



AUDIT AND MANAGEMENT SERVICES DEPARTMENT  
OVERTOWN TRANSIT VILLAGE  
701 NW 1<sup>st</sup> COURT – SUITE 8-175  
MIAMI, FLORIDA 33136  
TELEPHONE: 786 469-5900  
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RECEIVED  
JUN 16 2014

June 12, 2014

Mr. Javier Collazo  
Finance Director  
City of Hialeah  
501 Palm Avenue  
Hialeah, Florida 33010

**Re: Audit Report – Charter County Transportation System Surtax Review**

Dear Mr. Collazo:

Enclosed is the above-captioned Audit Report. We appreciate the courtesies and assistance provided to our staff during the audit process. A written response is requested no later than July 14, 2014. Please contact me at 786-469-5900, if you have questions or require further information.

Sincerely,

A handwritten signature in cursive script that reads "Cathy Jackson".

Cathy Jackson  
Director

CJ:ag

Attachment

c: Edward Marquez, Deputy Mayor  
Charles D. Scurr, Executive Director, Office of the Citizens' Independent Transportation Trust  
Carlos Hernandez, Mayor, City of Hialeah

# Memorandum



**Date:** June 12, 2014

**To:** Charles D. Scurr, Executive Director  
Office of the Citizens' Independent Transportation Trust (OCITT)

**From:** Cathy Jackson, Director  
Audit and Management Services Department

**Subject:** Audit Report – Charter County Transportation System Surtax Review –  
City of Hialeah

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## PURPOSE AND SCOPE

We performed a review of City of Hialeah's use of Charter County Transportation System Surtax (Surtax) Proceeds remitted by Miami-Dade County (County) for the five years ended September 30, 2013. The primary objective was to ensure that Surtax Proceeds were used in compliance with the *Interlocal Agreement for Distribution, Use and Reporting of Charter County Transit System Surtax Proceeds Levied by Miami-Dade County* executed on July 10, 2007. Additionally, we assessed resolution of prior audit findings referenced in our Report dated September 1, 2009 (Exhibit I).

## BACKGROUND

Miami-Dade County Ordinance No. 02-116, enacted on July 9, 2002, imposed a one-half of one percent Surtax on eligible sales transactions for transportation-related projects. However, at least 20% of the Proceeds received by the County must be distributed to municipalities incorporated as of November 5, 2002. Surtax Proceeds are distributed to municipalities on a pro-rata basis, using population statistics (Schedule I). The Surtax Program is administered by the Citizens' Independent Transportation Trust (CITT), a group comprised of 15 members appointed by the Board of County Commissioners, County Mayor, and Miami-Dade League of Cities.

Pursuant to the Interlocal Agreement, the City of Hialeah (Hialeah) must annually continue the same level of General Fund support for Transportation projects appropriated in its Fiscal Year 2002 Budget (Maintenance of Effort), which totaled \$127,049 (Table I). Surtax monies may be used to develop, construct, equip, maintain, operate, or expand County-wide bus systems, fixed guide-way rapid transit systems, roads, and bridges, as well as secure such bonds or pay debt service. Further, Hialeah must apply at least 20% of the Proceeds to Transit-related projects, such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure.

**SUMMARY RESULTS**

For the five years ended September 30, 2013, Hialeah received \$36.2 million in Surtax Proceeds and claimed Transit and Transportation-related expenditures totaling \$38.4 million (Table I). After adjustments for costs reimbursed pursuant to grant and other agreements, as well as other ineligible items totaling \$1.5 million, Hialeah was unable to spend \$1.1 million in Surtax Proceeds as of September 30, 2013 (Schedules II and III). Nonetheless, in accordance with CITT Resolution No. 09-055, these unspent monies may be rolled over for up to five years. These and other findings are further discussed in the remainder of this Report.

**Table I  
 Surtax Statistics**

Description	Fiscal Year Ended September 30,					All Years
	2009	2010	2011	2012	2013	
Maintenance of Effort (MOE)	\$ 127,049	\$ 127,049	\$ 127,049	\$ 127,049	\$ 127,049	\$ 635,245
Surtax Proceeds (Schedule I)	\$ 6,672,306	\$ 6,709,589	\$ 7,117,975	\$ 7,623,497	\$ 8,118,432	\$ 36,241,799
Claimed Expenditures:						
Transit	\$ 2,412,904	\$ 1,979,943	\$ 1,516,683	\$ 1,712,087	\$ 1,854,057	\$ 9,475,674
Transportation	5,737,920	5,448,230	4,831,541	5,838,621	7,075,928	28,932,240
Total	\$ 8,150,824	\$ 7,428,173	\$ 6,348,224	\$ 7,550,708	\$ 8,929,985	\$ 38,407,914

Source: OCITT and Hialeah

A copy of this document has been transmitted to Hialeah requesting a written response within 30 days, in accordance with Administrative Order 3-7. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact Jacqueline Williams, Audit Manager, at 786-469-5900, if you have any questions.

