u>
Expenditures								
General Government	-	-	-	-	15,000	15,000	5,498	-
Capital Outlay	200,000	966,647	600,278	366,369	93,532	93,532	28,939	64,593
Total expenditures	<u>200,000</u>	<u>966,647</u>	<u>600,278</u>	<u>366,369</u>	<u>108,532</u>	<u>108,532</u>	<u>34,437</u>	<u>64,593</u>
Net change in fund balance	-	-	(563,244)	<u>\$ (563,244)</u>	-	-	37,200	<u>\$ 27,698</u>
Fund balances - beginning	-	-	716,819		-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,575</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,200</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Metro Medical Response System			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Government grants and other revenues	<u>650,313</u>	<u>875,674</u>	<u>496,591</u>	<u>(379,083)</u>
Total revenues	<u>650,313</u>	<u>875,674</u>	<u>496,591</u>	<u>(379,083)</u>
Other financing sources:				
Appropriation of prior year fund balance	-	29,106	-	(29,106)
Transfers in	-	-	<u>400,729</u>	<u>400,729</u>
Total other financing sources	<u>-</u>	<u>29,106</u>	<u>400,729</u>	<u>371,623</u>
Total revenues and other financing sources	<u>650,313</u>	<u>904,780</u>	<u>897,320</u>	<u>(7,460)</u>
Expenditures				
General government	313,150	313,202	37,839	275,363
Capital outlay	337,163	591,578	436,286	155,292
Debt service	-	-	-	-
Total expenditures	<u>650,313</u>	<u>904,780</u>	<u>474,125</u>	<u>430,655</u>
Net change in fund balance	-	-	423,195	<u>\$ 423,195</u>
Fund balances - beginning	-	-	<u>227,592</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,787</u>	

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2008

	300 Units Development				Vocational School Construction Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ 200,000	\$ 200,000	\$ 12,904	\$ (187,096)	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	-	300,000	-	(300,000)	3,000,000	3,000,000	3,000,000	-
Total revenues	<u>200,000</u>	<u>500,000</u>	<u>12,904</u>	<u>(487,096)</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Other financing sources:								
Appropriation of prior year fund balance	-	670,406	-	(670,406)	-	-	-	-
Debt issued	4,688,066	5,799,546	-	(5,799,546)	-	-	-	-
Transfers in	1,500,000	1,200,000	-	(1,200,000)	-	57,206	51,491	(5,715)
Total other financing sources	<u>6,188,066</u>	<u>7,669,952</u>	<u>-</u>	<u>(7,669,952)</u>	<u>-</u>	<u>57,206</u>	<u>51,491</u>	<u>(5,715)</u>
Total revenues and other financing sources	<u>6,388,066</u>	<u>8,169,952</u>	<u>12,904</u>	<u>(8,157,048)</u>	<u>3,000,000</u>	<u>3,057,206</u>	<u>3,051,491</u>	<u>(5,715)</u>
Expenditures								
General government	1,000	1,000	-	1,000	-	-	-	-
Capital Outlay	5,913,876	7,695,762	8,523,221	(827,459)	3,000,000	3,057,206	3,051,491	5,715
Debt service	473,190	473,190	696,152	(222,962)	-	-	-	-
Total expenditures	<u>6,388,066</u>	<u>8,169,952</u>	<u>9,219,373</u>	<u>(1,049,421)</u>	<u>3,000,000</u>	<u>3,057,206</u>	<u>3,051,491</u>	<u>5,715</u>
Net change in fund balance	-	-	(9,206,469)	<u>\$ (9,206,469)</u>	-	-	-	<u>\$ -</u>
Fund balances - beginning	-	-	5,203,473		-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,002,996)</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Milander Park Construction Fund				Parking Garage Construction Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual		Original	Final	Actual	
Revenues:								
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government grants and other revenues	<u>14,146,000</u>	<u>14,146,000</u>	<u>3,116</u>	<u>(14,142,884)</u>	<u>-</u>	<u>5,000,000</u>	<u>2,279,273</u>	<u>(2,720,727)</u>
Total revenues	<u>14,146,000</u>	<u>14,146,000</u>	<u>3,116</u>	<u>(14,142,884)</u>	<u>-</u>	<u>5,000,000</u>	<u>2,279,273</u>	<u>(2,720,727)</u>
Expenditures								
General government	-	-	-	-	-	-	-	-
Capital Outlay	14,146,000	14,146,000	3,116	14,142,884	-	5,000,000	2,228,931	2,771,069
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>14,146,000</u>	<u>14,146,000</u>	<u>3,116</u>	<u>14,142,884</u>	<u>-</u>	<u>5,000,000</u>	<u>2,228,931</u>	<u>2,771,069</u>
Net change in fund balance	-	-	-	<u>\$ -</u>	-	-	50,342	<u>\$ 50,342</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,342</u>	

FIDUCIARY FUNDS



CITY OF HIALEAH, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2008

	Employees' Retirement <u>System</u>	Elected Officials' Retirement <u>System</u>	Excess Benefit <u>Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 25,822,631	\$ 1,270,342	\$ -	\$ 27,092,973
Securities lending cash collateral	<u>164,808,552</u>	<u>-</u>	<u>-</u>	<u>164,808,552</u>
Receivables:				
Accrued interest	1,874,761	-	-	1,874,761
Accrued dividends	338,977	-	-	338,977
Fraud recovery	227,351	-	-	227,351
Other receivables	36,208	64,162	-	100,370
Employer and employee contributions	776,196	-	-	776,196
Investments sold	<u>1,711,996</u>	<u>-</u>	<u>-</u>	<u>1,711,996</u>
Total receivables	<u>4,965,489</u>	<u>64,162</u>	<u>-</u>	<u>5,029,651</u>
Investments, at fair value:				
U.S. Treasury bonds and notes	16,670,043	-	-	16,670,043
U.S. Government securities	41,621,865	-	-	41,621,865
Asset backed securities	4,050,427	-	-	4,050,427
Mortgage backed securities	105,340,031	-	-	105,340,031
Corporate bonds and notes	52,598,116	-	-	52,598,116
Mutual funds- bonds	-	3,019,209	-	3,019,209
Mutual funds- equity	-	492,619	-	492,619
Common stocks	<u>245,345,965</u>	<u>-</u>	<u>-</u>	<u>245,345,965</u>
Total investments	<u>465,626,447</u>	<u>3,511,828</u>	<u>-</u>	<u>469,138,275</u>
Loans to members	<u>8,891,228</u>	<u>-</u>	<u>-</u>	<u>8,891,228</u>
Total assets	<u>670,114,347</u>	<u>4,846,332</u>	<u>-</u>	<u>674,960,679</u>
<u>LIABILITIES AND NET ASSETS</u>				
Obligations under securities lending	164,808,552	-	-	164,808,552
Due to retired participants	40,580,454	-	-	40,580,454
Investments purchased	4,341,771	-	-	4,341,771
Accounts payable and accrued liabilities	1,822,652	6,548	-	1,829,200
DROP payable	<u>860,643</u>	<u>-</u>	<u>-</u>	<u>860,643</u>
Total liabilities	<u>212,414,072</u>	<u>6,548</u>	<u>-</u>	<u>212,420,620</u>
Net assets held in trust for pension benefits	<u>\$ 457,700,275</u>	<u>\$ 4,839,784</u>	<u>\$ -</u>	<u>\$ 462,540,059</u>

CITY OF HIALEAH, FLORIDA

FIDUCIARY FUNDS
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Employees' Retirement System	Elected Officials' Retirement System	Excess Benefit Fund	Total
ADDITIONS				
Contributions:				
Employer	\$ 17,656,033	\$ 500,000	\$ 113,461	\$ 18,269,494
Employee	6,120,402	-	-	6,120,402
State	461,878	-	-	461,878
Total contributions	<u>24,238,313</u>	<u>500,000</u>	<u>113,461</u>	<u>24,851,774</u>
Investment income:				
Net depreciation in fair value of investments	(78,894,995)	9,992	-	(78,885,003)
Investment earnings	20,331,720	-	-	20,331,720
	(58,563,275)	9,992	-	(58,553,283)
Less investment expenses	1,116,943	8,659	-	1,125,602
Net investment income (loss)	<u>(59,680,218)</u>	<u>1,333</u>	<u>-</u>	<u>(59,678,885)</u>
Total additions	<u>(35,441,905)</u>	<u>501,333</u>	<u>113,461</u>	<u>(34,827,111)</u>
DEDUCTIONS				
Pension benefits	31,903,354	169,428	113,461	32,186,243
Refunds of contributions	13,853,937	-	-	13,853,937
DROP payments	807,819	-	-	807,819
Total deductions	<u>46,565,110</u>	<u>169,428</u>	<u>113,461</u>	<u>46,847,999</u>
Net increase (decrease)	(82,007,015)	331,905	-	(81,675,110)
Net assets held in trust for pension benefits:				
Beginning	<u>539,707,290</u>	<u>4,507,879</u>	<u>-</u>	<u>544,215,169</u>
Ending	<u>\$ 457,700,275</u>	<u>\$ 4,839,784</u>	<u>\$ -</u>	<u>\$ 462,540,059</u>

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Hialeah's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:</i>	91-94
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	95-98
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	99-101
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	102-103
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	104-106



CITY OF HIALEAH, FLORIDA

NET ASSETS BY COMPONENT

LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:							
Invested in capital assets, net of related debt	\$ 113,072,756	\$ 105,547,406	\$ 139,547,580	\$ 146,261,556	\$ 157,977,858	\$ 183,501,680	\$ 200,996,079
Restricted	3,605,911	56,474,421	29,348,182	9,328,761	1,723,358	14,206,203	7,778,905
Unrestricted	<u>(21,802,169)</u>	<u>(64,599,363)</u>	<u>(64,551,849)</u>	<u>(37,031,548)</u>	<u>(31,280,078)</u>	<u>(53,760,487)</u>	<u>(73,598,339)</u>
Total governmental activities net assets	<u>94,876,498</u>	<u>97,422,464</u>	<u>104,343,913</u>	<u>118,558,769</u>	<u>128,421,138</u>	<u>143,947,396</u>	<u>135,176,645</u>
Business-type activities:							
Invested in capital assets, net of related debt	59,117,989	62,845,181	64,691,989	68,886,789	106,282,295	79,156,300	88,351,287
Restricted	7,400,113	7,414,430	7,387,298	7,473,034	7,606,961	21,446,086	-
Unrestricted	<u>34,292,786</u>	<u>38,787,797</u>	<u>43,176,594</u>	<u>34,327,360</u>	<u>3,112,053</u>	<u>26,479,228</u>	<u>46,322,656</u>
Total business-type activities net assets	<u>100,810,888</u>	<u>109,047,408</u>	<u>115,255,881</u>	<u>110,687,183</u>	<u>117,001,309</u>	<u>127,081,614</u>	<u>134,673,943</u>
Total government:							
Invested in capital assets, net of related debt	172,190,745	168,392,587	204,239,569	215,148,345	264,260,153	262,657,980	289,347,366
Restricted	11,006,024	63,888,851	36,735,480	16,801,795	9,330,319	35,652,289	7,778,905
Unrestricted	<u>12,490,617</u>	<u>(25,811,566)</u>	<u>(21,375,255)</u>	<u>(2,704,188)</u>	<u>(28,168,025)</u>	<u>(27,281,259)</u>	<u>(27,275,683)</u>
Total government net assets	<u>\$ 195,687,386</u>	<u>\$ 206,469,872</u>	<u>\$ 219,599,794</u>	<u>\$ 229,245,952</u>	<u>\$ 245,422,447</u>	<u>\$ 271,029,010</u>	<u>\$ 269,850,588</u>

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

CHANGES IN NET ASSETS

LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses:							
Governmental activities:							
General government	\$ 43,598,739	\$ 47,545,513	\$ 51,746,450	\$ 55,582,787	\$ 65,290,102	\$ 65,326,837	\$ 69,140,040
Police	29,595,541	32,377,628	34,840,112	38,558,035	37,743,976	42,209,396	47,982,487
Fire	21,633,308	22,940,682	24,501,409	27,400,080	28,371,023	32,354,377	38,058,400
Streets	10,065,320	11,956,652	11,404,971	12,140,825	13,049,483	12,593,306	14,561,927
Recreation and community services	10,089,085	11,106,559	11,201,682	11,838,894	12,357,830	13,128,189	16,045,320
Interest on long-term debt	1,547,169	1,245,786	3,791,259	4,464,526	5,187,625	5,491,719	5,559,726
Total governmental activities	116,529,162	127,172,820	137,485,883	149,985,147	162,000,039	171,103,824	191,347,900
Business-type activities:							
Water & sewer	37,441,440	35,101,318	37,448,005	39,891,188	37,231,951	36,259,160	38,888,103
Solid waste	12,643,480	12,935,775	14,157,722	15,720,554	15,144,955	14,715,629	15,349,165
Hialeah circulator	83,186	1,524,551	1,630,465	1,762,968	2,039,987	1,901,689	2,214,548
Total business-type activities	50,168,106	49,561,644	53,236,192	57,374,710	54,416,892	52,876,478	56,451,816
Total government expenses	\$ 166,697,268	\$ 176,734,464	\$ 190,722,075	\$ 207,359,857	\$ 216,416,931	\$ 223,980,302	\$ 247,799,716
Program revenues:							
Governmental activities:							
Charges for services:							
General government	\$ 14,011,192	\$ 14,425,002	\$ 14,232,618	\$ 14,562,835	\$ 18,884,163	\$ 10,990,136	\$ 15,978,981
Police	2,122,862	1,846,327	1,645,080	2,130,207	1,780,920	2,063,068	2,217,049
Fire	-	-	-	-	-	3,428,353	3,674,530
Streets	-	-	-	-	-	28,973	-
Recreation and community services	-	-	-	-	-	1,743,647	1,601,966
Operating grants and contributions	28,526,856	22,164,441	22,854,144	26,739,915	34,698,127	11,346,564	8,534,749
Capital grants and contributions	-	-	-	-	-	22,174,756	14,978,580
Total governmental activities program revenues	44,660,910	38,435,770	38,731,842	43,432,957	55,363,210	51,775,497	46,985,855
Business-type activities:							
Charges for services:							
Water & sewer	43,804,682	41,823,746	42,850,159	40,940,748	42,901,913	41,236,360	42,211,672
Solid waste	12,503,091	13,122,644	13,481,909	12,531,995	12,492,877	12,853,239	13,526,608
Hialeah circulator	-	1,596,850	1,856,442	2,325,368	1,924,770	1,947,693	1,897,338
Operating grants and contributions	547,326	845,263	302,726	597,541	457,207	-	-
Capital grants and contributions	14,619	14,759	84,210	308,954	356,111	3,557,718	4,413,317
Total business-type activities program revenues	56,869,718	57,403,262	58,575,446	56,704,606	58,132,878	59,595,010	62,048,935
Total program revenues	\$ 101,530,628	\$ 95,839,032	\$ 97,307,288	\$ 100,137,563	\$ 113,496,088	\$ 111,370,507	\$ 109,034,790
Net (expense) revenue:							
Governmental activities	\$ (71,868,252)	\$ (88,737,050)	\$ (98,754,041)	\$ (106,552,190)	\$ (106,636,829)	\$ (119,328,327)	\$ (144,362,045)
Business-type activities	6,701,612	7,841,618	5,339,254	(670,104)	3,715,986	6,718,532	5,597,119
Total net expense	\$ (65,166,640)	\$ (80,895,432)	\$ (93,414,787)	\$ (107,222,294)	\$ (102,920,843)	\$ (112,609,795)	\$ (138,764,926)
General revenues:							
Governmental activities:							
Taxes:							
Property taxes	\$ 39,840,108	\$ 41,845,482	\$ 46,352,850	\$ 48,983,038	\$ 54,405,056	\$ 61,549,502	\$ 68,833,515
Utility taxes	23,329,898	22,134,216	22,585,048	23,268,653	24,007,854	24,769,883	21,696,763
Franchise fees on gross receipts	-	-	-	-	-	11,929,276	11,865,713
Intergovernmental revenue	23,813,085	29,432,234	30,952,329	36,963,680	35,372,486	34,202,926	32,202,844
Unrestricted interest	1,861,707	883,331	835,245	1,532,057	2,413,802	2,402,998	992,459
Transfers	800,000	800,000	-	397,600	-	-	-
Total governmental activities	89,644,798	95,095,263	100,725,472	111,145,028	116,199,198	134,854,585	135,591,294
Business-type activities:							
Unrestricted interest	1,996,778	1,194,901	869,218	1,520,798	2,598,140	3,361,773	1,995,210
Transfers	(800,000)	(800,000)	-	(397,600)	-	-	-
Total business-type activities	1,196,778	394,901	869,218	1,123,198	2,598,140	3,361,773	1,995,210
Total general revenues	\$ 90,841,576	\$ 95,490,164	\$ 101,594,690	\$ 112,268,226	\$ 118,797,338	\$ 138,216,358	\$ 137,586,504
Change in net assets:							
Governmental activities	\$ 17,776,546	\$ 6,358,213	\$ 1,971,431	\$ 4,592,838	\$ 9,562,369	\$ 15,526,258	\$ (8,770,751)
Business-type activities	7,898,390	8,236,519	6,208,472	453,094	6,314,126	10,080,305	7,592,329
Total change in net assets	\$ 25,674,936	\$ 14,594,732	\$ 8,179,903	\$ 5,045,932	\$ 15,876,495	\$ 25,606,563	\$ (1,178,422)