**FINDINGS AND RECOMMENDATIONS**

**Use of Surtax Proceeds for Transit Projects**

As mentioned previously, at least 20% of Surtax Proceeds, or \$7.2 million, must be used for Transit-related projects such as circulator buses, bus shelters, bus pullout bays, or other related infrastructure. Hialeah claimed Transit-related expenditures of \$9.5 million that were mainly used to operate its Circulator System and acquire two new 30-foot buses (Schedule II). Hialeah uses a third-party company to provide bus services throughout the Cities of Hialeah and Hialeah Gardens at costs ranging from \$725,000 to \$1.2 million annually, using its fleet of 13 buses. According to Hialeah officials, the annual ridership is approximately 500,000.

We disallowed expenditures claimed totaling \$1.4 million, as \$1 million represented the cost of providing transit services to Hialeah Gardens, which is outside of Hialeah’s municipal boundaries. Moreover, Hialeah Gardens used Surtax Proceeds to pay for those contracted services. In addition, the Florida Department of Transportation paid \$268,607 towards the purchase of one bus, and Miami-Dade County Metropolitan Planning Organization paid \$31,000 towards the costs of transit studies claimed in Fiscal Years (FY) 2008 and 2011.

After these adjustments, Hialeah was unable to spend 20% of the Surtax Proceeds on Transit-related expenditures in FY 2011, which resulted in unspent monies totaling \$143,081. Pursuant to CITT Resolution No. 09-055, adopted July 30, 2009, municipalities may rollover unspent Surtax Proceeds for up to five years. In FYs 2012 and 2013, the City's Transit costs exceeded the 20% threshold, and thus such funds were used to reduce the FY 2011 unspent balance to \$120,975 (Schedule III). Further, the Resolution allowed for retroactive application to unspent monies identified prior to July 30, 2009. As a result, the \$300,979 unspent monies that were identified in our prior Audit Report during the year ended September 30, 2005 were fully applied to excess Transit-related expenditures incurred in FY 2006 (Schedule III-A).

**Recommendation**

Hialeah should submit an updated Five-Year Transportation Plan reflecting how the remaining \$120,975 in unspent Surtax Proceeds restricted to Transit projects will be used, as required by CITT Resolution No. 09-055.

**Transportation-Related Projects**

In the prior audit period, Hialeah borrowed \$107 million through the Florida Municipal Loan Program to finance various roadway improvement projects. Since most of the bond proceeds were used for qualifying Transportation projects, the City used \$26.8 million of its Surtax monies to pay related debt service costs over the six years ended September 30, 2008.

**Table II**

**Debt Service Payment Allocations**

Description	2009		2010		2011		2012		2013		All Years	Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
Bond Series 1999/BOA Loan <sup>1</sup>	\$ 1,390,149	60%	\$ 1,390,149	26%	\$ 599,038	25%	\$ 483,935	80%	\$ 977,962	80%	\$ 1,955,923	53%
CITT Debt Service Fund												
Stormwater Fund	926,766	40%	1,714,965	74%	1,451,806	75%	244,490	20%	488,981	20%	4,827,008	47%
Bond Series 2003A/2012A <sup>2</sup>	2,316,915		2,314,003		1,935,741		1,222,452		2,444,904		10,234,015	
CITT Debt Service Fund												
General and Stormwater Funds	2,505,011	80%	2,506,501	80%	2,503,671	80%	3,128,520	94%	2,932,339	87%	13,576,042	87%
CITT Debt Service Fund												
Stormwater Fund	626,233	20%	646,532	20%	625,918	20%	-	6%	195,691	13%	2,094,394	13%
Bond Series 2005A	1,842,760	100%	1,844,861	100%	1,843,935	80%	1,477,273	80%	1,474,007	92%	8,482,836	92%
CITT Debt Service Fund												
Stormwater Fund	-	0%	-	0%	-	20%	369,318	20%	368,502	8%	737,820	8%
Total	5,737,920	79%	4,950,400	70%	4,831,541	90%	5,583,755	86%	6,362,269	78%	27,465,885	78%
CITT Fund												
Other Funds	1,533,019	21%	2,361,497	30%	2,077,724	10%	613,808	14%	1,053,174	22%	7,659,222	22%
Total	\$ 7,290,939		\$ 7,311,897		\$ 6,909,265		\$ 6,197,563		\$ 7,415,443		\$ 35,125,107	
Outstanding Balance at September 30, 2013												\$ 79,572,576

Source: Hialeah General Ledgers  
<sup>1</sup> On August 20, 2011, Hialeah entered into a Loan Agreement with Bank of America (BOA) to refinance the outstanding Bond Series 1999.  
<sup>2</sup> On November 8, 2012, Hialeah entered into a Loan Agreement with the Florida Municipal Loan Council to refinance the outstanding Bond Series 1999.

Similarly, the City used the remaining 80% share of its Surtax Proceeds, or \$29 million, to primarily fund debt service requirements in the current audit period (Table II). Nonetheless, after applying \$28.8 million in debt service and other transportation-related costs to the MOE and remaining Surtax Proceeds, the City was unable to spend \$1 million in Transportation-related Surtax Proceeds (Schedule III). As mentioned earlier, unspent monies may be rolled over for up to five years, provided the City incorporates within its Transportation Plan how and when the monies will be used.

As of September 30, 2013, the outstanding principal balance among these borrowings totaled \$79.6 million. It is also notable that two of the three Bond Series were refinanced, which lowered interest rates and total debt service costs (Schedule IV).

**Recommendation**

Hialeah should submit an updated Five-Year Transportation Plan reflecting how the \$1 million will be used, as required by CITT Resolution No. 09-055.

**Payroll Expenditures**

Hialeah uses its personnel to oversee the third-party bus contractor, as well as to repair and maintain the bus fleet. Except for the Transit Manager and full-time Receptionist, other employee salary costs are allocated, as these persons perform duties that are unrelated to the Transit operation (Table III). While the allocations appear reasonable, Hialeah did not furnish salary information, time records, or other substantiating documents to support the charges.

**Table III  
 Circulator-Related Salary Allocations  
 (In Full-Time Equivalent Positions)**

Position	Fiscal Year Ended September 30,				
	2009	2010	2011	2012	2013
Transit Manager	1.00	1.00	1.00	1.00	1.00
Receptionist	1.00	1.00	1.00	1.00	1.00
Administrative Aide	-	-	-	-	0.30
Automotive Supervisor I	0.20	0.50	-	0.25	0.25
Equipment Servicemen	0.40	1.00	0.50	0.50	0.50
Mechanics I/II	0.80	1.50	1.00	1.50	2.00
Tire Repairman	0.20	0.50	-	0.25	0.50
Utilityman	-	-	-	0.25	0.25
	<u>3.60</u>	<u>5.50</u>	<u>3.50</u>	<u>4.75</u>	<u>5.80</u>

Source: City of Hialeah Budgets

**Recommendation**

Prospectively, the City must maintain, and furnish upon request, information supporting claimed payroll charges to avoid the risk of cost disallowance.

**Certification and Reporting Requirements**

Since the last audit, compliance with reporting requirements has improved. However, none of the Certified Reports of Proceeds Expended, commencing November 1, 2008 and each year thereafter, have been submitted. First and Second Quarterly Reports due for FY 2009 were also not on file with OCITT.

**Recommendation**

- Prospectively, Hialeah should submit required reports to the OCITT timely, and in the form prescribed by the Interlocal Agreement and/or OCITT. More importantly, OCITT should advise the City regarding the need to submit delinquent reports.
- OCITT should review records submitted by each Municipality to ensure reporting requirements are met.

CJ:ag

Attachments

c: Honorable Harvey A. Ruvin, Clerk of the Courts  
Robert A. Cuevas, Jr., County Attorney  
Alina T. Hudak, Deputy Mayor  
Edward Marquez, Deputy Mayor  
Jennifer Moon, Director, Office of Management and Budget  
Charles Anderson, Commission Auditor  
Javier Collazo, Finance Director, City of Hialeah

Charter County Transportation System Surtax Review  
Summary of Payments to Municipalities