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund:							
Reserved	\$ 2,183,527	\$ 879,048	\$ 1,236,079	\$ 2,121,649	\$ 2,742,507	\$ 5,927,352	\$ 3,466,345
Unreserved	<u>24,079,207</u>	<u>27,120,761</u>	<u>26,263,043</u>	<u>30,041,079</u>	<u>30,307,855</u>	<u>23,768,425</u>	<u>25,120,247</u>
Total general fund	<u>26,262,734</u>	<u>27,999,809</u>	<u>27,499,122</u>	<u>32,162,728</u>	<u>33,050,362</u>	<u>29,695,777</u>	<u>28,586,592</u>
All other governmental funds:							
Reserved	1,422,384	8,851,406	3,674,875	10,177,921	3,351,691	4,345,683	831,483
Unreserved, reported in:							
Public safety	-	-	-	-	-	2,717,111	2,243,527
Capital projects fund	(413,568)	26,058,441	3,462,645	9,080,636	10,314,057	7,802,592	5,017,981
Debt service fund	-	-	-	-	665,696	686,500	517,397
Special revenue funds	<u>5,495,409</u>	<u>4,410,202</u>	<u>7,251,466</u>	<u>4,821,936</u>	<u>5,645,387</u>	<u>797,136</u>	<u>(2,513,140)</u>
Total all other governmental funds	<u>6,504,225</u>	<u>39,320,049</u>	<u>14,388,986</u>	<u>24,080,493</u>	<u>19,976,831</u>	<u>16,349,022</u>	<u>6,097,248</u>
Total governmental funds	<u>\$ 32,766,959</u>	<u>\$ 67,319,858</u>	<u>\$ 41,888,108</u>	<u>\$ 56,243,221</u>	<u>\$ 53,027,193</u>	<u>\$ 46,044,799</u>	<u>\$ 34,683,840</u>

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues:							
Ad valorem taxes	\$ 39,840,108	\$ 41,845,484	\$ 46,352,850	\$ 48,983,038	\$ 54,289,694	\$ 61,549,502	\$ 68,833,515
Utility taxes	23,329,898	22,134,216	22,585,048	23,268,651	23,752,852	24,769,883	21,696,763
Franchise taxes	7,692,273	8,211,709	8,863,712	9,062,308	11,098,497	11,929,276	11,865,713
Licenses and permits	5,671,404	5,565,777	5,368,906	5,500,527	7,785,664	6,774,381	6,958,549
State and local shared revenues	23,813,085	29,432,237	30,952,329	36,963,680	35,372,486	34,277,457	22,258,302
Fines and forfeitures	2,122,863	1,846,326	1,645,081	2,130,206	1,780,919	2,001,490	1,446,391
Hialeah race course lease	647,515	647,515	-	-	-	-	-
Interest	1,859,908	883,332	835,246	1,461,075	2,594,270	2,402,998	712,949
Government grants and other revenues	28,288,277	22,314,660	22,854,146	26,739,917	34,813,492	41,541,262	7,436,073
Total revenues	133,265,331	132,881,256	139,457,318	154,109,402	171,487,874	185,246,249	141,208,255
Expenditures:							
Current:							
General government	24,486,772	25,927,134	29,350,162	30,382,986	43,422,682	32,294,210	29,429,549
Police	28,611,302	31,392,967	33,922,021	35,631,207	37,491,043	40,605,970	41,532,291
Fire	21,010,237	22,300,509	23,708,883	25,134,687	27,735,665	30,821,396	30,189,478
Streets	4,755,396	5,569,831	4,936,659	5,153,437	5,581,116	5,539,443	-
Grants and human services	1,055,177	1,133,005	603,935	1,117,650	1,064,881	2,446,509	-
State housing initiative expenses	1,305,904	1,266,610	1,280,397	1,690,485	686,690	1,388,171	-
Work investment act programs	1,960,514	1,910,697	1,838,914	1,843,001	2,121,473	2,131,368	-
City Clerk's office	935,630	1,073,200	1,364,631	1,217,191	1,295,503	1,112,082	1,315,761
Office of Management and Budget	300,298	311,318	358,042	499,740	596,364	753,186	668,269
Office of the Mayor	510,635	540,311	497,118	559,109	675,196	714,702	655,965
Communications and special events	-	-	-	-	-	941,837	1,016,370
Employee retirement	418,449	442,392	484,357	467,835	483,995	455,229	519,634
Library	1,374,704	1,615,478	1,769,335	1,854,187	2,067,074	1,743,219	1,896,684
Compliance division	482,642	417,583	417,126	469,331	544,655	535,830	563,559
Finance	685,732	672,957	697,412	738,228	778,099	890,882	907,045
Division of licenses	355,899	409,197	361,965	352,958	386,085	397,628	478,074
Information systems	578,067	672,018	528,572	841,477	887,225	1,109,924	1,446,964
Fleet maintenance	1,851,115	1,881,045	1,945,836	2,046,240	2,291,796	2,107,047	2,361,705
Construction and maintenance	1,918,975	2,054,030	2,088,170	2,292,005	2,656,957	2,876,541	3,123,798
Recreation and community services	9,227,272	10,195,983	10,270,811	10,114,055	11,313,187	10,399,244	9,991,115
Planning and development	1,685,782	1,799,826	1,962,264	2,199,219	2,630,981	3,135,389	2,939,020
Adult center	-	-	-	-	-	1,675,303	1,969,595
Law	678,808	718,858	752,522	797,968	889,820	965,169	988,913
Risk management	176,276	348,490	344,802	401,699	432,882	578,003	716,475
Human resources	545,610	525,478	591,529	868,676	905,862	838,335	693,341
Other expenditures	21,594	7,253	-	-	-	-	-
Capital outlay	27,540,072	32,070,880	38,657,443	44,547,773	30,479,617	42,096,354	7,236,301
Debt service:							
Principal	3,570,729	2,004,845	2,307,898	2,577,312	515,987	3,113,294	253,736
Interest	2,114,613	3,798,231	3,848,268	4,365,428	6,799,067	5,512,378	451,618
Total expenditures	138,158,204	151,060,126	164,889,072	178,163,884	184,733,902	197,178,643	141,345,260
Excess (deficiency) of revenues over expenditures	(4,892,873)	(18,178,870)	(25,431,754)	(24,054,482)	(13,246,028)	(11,932,394)	(137,005)
Other financing sources (uses)							
Debt issued	-	48,135,000	-	29,996,745	10,030,000	4,950,000	-
Premium on debt	-	1,861,747	-	-	-	-	-
Transfers in	3,915,584	2,207,614	561,490	2,211,137	4,388,554	6,475,276	-
Transfers out	(3,115,584)	(1,407,614)	(561,490)	(1,813,537)	(4,388,554)	(6,475,276)	(972,180)
Total other financing sources (uses)	800,000	50,796,747	-	30,394,345	10,030,000	4,950,000	(972,180)
Net change in fund balances	\$ (4,092,873)	\$ 32,617,877	\$ (25,431,754)	\$ 6,339,863	\$ (3,216,028)	\$ (6,982,394)	\$ (1,109,185)
Debt service as a percentage of non-capital expenditures	4.12%	3.84%	3.73%	3.90%	3.96%	4.37%	0.50%