Municipality	Fiscal Year Ended September 30,											All Years
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
City of Miami	\$ 6,905,410	\$ 10,580,915	\$ 11,208,930	\$ 12,562,541	\$ 12,855,629	\$ 12,574,719	\$ 11,545,439	\$ 11,946,673	\$ 13,113,576	\$ 13,555,331	\$ 14,564,114	\$ 131,413,277
<b>City of Hialeah</b>	<b>4,382,718</b>	<b>6,715,483</b>	<b>7,014,990</b>	<b>7,730,686</b>	<b>7,656,151</b>	<b>7,336,976</b>	<b>6,672,306</b>	<b>6,709,589</b>	<b>7,117,975</b>	<b>7,623,497</b>	<b>8,118,432</b>	<b>77,078,803</b>
City of Miami Beach	1,686,079	2,583,517	2,719,756	3,029,839	3,108,056	2,960,734	2,736,361	2,765,507	2,916,205	2,978,728	3,166,271	30,651,053
City of North Miami	1,136,965	1,742,129	1,805,505	1,989,253	2,004,095	1,919,328	1,759,840	1,755,291	1,836,714	1,994,866	2,107,503	20,051,489
City of Homestead	621,791	952,745	1,051,671	1,208,129	1,275,853	1,387,011	1,681,886	1,747,262	1,809,949	2,053,440	2,204,159	15,993,896
City of Coral Gables	810,009	1,241,148	1,298,953	1,467,752	1,480,710	1,426,754	1,302,297	1,346,817	1,429,343	1,587,452	1,685,507	15,076,742
City of Miami Gardens <sup>4</sup>	-	-	-	-	-	-	-	-	-	10,352,937	3,837,951	14,190,888
City of North Miami Beach	799,300	1,224,740	1,267,423	1,402,019	1,366,735	1,307,355	1,195,378	1,202,159	1,260,998	1,409,058	1,493,737	13,928,902
City of Aventura	495,408	759,096	818,788	933,612	947,021	946,296	887,089	912,935	977,774	1,213,562	1,280,248	10,171,829
Town of Miami Lakes <sup>2</sup>	460,331	705,348	737,093	822,002	822,114	876,926	760,175	774,921	810,925	996,347	1,052,533	8,818,715
Village of Palmetto Bay	459,612	704,246	745,086	824,252	823,908	807,842	740,194	789,514	794,405	794,405	841,373	8,264,908
City of Hialeah Gardens	373,801	572,763	604,331	676,565	681,956	657,921	598,273	615,769	659,652	737,631	780,808	6,959,470
Village of Pinecrest <sup>1</sup>	361,540	553,977	579,684	639,364	646,631	627,523	14,305	572,099	612,279	618,387	1,205,816	6,431,605
City of Sunny Isles Beach	293,299	449,411	486,866	548,772	555,020	582,250	547,355	593,184	613,819	706,920	752,852	6,129,748
Town of Cutler Bay <sup>4,5</sup>	-	-	-	-	-	-	-	-	-	3,886,873	1,453,608	5,340,481
City of Doral <sup>4</sup>	-	-	-	-	-	-	-	-	-	3,642,653	1,667,049	5,309,702
City of Opa-Locka	291,102	446,045	468,652	533,416	513,020	497,615	448,435	445,408	480,123	516,448	552,018	5,192,282
City of Miami Springs	259,738	397,985	412,534	456,196	459,353	440,937	398,334	398,681	421,632	468,600	496,146	4,610,136
City of Sweetwater <sup>2</sup>	270,238	414,075	429,218	472,215	477,595	458,867	418,273	419,090	350,048	368,080	390,842	4,468,541
Village of Key Biscayne	202,733	310,644	333,638	369,378	379,639	368,354	333,808	339,806	358,459	418,886	443,069	3,858,414
City of South Miami	203,889	312,415	323,655	360,476	351,494	338,279	308,347	328,868	357,423	395,573	443,069	3,723,488
Miami Shores Village	197,655	302,860	313,826	346,278	348,437	335,963	301,400	313,310	340,930	345,317	368,810	3,514,786
City of Florida City	153,748	235,582	254,464	288,454	291,983	295,447	272,056	299,755	320,951	381,591	419,450	3,213,481
North Bay Village	126,762	194,231	198,770	218,913	215,921	186,169	167,474	200,385	214,742	242,190	263,374	2,228,931
City of West Miami	113,307	173,613	185,212	202,961	194,190	184,561	167,123	167,329	180,093	202,418	214,600	1,985,407
Town of Surfside	95,908	146,959	157,799	184,160	144,185	223,419	168,610	170,243	180,473	194,919	206,033	1,872,708
Town of Bay Harbor Islands	96,989	148,613	155,936	172,145	173,190	167,339	150,306	151,009	160,052	190,982	201,912	1,768,473
Village of Biscayne Park	62,045	95,070	104,750	117,666	110,586	106,676	97,167	96,222	100,460	103,670	110,094	1,104,406
Bal Harbour Village	62,707	96,085	99,550	112,832	105,834	95,526	89,285	97,016	104,292	85,278	89,667	1,038,072
Village of El Portal	47,795	73,232	76,045	84,400	84,367	82,000	73,663	73,579	77,875	78,896	83,900	835,752
Village of Virginia Gardens	44,592	68,325	70,576	77,979	78,619	76,184	68,729	67,579	71,151	80,594	85,654	789,982
Town of Medley	21,186	32,464	33,963	37,170	37,616	41,385	33,052	33,111	28,436	29,889	363,549	
Town of Golden Beach <sup>2</sup>	17,511	26,830	27,952	32,999	24,732	7,016	37,226	27,846	29,686	31,187	33,042	296,027
Indian Creek Village <sup>3</sup>	625	955	931	1,093	-	-	-	-	-	-	-	3,604
	<b>\$ 21,054,793</b>	<b>\$ 32,261,501</b>	<b>\$ 33,986,547</b>	<b>\$ 37,903,517</b>	<b>\$ 38,214,640</b>	<b>\$ 37,317,372</b>	<b>\$ 33,968,468</b>	<b>\$ 35,311,637</b>	<b>\$ 37,732,390</b>	<b>\$ 58,285,152</b>	<b>\$ 50,643,530</b>	<b>\$ 416,679,547</b>

Source: Office of the Citizens' Independent Transportation Trust (OCITT) and the County's Financial Accounting Management Information System

<sup>1</sup> Amount in 2009 is net of \$551,589 returned by the Village of Pinecrest for their unspent transit portion of funding as of September 30, 2007. In 2013, OCITT returned the monies to the Village.  
<sup>2</sup> Amounts are net of withholdings of \$76,553 from the Town of Miami Lakes, \$277,500 from the City of Sweetwater, and \$21,058 from the Town of Golden Beach, due to specific instances of noncompliance.  
<sup>3</sup> A total of \$15,178 has been withheld from Indian Creek Village, at their request, since Fiscal Year 2007.  
<sup>4</sup> Amount paid is pursuant to a Settlement and/or Interlocal Agreement, for Municipalities incorporated after November 5, 2002.  
<sup>5</sup> As per OCITT, Municipality received \$3,000 in excess of amounts due for Fiscal Year 2012, which was corrected in 2013.

**Charter County Transportation System Surtax Review- City of Hialeah  
Summary of Claimed Expenditures, As Adjusted**

Description	Fiscal Year Ended September 30,					All Years
	2009	2010	2011	2012	2013	
<b>Transit Expenditures:</b>						
Contracted Drivers, Including Bus Insurance <sup>1</sup>	\$ 1,168,889	\$ 1,027,718	\$ 724,891	\$ 732,097	\$ 779,280	\$ 4,432,875
Personnel Charges:						
Executive Salary	69,455	69,533	69,612	69,420	69,758	347,778
Civil Service Salaries	90,343	152,128	80,282	160,313	186,718	669,784
Fringe Benefits	50,332	78,069	86,084	96,230	106,203	416,918
Sub Total	210,130	299,730	235,978	325,963	362,679	1,434,480
Fuel	184,239	212,161	255,787	338,387	332,726	1,323,300
Repairs and Maintenance	239,001	256,368	198,437	219,016	207,895	1,120,717
Purchase of 2 Buses	537,214	-	6,639	(18)	-	543,835
Fare Collection System Upgrade	57,000	159,600	11,400	-	-	228,000
Administrative Cost Allocation	-	-	-	66,533	135,146	201,679
Promotional Activities and Printing	5,996	8,566	4,416	9,462	4,472	32,912
Transit Enhancement Study	-	9,500	15,500	-	-	25,000
Other	10,435	6,300	63,635	20,647	31,859	132,876
Total, As Claimed	2,412,904	1,979,943	1,516,683	1,712,087	1,854,057	9,475,674
<b>Adjustments for Reimbursed or Ineligible Costs:</b>						
City of Hialeah Gardens Circulator Fees <sup>2</sup>	(216,169)	(216,169)	(216,169)	(182,572)	(210,000)	(1,041,079)
Florida Department of Transportation Grant <sup>3</sup>	(268,607)	-	-	-	-	(268,607)
Miami-Dade County Metropolitan Planning Organization Grants	(11,000)	-	(20,000)	-	-	(31,000)
Advertising for Non Transit-Related Services	(4,622)	(4,610)	-	(1,770)	(1,311)	(12,313)
	(500,398)	(220,779)	(236,169)	(184,342)	(211,311)	(1,352,999)
Net Eligible Transit Expenditures (Schedule III)	\$ 1,912,506	\$ 1,759,164	\$ 1,280,514	\$ 1,527,745	\$ 1,642,746	\$ 8,122,675
<b>Transportation Expenditures:</b>						
Debt Service for Revenue Bonds/Loans:						
Series 1999/Bank of America Promissory Note Series 2011	\$ 1,390,149	\$ 599,038	\$ 483,935	\$ 977,962	\$ 1,955,923	\$ 5,407,007
Series 2003A/Series 2012A	2,505,011	2,506,501	2,503,671	3,128,520	2,932,339	13,576,042
Series 2005A	1,842,760	1,844,861	1,843,935	1,477,273	1,474,007	8,482,836
	5,737,920	4,950,400	4,831,541	5,583,755	6,362,269	27,465,885
Street Lighting:						
Utilities	-	497,830	-	-	547,903	1,045,733
Repairs and Maintenance	-	-	-	126,488	105,750	232,238
Personnel Expenses - Electrician	-	-	-	40,999	54,159	95,158
	-	497,830	-	167,487	707,812	1,373,129
Administrative Cost Allocation	-	-	-	87,379	5,847	93,226
Total, As Claimed	5,737,920	5,448,230	4,831,541	5,838,621	7,075,928	28,932,240
<b>Adjustments for Ineligible Costs:</b>						
Administrative Charges In Excess of Cost Allocation Plan	-	-	-	(81,532)	-	(81,532)
Bond Administration and Trustee Fees	(22,625)	(22,169)	(21,697)	-	-	(66,491)
Building and Park Utilities	-	(3,270)	-	-	(5,432)	(8,702)
	(22,625)	(25,439)	(21,697)	(81,532)	(5,432)	(156,725)
Net Eligible Transportation Expenditures (Schedule III)	\$ 5,715,295	\$ 5,422,791	\$ 4,809,844	\$ 5,757,089	\$ 7,070,496	\$28,775,515

Source: City of Hialeah (Hialeah) General Ledger, Vendor Invoices, and other supporting documents

<sup>1</sup> In Fiscal Year 2011, a new Service Provider was contracted with more favorable rates.

<sup>2</sup> Pursuant to an Interlocal Agreement, the City of Hialeah Gardens' Circulator Services are provided by Hialeah.

<sup>3</sup> The Grant reimbursed Hialeah for one of the two bus purchases.