Note: Data not available prior to fiscal 2002 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF HIALEAH, FLORIDA

NET ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>
1999	\$ 4,380,792,341	\$ 555,658,780	\$ 3,677,038	\$ 4,940,128,159	7.4810
2000	4,638,928,250	548,920,342	5,314,500	5,193,163,092	7.4810
2001	4,662,790,101	576,998,953	5,002,900	5,244,791,954	7.5280
2002	4,960,051,499	582,924,525	4,739,888	5,547,715,912	7.5280
2003	5,276,571,866	567,960,412	4,820,236	5,849,352,514	7.5280
2004	5,926,022,316	584,659,729	4,687,473	6,515,369,518	7.5280
2005	6,670,557,535	588,805,658	4,649,909	7,264,013,102	7.1000
2006	7,907,932,115	619,146,007	5,884,955	8,532,963,077	6.8000
2007	9,001,150,803	625,028,036	6,671,929	9,632,850,768	6.8000
2008	10,369,515,975	649,134,069	7,039,040	11,025,689,084	6.5400

Note: Property in the City is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraiser's Office.

CITY HIALEAH, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	Overlapping Rates (1)												
	City of Hialeah	Miami-Dade											
		Miami-Dade County			County School Board			Water Management District	Special District	Children's Trust	Everglades C.P.	Total Direct and Overlapping Rates	
		Operating Millage	Operating Millage	Service Millage	Debt Millage	Total County Millage	Operating Millage						Service Millage
1999	7.4810	6.0230	0.8370	6.8600	9.1820	0.9780	10.1600	0.6220	0.0470	0.0000	0.1000	25.2700	
2000	7.4810	5.8090	0.8160	6.6250	8.6540	0.9900	9.6440	0.5970	0.0440	0.0000	0.1000	24.4910	
2001	7.5280	5.7510	0.6520	6.4030	8.7020	0.9150	9.6170	0.5970	0.0410	0.0000	0.1000	24.2860	
2002	7.5280	5.7130	0.5520	6.2650	8.5280	0.8480	9.3760	0.5970	0.0385	0.0000	0.1000	23.9045	
2003	7.5280	5.8890	0.3900	6.2790	8.4820	0.7700	9.2520	0.5970	0.0385	0.0000	0.1000	23.7945	
2004	7.5280	5.9690	0.2850	6.2540	8.4180	0.6820	9.1000	0.5970	0.0385	0.5000	0.1000	24.1175	
2005	7.1000	5.9690	0.2850	6.2540	8.0900	0.5970	8.6870	0.5970	0.0385	0.4442	0.1000	23.2207	
2006	6.8000	5.8670	0.2850	6.1520	7.9470	0.4910	8.4380	0.5970	0.0385	0.4309	0.1000	22.5564	
2007	6.8000	6.8000	0.2850	7.0850	7.6910	0.4140	8.1050	0.5970	0.0385	0.4223	0.1000	23.1478	
2008	6.5400	7.5330	0.2640	7.7970	7.5330	0.2640	7.7970	0.5346	0.0345	0.4212	0.0894	23.2137	

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: City of Hialeah Office of Management & Budget and Miami-Dade County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Hialeah. Not all overlapping rates apply to all City of Hialeah property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

CITY OF HIALEAH, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

FISCAL YEAR 2008

<u>Taxpayer</u>	<u>Net Assessed Value</u>	<u>Rank</u>	<u>Percent of Total City Net Assessed Value</u>
Lifemark Hospitals Inc.	\$ 171,084,381	1	1.55%
Ashland Inc.	117,423,290	2	1.06%
Palm Springs Mile Associates LTD	103,134,176	3	0.94%
Westland Mills LLC	89,271,336	4	0.81%
Airras Group Inc.	66,616,355	5	0.60%
77 Acres LLC	50,950,566	6	0.46%
Gratigny Partners LTD	41,901,753	7	0.38%
Las Brisas LLC	38,372,458	8	0.35%
Bellsouth Telecommunications Inc.	37,275,661	9	0.34%
Royal Gardens Investments LLC	37,208,724	10	0.34%
	<u>\$ 753,238,700</u>		<u>6.83%</u>

Note: Information is not available for fiscal year 1999 comparison.

Source: Miami-Dade County Property Appraisers Office.

CITY OF HIALEAH, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30.</u>	Total Taxes Levied for <u>Fiscal Year</u>	Levied Taxes Collected within the Fiscal Year		Delinquent <u>Tax Collections</u>	Total Tax Collections	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
1999	\$ 36,918,938	\$ 34,771,027	94.18%	\$ 397,794	\$ 35,168,821	95.26%
2000	39,057,778	36,701,876	93.97%	603,599	37,305,475	95.51%
2001	39,525,422	36,948,594	93.48%	813,314	37,761,908	95.54%
2002	41,651,160	39,166,129	94.03%	673,979	39,840,108	95.65%
2003	44,158,639	41,396,740	93.75%	448,744	41,845,484	94.76%
2004	49,178,630	46,172,254	93.89%	180,596	46,352,850	94.25%
2005	51,892,970	48,596,777	93.65%	386,261	48,983,038	94.39%
2006	58,024,149	53,351,595	91.95%	423,624	53,775,219	92.68%
2007	65,503,385	60,909,886	92.99%	299,605	61,209,491	93.44%
2008	72,108,007	67,599,293	93.75%	779,007	68,378,300	94.83%

Source: City of Hialeah Office of Management & Budget.

CITY OF HIALEAH, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Governmental Activities				Business-Type Activities					Total	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Notes Payable	Capital Leases	Mortgage Payable	Revenue Bonds	Notes Payable	Revolving Loan	Capital Leases	Water Purchase Agreement			
1999	\$ 3,755,000	\$ 34,238,126	\$ 6,475,742	\$ 144,956	\$ 3,740,000	\$ 20,530,000	-	\$ 462,841	\$ -	\$ 69,346,665	3.68%	\$ 328
2000	3,635,000	37,113,901	5,075,313	140,132	3,320,000	18,385,000	-	287,753	-	67,957,099	3.37%	300
2001	3,510,000	35,529,747	3,386,755	135,162	2,880,000	16,105,000	-	112,665	-	61,659,329	2.16%	268
2002	3,380,000	33,874,122	1,606,773	130,040	2,420,000	13,675,000	813,471	-	-	55,899,406	1.95%	242
2003	3,240,000	77,810,000	434,046	124,762	1,960,000	11,090,000	838,526	-	-	95,497,334	3.30%	409
2004	3,095,000	75,710,000	376,711	119,324	1,480,000	8,340,000	874,344	-	-	89,995,379	3.11%	385
2005	2,940,000	102,620,000	316,218	113,720	970,000	5,415,000	900,989	-	-	113,275,927	3.97%	492
2006	2,780,000	109,930,000	252,391	103,841	465,000	2,305,000	1,021,188	-	514,546	117,371,966	3.74%	509
2007	2,610,000	112,010,000	185,047	97,891	-	1,185,000	2,158,254	-	352,832	118,599,024	3.76%	512
2008	2,223,591	109,035,000	113,992	91,761	-	-	2,047,309	-	176,416	113,688,069	3.62%	494

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 82 for personal income and population data.