**Charter County Transportation System Surtax Review - City of Hialeah**  
**Surtax Proceeds Usage Analysis**

Description	Fiscal Year Ended September 30,					All Years
	2009	2010	2011	2012	2013	
<b>Surtax Proceeds (Schedule I)</b>	\$ 6,672,306	\$ 6,709,589	\$ 7,117,975	\$ 7,623,497	\$ 8,118,432	\$ 36,241,799
<b>Surtax Uses:</b>						
<b>Eligible Transit Expenditures (Schedule II)</b>	\$ 1,912,506	\$ 1,759,164	\$ 1,280,514	\$ 1,527,745	\$ 1,642,746	\$ 8,122,675
<b>Eligible Transportation Expenditures (Schedule II)</b>	\$ 5,715,295	\$ 5,422,791	\$ 4,809,844	\$ 5,757,089	\$ 7,070,496	\$ 28,775,515
Less Maintenance of Effort (MOE) Amount	(127,049)	(127,049)	(127,049)	(127,049)	(127,049)	(635,245)
Expenditures Available for Surtax Use	\$ 5,588,246	\$ 5,295,742	\$ 4,682,795	\$ 5,630,040	\$ 6,943,447	\$ 28,140,270
<b>AMS Analysis:</b>						
<b>Transit-Related Expenditures:</b>						
Expenditures Available for Surtax Use	\$ 1,912,506	\$ 1,759,164	\$ 1,280,514	\$ 1,527,745	\$ 1,642,746	\$ 8,122,675
Less 20% Minimum Amount <sup>1</sup>	(1,334,461)	(1,341,918)	(1,423,595)	(1,524,699)	(1,623,686)	(7,248,359)
Amount Available (Unavailable) for Surtax Use	578,045	417,246	(143,081)	3,046	19,060	874,316
Amount Applied to Reduce Unspent Transit Funds	-	-	-	(3,046)	(19,060)	(22,106)
Amount Applied to Transportation-Related Expenditures	-	(71,929)	-	-	-	(71,929)
Unapplied Excess Expenditures or (Increase) to Unspent Funds	\$ 578,045	\$ 345,317	\$ (143,081)	\$ -	\$ -	\$ 780,281
<b>Analysis of Unspent Rollover:</b>						
Beginning Balance	\$ -	\$ -	\$ -	\$ 143,081	\$ 140,035	\$ -
Increase In Unspent Amounts	-	-	143,081	-	-	143,081
Amount Applied to Reduce Unspent Funds	-	-	-	(3,046)	(19,060)	(22,106)
<b>Remaining Unspent Amount</b>	\$ -	\$ -	\$ 143,081	\$ 140,035	\$ 120,975	\$ 120,975
<b>Transportation-Related Expenditures:</b>						
Expenditures Available for Surtax Use	\$ 5,588,246	\$ 5,295,742	\$ 4,682,795	\$ 5,630,040	\$ 6,943,447	\$ 28,140,270
Excess Transit Expenditures Applied, As Needed	-	71,929	-	-	-	71,929
Less Remaining 80% Minimum <sup>1</sup>	(5,337,845)	(5,367,671)	(5,694,380)	(6,098,798)	(6,494,746)	(28,993,440)
Amount Available (Unavailable) for Surtax Use	250,401	-	(1,011,585)	(468,758)	448,701	(781,241)
Amount Applied to Reduce Unspent Rollover Funds	-	-	-	-	(448,701)	(448,701)
Unapplied Excess Expenditures or (Increase) to Unspent Funds	\$ 250,401	\$ -	\$ (1,011,585)	\$ (468,758)	\$ -	\$ (1,229,942)
<b>Analysis of Unspent Rollover:</b>						
Beginning Balance	\$ -	\$ -	\$ -	\$ 1,011,585	\$ 1,480,343	\$ -
Increase In Unspent Amounts	-	-	1,011,585	468,758	-	1,480,343
Amount Applied to Reduce Unspent Funds	-	-	-	-	(448,701)	(448,701)
<b>Remaining Unspent Amount</b>	\$ -	\$ -	\$ 1,011,585	\$ 1,480,343	\$ 1,031,642	\$ 1,031,642

<sup>1</sup> At least 20% of the Surtax Proceeds must be used on Transit-related projects, such as circulator buses, and the remaining funds (80%) are earmarked for eligible Transportation projects.

**Charter County Transportation System Surtax Review - City of Hialeah  
Surtax Proceeds Usage Analysis, as Restated**

Description	Fiscal Year Ended September 30,						All Years
	2003	2004	2005	2006	2007	2008	
<b>Surtax Proceeds (Schedule I)</b>	\$ 4,382,718	\$ 6,715,483	\$ 7,014,990	\$ 7,730,686	\$ 7,656,151	\$ 7,336,976	\$ 40,837,004
<b>Surtax Uses:</b>							
<b>Eligible Transit Expenditures</b> <sup>1</sup>	\$ 904,869	\$ 1,354,380	\$ 1,102,019	\$ 1,892,551	\$ 2,086,073	\$ 1,985,195	\$ 9,325,087
<b>Eligible Transportation Expenditures</b> <sup>1</sup>	\$ 6,398,671	\$ 6,042,131	\$ 9,777,000	\$ 9,294,369	\$ 10,081,118	\$ 8,363,877	\$ 49,957,166
Less Maintenance of Effort (MOE) Amount	(127,049)	(127,049)	(127,049)	(127,049)	(127,049)	(127,049)	(762,294)
Expenditures Available for Surtax Use	\$ 6,271,622	\$ 5,915,082	\$ 9,649,951	\$ 9,167,320	\$ 9,954,069	\$ 8,236,828	\$ 49,194,872
<b>AMS Analysis:</b>							
<b>Transit-Related Expenditures:</b>							
Expenditures Available for Surtax Use	\$ 904,869	\$ 1,354,380	\$ 1,102,019	\$ 1,892,551	\$ 2,086,073	\$ 1,985,195	\$ 9,325,087
Less 20% Minimum Amount <sup>2</sup>	(876,544)	(1,343,097)	(1,402,998)	(1,546,137)	(1,531,230)	(1,467,395)	(8,167,401)
Amount Available (Unavailable) for Surtax Use	28,325	11,283	(300,979)	346,414	554,843	517,800	1,157,686
Amount Applied to Reduce Unspent Transit Funds	-	-	-	(300,979)	-	-	(300,979)
Unapplied Excess Expenditures or (Increase) to Unspent Funds	\$ 28,325	\$ 11,283	\$ (300,979)	\$ 45,435	\$ 554,843	\$ 517,800	\$ 856,707
<b>Analysis of Unspent Rollover:</b>							
Beginning Balance	\$ -	\$ -	\$ -	\$ 300,979	\$ -	\$ -	\$ -
Increase In Unspent Amounts	-	-	300,979	-	-	-	300,979
Amount Applied to Reduce Unspent Funds	-	-	-	(300,979)	-	-	(300,979)
<b>Remaining Unspent Amount</b>	\$ -	\$ -	\$ 300,979	\$ -	\$ -	\$ -	\$ -
<b>Transportation-Related Expenditures:</b>							
Expenditures Available for Surtax Use	\$ 6,271,622	\$ 5,915,082	\$ 9,649,951	\$ 9,167,320	\$ 9,954,069	\$ 8,236,828	\$ 49,194,872
Less Remaining 80% Minimum <sup>2</sup>	(3,506,174)	(5,372,386)	(5,611,992)	(6,184,549)	(6,124,921)	(5,869,581)	(32,669,603)
Expenditures Claimed in Excess of the 80% Minimum	\$ 2,765,448	\$ 542,696	\$ 4,037,959	\$ 2,982,771	\$ 3,829,148	\$ 2,367,247	\$ 16,525,269