CITY OF HIALEAH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2008
(amounts expressed in thousands)

<u>Government Unit</u>	2008		
	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Amount Applicable to the City of Hialeah</u>
Miami-Dade County	\$ 475,919,000	3.74%	\$ 17,776,026
Miami-Dade County School Board	<u>541,525,000</u>	3.70%	<u>20,061,016</u>
Subtotal, Overlapping Debt	1,017,444,000		39,372,328
City of Hialeah Direct Debt	<u>111,464,344</u>	100%	<u>111,464,344</u>
Total Direct and Overlapping Debt	<u>\$ 1,128,908,344</u>		<u>\$ 150,836,672</u>

Sources: Data provided by the Miami-Dade County Finance Department and the Miami-Dade County School Board, Finance Department

(1) The percentage of overlapping debt applicable is estimated using net taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF HIALEAH, FLORIDA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	State of Florida Loan						Rescue Transportation 2007 Revenue Bonds			
	Utility Charges and Other	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Rescue Transportation Fees (a)	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
1999	\$ 59,993,920	\$ 46,063,366	\$ 13,930,554	\$ 2,415,000	\$ 1,464,500	3.59	\$ 2,778,395	\$ 115,000	\$ 207,750	8.61
2000	60,505,487	43,825,427	16,680,060	2,565,000	1,332,145	4.28	2,300,123	120,000	202,575	7.13
2001	57,078,928	45,129,902	11,949,026	2,720,000	1,190,850	3.06	1,826,888	125,000	196,935	5.67
2002	45,576,660	33,723,172	11,853,488	2,890,000	1,039,570	3.02	1,902,477	130,000	190,935	5.93
2003	42,966,642	31,622,333	11,344,309	3,045,000	879,430	2.89	2,119,502	140,000	184,435	6.53
2004	43,711,215	34,017,403	9,693,812	3,230,000	709,250	2.46	2,059,811	145,000	177,295	6.39
2005	42,439,031	36,554,800	5,884,231	3,435,000	528,471	1.48	1,827,090	155,000	169,755	5.63
2006	42,901,913	36,984,771	5,917,142	3,615,000	337,265	1.50	1,968,192	160,000	161,540	6.12
2007	41,236,360	36,154,466	5,081,894	1,585,000	138,400	2.95	2,394,917	170,000	152,900	7.42
2008	46,070,878	38,241,216	7,829,662	1,185,000	65,175	6.26	2,602,700	59,409	75,876	19.24

Source: City of Hialeah Finance Department

Note (a): During 2008, the City paid off the State of Florida Loan.

Note (b): Rescue transportation fees are net of related uncollectible accounts.

CITY OF HIALEAH, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (Amounts Expressed in Thousands) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
1999	211,201	\$ 1,882,646	\$ 8,914	36	32,067	7.3%
2000	226,419	2,018,299	8,914	39	32,512	6.2%
2001	230,059	2,853,192	12,402	39	32,486	7.3%
2002	231,270	2,868,211	12,402	39	32,082	7.9%
2003	233,388	2,894,478	12,402	39	30,910	7.2%
2004	233,566	2,896,686	12,402	39	30,254	6.8%
2005	230,225	2,855,250	12,402	39	29,370	5.9%
2006	230,407	3,140,678	13,631	39	29,885	4.6%
2007	231,500	3,155,576	13,631	39	30,105	4.7%
2008	232,155	3,138,222	13,625	38	31,226	5.2%

Sources:

- (1) University of Florida, Bureau of Economic Research and American Factfinder, city of Hialeah, Fl.
- (2) United States Census Bureau
- (3) Miami-Dade County School Board Budget Office
- (4) U.S. Department of Labor

Note: Population, median age and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF HIALEAH, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
City of Hialeah	2,025	1	2.20%	1,650	2	1.84%
Palmetto General Hospital	1,675	2	1.82%	1,150	5	1.28%
United Parcel Service	1,221	3	1.33%	1,235	3	1.38%
Winn Dixie Super Markets	998	4	1.09%	-	-	-
Hialeah Hospital	1,239	5	1.35%	1,135	4	1.27%
Publix Super Markets	816	6	0.89%	-	-	-
Palm Springs Hospital	674	8	0.73%	622	7	0.69%
Sedano's Super Markets	552	9	0.60%	285	-	-
McDonald's Restaurants	389	7	0.42%	211	-	-
Yellow Stone Group	391	10	0.43%	-	-	-
Coulter Electronic	-	-	-	2,052	1	2.29%
Gator Industries	-	-	-	621	6	0.69%
Interamerican Transport Equipment Co.	-	-	-	422	8	0.47%
Piba Industries Inc.	-	-	-	391	9	0.44%
Consolidated Bank	-	-	-	358	10	0.40%
Total	<u>9,980</u>		<u>10.86%</u>	<u>10,132</u>		<u>10.77%</u>

Source: Hialeah Dade Development, Inc.

CITY OF HIALEAH, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of employees:										
Mayor's office	6	8	8	9	8	9	9	9	10	12
Communications & special events	-	-	-	-	-	-	-	-	8	11
Information systems	8	8	8	10	10	10	10	13	19	14
Community development:										
Planning and zoning	28	27	30	31	36	38	41	15	13	13
Building	-	-	-	-	-	-	-	-	26	31
License	8	9	9	9	8	8	9	9	8	10
Code compliance	12	13	11	11	10	10	12	12	12	9
Office of Management & Budget	12	12	10	11	10	12	11	10	13	17
City Clerk's office	10	9	10	10	11	10	10	8	8	11
Law	12	10	13	14	13	15	14	14	14	13
Risk management	10	10	11	11	10	10	10	8	15	13
Police:										
Police officers	354	358	346	347	360	388	371	372	372	358
Civilians	143	139	134	146	151	152	157	131	151	150
Fire:										
Firefighters	234	225	228	242	248	284	281	262	288	262
Civilians	53	54	52	57	51	51	51	51	59	58
Education & community services	-	-	-	-	-	-	-	-	15	28
Library	25	29	35	36	33	32	32	28	31	29
Recreation and community services	120	124	122	126	123	116	109	94	93	92
Streets	40	40	35	35	36	36	34	33	30	30
Stormwater	25	28	28	26	24	23	21	18	17	18
Fleet	37	43	48	56	53	52	50	46	47	48
Circulator	-	-	-	2	2	2	2	7	7	7
Construction and maintenance	52	53	53	53	52	51	52	52	54	53
Solid waste	134	138	133	135	146	142	135	122	126	115
Human resources	10	11	12	11	10	11	11	12	10	10
Finance	16	15	16	16	14	16	16	15	17	17
Retirement	4	5	5	5	4	5	3	4	5	5
Grants and human services	29	35	48	42	42	44	43	50	43	42
Water and sewer	79	71	61	64	66	61	57	57	57	58
Water division	41	45	51	48	47	45	44	40	39	38
Sewer division	35	41	40	38	37	36	32	31	30	30
Total number of employees	<u>1,537</u>	<u>1,560</u>	<u>1,557</u>	<u>1,601</u>	<u>1,615</u>	<u>1,669</u>	<u>1,627</u>	<u>1,572</u>	<u>1,658</u>	<u>1,604</u>

Source: City of Hialeah Human Resources Department

Note: Circulator division was established in fiscal-year 2002; as well as Communication & Special Events and Education & Community Services, which were established in fiscal-year 2006. Furthermore, the Planning and Development department was divided into the Planning and Zoning and Building divisions of the newly created Community and Development department along with the Code Compliance and License departments, which are now a division of Community and Development.

CITY OF HIALEAH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety										
Police:										
Police calls for service	356,582	316,997	296,593	269,469	277,913	263,558	260,108	224,546	222,425	223,101
Parking violations	7,662	6,392	12,078	18,008	11,683	8,518	19,533	11,514	12,325	11,925
Traffic violations	60,970	75,004	86,001	76,216	77,617	68,853	69,701	74,446	75,251	76,135
Fire:										
Number of calls answered	28,693	28,951	29,310	29,150	29,670	30,931	32,332	31,338	33,658	35,009
Inspections	4,565	3,705	3,974	5,873	4,856	4,403	10,396	13,035	17,947	22,921
Planning and development:										
Business permits issued	6,776	6,546	6,699	7,829	9,521	10,102	10,228	10,530	12,487	9,852
Occupational licenses issued	13,436	14,693	14,942	15,885	15,901	16,536	17,211	17,648	18,101	18,325
Streets:										
Street resurfacing (miles)	7.3	10.6	9.8	12.0	12.9	22.2	14.8	8.2	6.9	6.1
Potholes repaired	1,054	830	643	742	631	499	516	580	462	471
Culture and recreation:										
Library cards issued	10,952	9,181	9,861	12,354	10,592	13,956	15,959	16,756	16,288	14,321
Registrations for library programs	5,174	8,683	11,297	14,697	13,255	11,795	112,433	118,054	119,645	122,398
Community center admissions	277,627	301,434	278,550	251,799	236,455	216,511	175,605	184,385	192,874	195,457
Athletic field permits issued	26	26	28	29	39	34	47	60	72	85
Water and sewer:										
Active accounts - water and sewer	34,006	37,069	40,726	45,273	51,898	54,740	56,072	58,253	59,321	62,311
Average daily water consumption (thousands of gallons)	22,500	24,700	23,200	24,300	21,700	22,300	23,800	23,606	21,325	20,015
Average daily sewage treatment (thousands of gallons)	31,300	30,000	29,600	28,200	25,700	28,900	30,100	24,026	25,178	24,985
New connections	2,905	3,184	3,854	4,721	6,923	3,921	3,629	6,910	4,698	4,225
Water main breaks	117	125	164	120	123	164	163	251	225	192
Solid waste:										
Residential accounts	35,051	35,863	36,214	36,193	36,346	36,002	35,492	35,567	35,621	36,780
Commercial accounts	372	412	426	433	446	473	415	422	443	452
Refuse collected (tons/day)	234.2	267.2	237.1	238.8	241.4	246.7	267.4	251.4	231.9	241.5
Recyclables collected (tons/day)	10.4	9.6	9.5	10.0	10.6	9.5	9.6	7.2	7.3	7.4

Sources: Various City departments

Note: Indicators are not available for the general government function.

CITY OF HIALEAH, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government:										
General government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	2	2	3	4	4	4	4	4	5	6
Patrol units	180	180	189	194	180	177	177	191	282	315
Fire:										
Fire stations	7	7	7	7	7	7	7	7	8	8
Fire apparatus vehicles	12	12	12	12	12	12	12	12	12	13
Emergency rescue vehicles	6	6	6	6	6	6	7	8	9	10
Streets:										
Miles of streets	488.1	490.4	492.9	493.1	493.1	493.1	493.1	493.1	493.1	493.1
Culture and recreation:										
Parks	25	26	26	26	27	27	27	27	27	27
Parks acreage	208.5	218.5	218.5	218.5	223.5	223.5	223.5	255.0	255.0	255.0
Community center	3	3	3	3	3	3	3	3	3	3
Swimming pools	6	7	7	7	7	7	7	7	7	7
Tennis courts	36	36	33	33	32	27	25	23	23	21
Water & sewer:										
Water & sewer buildings	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	478	481	482	484	486	486	487	487	490	490
Fire hydrants	2,670	2,687	2,699	2,708	2,718	2,741	2,750	2,750	2,766	2,766
Storm sewers (miles)	45.8	50.7	55.3	61.0	67.0	77.4	84.3	84.3	88.2	88.2
Solid waste:										
Collection trucks	36	36	37	45	45	36	36	42	42	42

Sources: Various City departments

COMPLIANCE SECTION





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Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters and 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, Florida

We have audited 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, Florida (the City) as of and for the fiscal year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, listed as items 2007-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Two

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies none are consider to be material weaknesses.

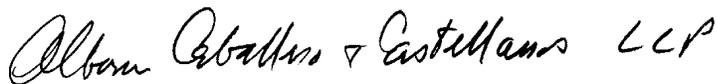
Compliance and Other Matters

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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

We also noted other matters that we have reported in the schedule of findings and responses as required by the Auditor General of the State of Florida.

The City's responses to the findings and recommendations identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council, management and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



Coral Gables, Florida
February 2, 2009



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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, Florida

We have audited the basic financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Hialeah, Florida (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 2, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Responses. Disclosures in those reports and schedule, which are dated February 2, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

- ❖ 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 significant findings and recommendations made in the preceding annual financial report. See Summary Schedule of Prior Audit Findings.
- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Hialeah, Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. There were no recommendations during the current year's audit. However, see Summary Schedule of Prior Audit Findings for follow-up on prior year's recommendations and findings.
- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. See Summary Schedule of Prior Audit Findings.
- ❖ Section 10.554(1)(i)6., 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 the management letter, unless disclosed in the notes to the financial statements. The City of Hialeah was incorporated by Laws of Florida 90-142. There were no component units related to the City.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Hialeah, Florida did not meet the conditions described in Section 218.503(1)(6), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, we determined that the annual financial report for the City of Hialeah, Florida for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7 and 10.556(7), Rules of the Auditor General, require that we apply financial assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Three

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

Alfonso Castellanos & Castellanos LLP

Coral Gables, Florida
February 2, 2009



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Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Awards Program and State Financial Assistance Project

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

Compliance

We have audited the compliance of the City of Hialeah, Florida (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal awards programs and state financial assistance projects for the year ended September 30, 2008. The City's major federal awards programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal awards programs and state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal awards program or state financial assistance 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material aspects, with the requirements referred to above that are applicable to its major federal awards programs and state financial assistance projects for the year ended September 30, 2008.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal awards programs and state financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal awards program and or state financial assistance projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Honorable Mayor and Members of the City Council
City of Hialeah, Florida
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 non-compliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal awards program or state financial assistance project 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, management and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Alfonso Castellanos & Castellanos LLP

Coral Gables, Florida
February 2, 2009

CITY OF HIALEAH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Federal Agency/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>			
Community Development Block Grant	14.218	B-05MC-12-0009	\$ 3,492,481
			<u>3,492,481</u>
HOME Investment Partnership	14.239	M-04-MC-12-0207	49,592
HOME Investment Partnership	14.239	M-05-MC-12-0207	603,128
HOME Investment Partnership	14.239	M-06-MC-12-0207	751,855
			<u>1,404,575</u>
Emergency Shelter Grant	14.231	S-04-MC-12-0005	64,731
Emergency Shelter Grant	14.231	S-05-MC-12-0005	187,269
			<u>252,000</u>
			<u>5,149,056</u>
<i>Total U.S. Department of Housing and Urban Development</i>			
<i>U.S. Department of Justice</i>			
Universal Hiring Program	16.710	2003-UL-WX-0003	7,013
Edward Byrne Memorial formula Grant Program	16.579	2007-JAGC-DADE-6P3-157	29,679
			<u>36,692</u>
<i>Total U.S. Department of Justice</i>			
<i>U.S. Department of Health and Human Services</i>			
Refugee Employment and Training	93.584	RET-DP-PY06-05-03	511,182
			<u>511,182</u>
<i>Total U.S. Department of Health and Human Services</i>			
<i>U.S. Department of Homeland Security</i>			
Assistance to Firefighters Grant	97.044	EMW-226-FF-04047	832,899
			<u>832,899</u>
<i>Total U.S. Department of Homeland Security</i>			
<i>Subtotal Direct Programs</i>			
			<u>6,529,829</u>