<sup>1</sup> See the September 1, 2009 Audit Report for details of claimed amounts for Fiscal Years 2003 through 2008.

<sup>2</sup> At least 20% of the Surtax Proceeds must be used on Transit-related projects, such as circulator buses, and the remaining funds (80%) are earmarked for eligible Transportation projects.

Charter County Transportation System Surtax Review - City of Hialeah  
Summary of Debt Service Requirements By Bond Issue

Description	Fiscal Year Ended September 30,											All Years
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
<b>Revenue Bonds Series 1999:</b>												
Outstanding Principal	\$ 26,875,000	\$ 25,760,000	\$ 24,605,000	\$ 23,405,000	\$ 22,160,000	\$ 20,865,000	\$ 19,520,000	\$ 18,120,000	\$ 16,660,000	\$ -	\$ -	
Less Principal Payment/Payoff	1,115,000	1,155,000	1,200,000	1,245,000	1,295,000	1,345,000	1,400,000	1,460,000	1,660,000	-	-	
Outstanding Balance	\$ 25,760,000	\$ 24,605,000	\$ 23,405,000	\$ 22,160,000	\$ 20,865,000	\$ 19,520,000	\$ 18,120,000	\$ 16,660,000	\$ -	\$ -	\$ -	
<i>Debt Service Requirements:</i>												
Principal	\$ 1,115,000	\$ 1,155,000	\$ 1,200,000	\$ 1,245,000	\$ 1,295,000	\$ 1,345,000	\$ 1,400,000	\$ 1,460,000	\$ 1,525,000	\$ -	\$ -	\$ 11,740,000
Interest	1,217,676	1,176,979	1,134,244	1,088,044	1,038,244	986,444	930,963	871,463	807,588	-	-	9,251,645
	\$ 2,332,676	\$ 2,331,979	\$ 2,334,244	\$ 2,333,044	\$ 2,333,244	\$ 2,331,444	\$ 2,330,963	\$ 2,331,463	\$ 2,332,588	\$ -	\$ -	\$ 20,991,645
<i>Allowed Debt Service: <sup>1</sup></i>												
Debt Service Claimed	\$ 1,400,114	\$ 1,364,521	\$ 1,397,685	\$ 1,394,108	\$ 1,392,791	\$ 1,391,601	\$ 1,390,149	\$ 599,038	\$ 483,935	\$ -	\$ -	\$ 10,813,942
Adjustments for Ineligible and Other Costs	(12,718)	21,846	(10,999)	(9,221)	(8,384)	(9,379)	-	-	-	-	-	(28,855)
	\$ 1,387,396	\$ 1,386,367	\$ 1,386,686	\$ 1,384,887	\$ 1,384,407	\$ 1,382,222	\$ 1,390,149	\$ 599,038	\$ 483,935	\$ -	\$ -	\$ 10,785,087
<b>On April 28, 1999, the City of Hialeah (Hialeah) executed a Loan Agreement with the Florida Municipal Loan Council (FMLC) to borrow \$30 million from the proceeds of the FMLC Revenue Bonds, Series 1999, for major roadway improvements and infrastructure projects. The Bonds call for semi-annual payments that commenced on October 1, 1999 through April 1, 2019, and bear interest at rates ranging from 3.2% to 5.1%. As of September 30, 2002, the loan had an outstanding balance of \$26.9 million.</b>												
<b>Bank of America Promissory Note Series 2011 (Refinanced 1999 Bond Issue):</b>												
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,550,000	\$ 16,550,000	\$ 15,595,874	
Less Principal Payment	-	-	-	-	-	-	-	-	-	954,126	2,063,297	
Outstanding Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,550,000	\$ 15,595,874	\$ 13,532,577	
<i>Debt Service Requirements:</i>												
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954,126	\$ 2,063,297	\$ 3,017,423
Interest	-	-	-	-	-	-	-	-	-	268,327	381,607	649,934
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,222,453	\$ 2,444,904	\$ 3,667,357
<i>Allowed Debt Service <sup>1</sup></i>												
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 977,962	\$ 1,955,923	\$ 2,933,885
<b>On August 20, 2011, Hialeah entered into a \$16.6 million Loan Agreement with Bank of America to refinance the outstanding loan from the FMLC Revenue Bonds, Series 1999, and to pay interest on the loan for up to three years. The Loan matures on April 1, 2019, with options to extend to April 1, 2026 and 2031. Semi-annual debt service payments commenced on April 1, 2012, with interest fixed at 2.53%.</b>												
<b>Revenue Bonds Series 2003A:</b>												
Outstanding Principal	\$ 48,135,000	\$ 48,135,000	\$ 47,335,000	\$ 46,510,000	\$ 45,670,000	\$ 44,795,000	\$ 43,890,000	\$ 42,960,000	\$ 42,000,000	\$ 40,995,000	\$ 39,940,000	
Less Principal Payment/Payoff	-	800,000	825,000	840,000	875,000	905,000	930,000	960,000	1,005,000	1,055,000	39,940,000	
Outstanding Balance	\$ 48,135,000	\$ 47,335,000	\$ 46,510,000	\$ 45,670,000	\$ 44,795,000	\$ 43,890,000	\$ 42,960,000	\$ 42,000,000	\$ 40,995,000	\$ 39,940,000	\$ -	
<i>Debt Service Requirements:</i>												
Principal	\$ -	\$ 800,000	\$ 825,000	\$ 840,000	\$ 875,000	\$ 905,000	\$ 930,000	\$ 960,000	\$ 1,005,000	\$ 1,055,000	\$ 1,110,000	\$ 9,305,000
Interest	-	2,303,425	2,279,425	2,262,925	2,229,325	2,200,888	2,173,738	2,145,837	2,097,838	2,047,588	1,994,838	21,735,827
	\$ -	\$ 3,103,425	\$ 3,104,425	\$ 3,102,925	\$ 3,104,325	\$ 3,105,888	\$ 3,103,738	\$ 3,105,837	\$ 3,102,838	\$ 3,102,588	\$ 3,104,838	\$ 31,040,827
<i>Allowed Debt Service: <sup>1</sup></i>												
Debt Service Claimed	\$ -	\$ 2,429,797	\$ 2,516,701	\$ 2,512,816	\$ 2,502,941	\$ 2,502,915	\$ 2,505,011	\$ 2,506,501	\$ 2,503,671	\$ 3,128,520	\$ 2,149,576	\$ 25,258,449
Adjustments for Ineligible and Other Costs	-	61,131	(24,970)	(22,290)	(11,290)	(10,010)	-	-	-	-	-	(7,429)
	\$ -	\$ 2,490,928	\$ 2,491,731	\$ 2,490,526	\$ 2,491,651	\$ 2,492,905	\$ 2,505,011	\$ 2,506,501	\$ 2,503,671	\$ 3,128,520	\$ 2,149,576	\$ 25,251,020
<b>On May 1, 2003, Hialeah executed a Loan Agreement with the FMLC to borrow \$48.1 million from the proceeds of the FMLC Revenue Bonds, Series 2003A, for major roadway improvements and infrastructure projects. Semi-annual debt service payments commenced on November 1, 2003 through May 1, 2033, with interest at rates ranging from 2% to 5.25%.</b>												
<b>Revenue Bonds Series 2012A (Refinanced 2003A Bond Issue):</b>												
Outstanding Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,620,000	
Less Principal Payment	-	-	-	-	-	-	-	-	-	-	130,000	
Outstanding Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,490,000	
<i>Debt Service Requirements:</i>												
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,000	\$ 130,000
Interest	-	-	-	-	-	-	-	-	-	-	834,443	834,443
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 964,443	\$ 964,443
<i>Allowed Debt Service <sup>1</sup></i>												
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 782,763	\$ 782,763
<b>On November 8, 2012, Hialeah entered into a Loan Agreement with the FMLC to refinance the outstanding loan from the Revenue Bonds, Series 2003A. Semi-annual debt service payments commenced on May 1, 2013 through May 1, 2033, and bear interest at rates ranging from 2% to 5%.</b>												