(Continued)

CITY OF HIALEAH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Federal Agency/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
Pass- Through Program from:			
South Florida Workforce Investment Board			
WIA - Youth Services Out of School	17.259	WDS-YS-ISY-PY-07-01-00	252,411
WIA- Youth Stay In School	17.259	WS-YS-ISY-PY08-01-00	75,974
One-Stop Career Center Hialeah Downtown	17.260	WDS-OS-PY08-03-00	32,542
One-Stop Career Center Hialeah Downtown	17.260	WS-CC-PY07-03-04	154,611
One-Stop Career Center Hialeah Downtown	17.258	WDS-OS-PY08-03-00	29,006
One-Stop Career Center Hialeah Downtown	17.258	WS-CC-PY07-03-04	119,288
One-Stop Career Center Hialeah Downtown	17.225	WDS-OS-PY08-03-00	11,589
One-Stop Career Center Hialeah Downtown	17.225	WS-CC-PY07-03-04	<u>71,660</u>
Total U.S. Department of Labor- Through the South Florida Workforce Investment Board			<u>747,081</u>
Pass- Through Program from:			
South Florida Workforce Investment Board			
One-Stop Career Center Hialeah Downtown	93.558	WDS-OS-PY08-03-00	167,895
One-Stop Career Center Hialeah Downtown	93.558	WS-CC-PY07-03-04	<u>681,759</u>
Total U.S. Department of Health and Human Services- Through the South Florida Workforce Investment Board			<u>849,654</u>
Pass- Through Program from:			
South Florida Workforce Investment Board			
One-Stop Career Center Hialeah Downtown	10.551	WDS-OS-PY08-03-00	38,211
One-Stop Career Center Hialeah Downtown	10.551	WS-CC-PY07-03-04	<u>26,941</u>
Total U.S. Department of Agriculture- Through the South Florida Workforce Investment Board			<u>65,152</u>
Pass- Through Program from:			
State of Florida Department of Community Affairs			
Urban Areas Security Initiatives	97.008	04DS-1S11-23-02-199	<u>297,044</u>
Total U.S. Department of Homeland Security - Through the State of Florida Department of Community Affairs			<u>297,044</u>
Pass-Through Program from:			
The Florida Department of Health			
Homeland Security Grant Program	97.067	COBK-233-01-0041	<u>224,069</u>
Total U.S. Department of Homeland Security - Through the Florida Department of Health			<u>224,069</u>
Pass-Through Program from:			
The Florida Division of Emergency Management			
Homeland Security Grant Program	97.067	08-DS-65-11-23-02-404	<u>232,330</u>
Total U.S. Department of Homeland Security - Through the Florida Division of Emergency Management			<u>232,330</u>
Pass-Through Program from:			
Miami-Dade County			
Community Development Block Grant	14.218	CDBG 2005 DRI	<u>136,659</u>
Total U.S. Department of Housing and Urban Development - Through Miami-Dade County			<u>136,659</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 9,081,818</u>

(Continued)

CITY OF HIALEAH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>State Agency/Pass-Through Grantor/Program Title</u>	<u>State Grant Number</u>	<u>State CSFA Number</u>	<u>Expenditures</u>
Florida Housing Finance Agency			
State Housing Initiative Partnership Program	S-01-MC-12-0006	52.901	\$ 448,928
State Housing Initiative Partnership Program	S-01-MC-12-0007	52.901	231,657
State Housing Initiative Partnership Program	S-01-MC-12-0008	52.901	<u>307,063</u>
Total Florida Housing Finance Agency			<u>987,648</u>
Florida Department of State - Division of Libraries and Information Services			
Central E. Library	05-PLC-29	45.020	44,910
Central E. Library	05-PLC-30	45.020	211,325
State Aid to Libraries	N/A	45.030	<u>79,281</u>
Total Florida Department of State - Division of Libraries and Information Services			<u>335,516</u>
Florida Pass Through Miami-Dade School Board			
FCAT Preparation	N/A	N/A	<u>42,379</u>
Total Florida pass Through Miami-Dade School Board			<u>42,379</u>
Florida Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects	LP6726 to LP6730	37.039	<u>2,560,726</u>
Total Florida Department of Environmental Protection			<u>2,560,726</u>
Florida Department of Education			
Education Partnerships	13B-90150-7SCTQ	48.067	<u>3,000,000</u>
Total Florida Department of Education			<u>3,000,000</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 6,926,269</u>

N/A - Not Applicable

CITY OF HIALEAH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and State financial assistance includes the federal and state grant activity of the City of Hialeah and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

The City of Hialeah provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Provided</u>
Community Development Block Grant	14.218	<u>\$684,937</u>

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS

MATERIAL WEAKNESSES

2007-1 Lack of Segregation of Cash Duties

Condition:

During the course of our audit the City uncovered fraudulent activities perpetrated by an employee of the retirement office. The loss due to the fraudulent activities totaled approximately \$345,000 and the theft was carried out over a course of several years. However, the City has filed claim with its fidelity bond and also criminal charges to recover the loss.

The City's internal audit department conducted an investigation of the retirement office and reported several weaknesses in internal controls and recommendations to improve on those controls. One of the findings noted and which we agree with is that there was a lack of segregation of cash duties. The same individual was in charge of deposits, processing and recording disbursements and reconciling the bank statements.

Effect:

The City's retirement plan has the potential of losing approximately \$345,000 due to the employee theft.

Recommendation:

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. We believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- ❖ Mail should be opened by an employee not responsible for accounting, such as the receptionist. Cash receipts could be recorded and the deposit prepared by this person. The cash receipts journal, supplemented by remittance advices, could be forwarded to the accounting staff for postings to the general ledger and detail customer accounts.
- ❖ Bank statements, canceled checks, and appropriate advices should be received by someone other than employees maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- ❖ Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- ❖ Include and review supporting documents for all disbursements. Nonroutine testing would aid in ensuring compliance with City policy for all disbursements.
- ❖ Journal entries should be approved by an employee other than the one who prepared the entry.
- ❖ Bank reconciliations should be prepared timely and include a preparer and reviewer signature (We recommend that the bank reconciliations be reviewed and approved by the Finance Department).

Current Year Status:

The City has implemented these recommendations. **This finding will not be repeated.**

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS (Continued)

MATERIAL WEAKNESSES (Continued)

2007-2 Manual Checks

Condition:

During 2007, the City's retirement office used a system involving the manual preparation of paper checks to employees and make disbursements.

Effect:

The employee who committed the fraudulent activities was able to manipulate the manual checks.

Recommendation:

We recommend that the City consider adopt an automated, electronic payment system. An electronic payment system can be particularly appropriate for payroll; vendor, utility, and tax payments; and other recurring payments. Advantages of such a system include the elimination of manual handling, processing, and storage of paper checks, reduced postage costs, and the elimination or reduction of the risk of check fraud or lost or stolen checks.

Current Year Status:

A system of computerized checks was implemented on November 8, 2007. **This finding will not be repeated.**

2007-3 Reconcile Accounts to Supporting Documents

Condition:

During our audit we noted that reports such as the Participant Loan Receivable ledger which is generated by the accounting system does not agree to the general ledger. Although the amount is not material, these differences should be investigated and reconciled to the general ledger.

The City's retirement office is also tracking the participant loan receivable ledger manually and then reconciling the manual ledger to the system generated ledger. Small differences between the manual ledger and system generated ledger appear monthly which are reconciled by the retirement office's accountant. However, this does not appear to be an efficient use of the accountant's time since the system already generates the reports. According to management, the differences appear to be caused by glitches in the accounting system.

Effect:

The differences between the general ledger and subsidiary ledgers must be identified and reconciled on a monthly basis. By adjusting for these differences and not properly reconciling the reports there is opportunity for misappropriation of assets by hiding improper payments to these accounts.

Recommendation:

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger accounts to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

We also recommend that the City address the glitches in the software that may be causing these differences in the subsidiary ledgers with the City's I.T. Department.

Current Year Status:

The City has implemented the recommendation and the I.T. Department has addressed the software issues. **This finding will not be repeated.**

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS (Continued)

MATERIAL WEAKNESSES (Continued)

2007-4 Incorrect Census Data Provided to Actuary

Condition:

During our audit we noted that the actuary report dated October 1, 2006 reported that the retirement office provided inaccurate census data regarding the total member contributions. The report provided to the actuary understated the contributions by approximately \$9.7 million.

Effect:

The actuary reported that inaccurate information contributed to an increase in the City's required contribution of \$1.2 million for the 2007-2008 fiscal year.

Recommendation:

Controls need to be established that ensure accurate census data is provided to the City's actuary as this could affect the actuary's calculations and as in this case could increase the City's required contribution substantially.

Current Year Status:

This recommendation has been implemented. **The finding will not be repeated.**

SIGNIFICANT DEFICIENCIES

2007-5 Accounting Policies and Procedures Manual

Condition:

We noted during our inquiries of management and our audit testing that the City does not maintain a written Accounting Policies and Procedures Manual.

Effect:

Not having a formal written Accounting Policies and Procedures Manual can create inconsistencies in the process, which can cause difficulties ensuring that all proper procedures were followed in order to complete a transaction.

Recommendation:

We recommend that the City formalize a written Accounting Policies and Procedures Manual. A formal written manual will ensure that assets are safeguarded and that finances are managed with responsible stewardship. In the absence of formal procedures mistakes, whether intentional or not can occur. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees, and cross-training of existing employees and possibly allow for delegation to other employees of some accounting functions management performs.

The benefit of such a manual is that it would assist the employees in discharging their responsibilities consistently and in accordance with City guidelines. This becomes more important as new personnel are hired by the City to replace terminating or retiring personnel and also provides guidance for personnel when they have to assume other functions resulting from personnel vacations or other personal leave instances.

Current Year Status/View of Responsible Officials and Planned Corrective Actions:

During 2008 the City hired an outside consultant who is in the process of completing the draft of the Accounting and Procedures Manual for management's approval. **This recommendation will be repeated.**

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS (Continued)

OTHER MATTERS

2007-6 Capital Assets

Condition:

During our testing of capital assets we noted that although the departments perform annual physical inventory counts of capital assets the reports are not reconciled to the City's capital asset inventory listings.

Recommendation:

We recommend that the City perform a physical count of its capital assets and reconcile the reports to its capital asset inventory listing.

We also recommend that the City analyze the estimated useful lives of its governmental capital assets. The following is a Government Finance Officers Association recommended practice:

GFOA Recommended Practice For Establishing Estimated Useful Lives:

The best source of relevant information on the estimated useful lives of a government's capital assets normally is its own past experience with similar assets. In situations where the documentation of a government's own past experience for a given type of capital asset is not adequate for this purpose, a government should profit as much as possible from the experience of other governments and private-sector enterprises. At the same time, a government should make whatever adjustments are needed to estimated useful lives that were obtained from others to ensure that such estimates are appropriate to its own particular circumstances. It is especially important that a government consider the potential effect of each of the following factors when depending on the experience of others:

- **Quality.** Similar assets may differ substantially in quality, and hence in their useful lives, because of differences in materials, design and workmanship. For example, an asphalt road will not have the same useful life as a concrete road. Likewise, the depth of the material used for paving purposes, as well as the quality of the underlying base, will also affect the useful life of a road;
- **Application.** The useful life of a given type of capital asset may vary significantly depending upon its intended use. For example, a residential street may be expected to have a longer useful life than a major arterial thoroughfare because of differences in the type and volume of traffic; and
- **Environment.** Environmental differences among governments can have an important impact on the useful lives of their respective capital assets. For instance, the useful life of a road in a climate subject to extremes in temperature is likely to be different from that of a similar road located in a more temperate climate. Also, regulatory obsolescence may shorten the service life of some capital assets used in connection with highly regulated activities (e.g., utilities).

The potential effect of each of the factors just described may be mitigated or exacerbated as a consequence of a government's maintenance and replacement policy. For example, the potential for road damage is increased in a cold environment when cracks are not promptly repaired, because water settling in the cracks will expand and contract, thereby accelerating the initial deterioration represented by the crack itself.

Once established, estimated useful lives for major categories of capital assets should be periodically compared with a government's actual experience and appropriate adjustments should be made to reflect this experience.

Depreciation is a financial reporting concept. Therefore, all of the considerations discussed above are only of concern to the extent that they could have a material impact on a government's financial statements.

Current Year Status/View of Responsible Officials and Planned Corrective Actions:

Each department performed a physical inventory in fiscal year 2008 and those inventories were reconciled to the fixed asset inventory report. The City will analyze and adjust as necessary, the useful lives of the fixed assets in the next fiscal year. The City will also perform an assessment of the value of the City's infrastructure by September 30, 2010.

This recommendation will be repeated.

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS (Continued)

OTHER MATTERS

2007-7 Solid Waste Fund Deficit

Condition:

During our testing of the Solid Waste enterprise fund we noted that the fund had an operating loss of approximately \$1,862,390 during 2007. In the prior year the fund also incurred an operating loss of \$2,295,967. The fees charged to the City by Miami-Dade County for waste disposal have increased; however, there have been no significant adjustments to rates charged to the residents for these services.

Recommendation:

We recommend that the City review its current charges for sanitation services to ensure the fees cover the costs of operations.

Current Year Status:

The Solid Waste fund had an operating loss of approximately \$1,822,557 for the fiscal year ended September 30, 2008. **This recommendation will be repeated.**

View of Responsible Officials and Planned Corrective Actions:

The City has been aware of the deficit in the Solid Waste Fund, and has established a committee to evaluate its business practices and identify ways to reduce operating costs. Also, public meetings have been held and options and recommendations have been submitted to the City Council members for their review.

2007-8 Fraud Risk Assessment

Condition:

For all organizations, one of the primary fraud risks is the ever-present risk of misappropriation of assets, particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. During our audit we noted that the City has not performed a fraud risk assessment.

This condition will result in the City not being able to effectively mitigate its risk of fraud from the misappropriation of assets.

Recommendation:

We recommend that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control should include performance of this assessment, even though the annual financial statement audits include a consideration of fraud.

CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR COMMENTS AND STATUS (Continued)

OTHER MATTERS (Continued)

2007-8 Fraud Risk Assessment (Continued)

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the City that might be useful in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the City, its environment, and its processes. The assessment should consider the City's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following should be considered:

- What individuals in the City have the opportunity to misappropriate assets?
- Are there any known pressures that would motivate employees with the opportunity to misappropriate assets?
- What assets are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could assets be stolen?
- How could potential misappropriation of assets be concealed?
- What factors might indicate that the culture or environment would enable management or employees to rationalize committing fraud?

Current Year Status:

The City performed a fraud risk assessment during 2008. **This recommendation will not be repeated.**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified not considered to be material weakness?

 X yes _____ None reported

Non-compliance material to financial statements noted?

_____ yes X no

Federal Awards Program and State Financial Assistance Projects

Internal control over major federal awards programs and state financial assistance projects:

Material weakness(es) identified?

_____ yes X no

Significant deficiencies identified not considered to be material weakness?

_____ Yes X None reported

Type of auditor's report issued on compliance for major federal awards programs and state financial assistance projects:

Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Chapter 10.550, Rules of the Auditor General?

_____ yes X no

Identification of major federal awards programs assistance projects and state financial assistance projects:

Federal Awards Program

Federal CFDA No.

HOME Investment Partnership

14.239

Assistance to Firefighters Grant

97.044

Temporary Assistance for Needy Families (TANF)

93.558

State Assistance Projects

CFSA Numbers

Education Partnerships

48.067

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

Federal	\$300,000
State	\$300,000

Auditee qualified as low risk auditee for audit of federal awards programs?

 X yes _____ no

CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.