Charter County Transportation System Surtax Review - City of Hialeah  
Summary of Debt Service Requirements By Bond Issue

Description	Fiscal Year Ended September 30,											All Years	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
<b>Revenue Bonds Series 2005A:</b>													
Outstanding Principal	\$ -	\$ -	\$ 29,090,000	\$ 29,090,000	\$ 28,600,000	\$ 28,075,000	\$ 27,535,000	\$ 26,980,000	\$ 26,405,000	\$ 25,810,000	\$ 25,190,000	\$ 24,550,000	
Less Principal Payment	-	-	-	490,000	525,000	540,000	555,000	575,000	595,000	620,000	640,000	640,000	
Outstanding Balance	\$ -	\$ -	\$ 29,090,000	\$ 28,600,000	\$ 28,075,000	\$ 27,535,000	\$ 26,980,000	\$ 26,405,000	\$ 25,810,000	\$ 25,190,000	\$ 24,550,000	\$ 23,910,000	
<i>Debt Service Requirements:</i>													
Principal	\$ -	\$ -	\$ -	\$ 490,000	\$ 525,000	\$ 540,000	\$ 555,000	\$ 575,000	\$ 595,000	\$ 620,000	\$ 640,000	\$ 640,000	\$ 4,540,000
Interest	-	-	609,817	1,315,145	1,299,920	1,283,270	1,265,476	1,247,833	1,227,308	1,205,332	1,181,658	1,157,984	10,635,759
	\$ -	\$ -	\$ 609,817	\$ 1,805,145	\$ 1,824,920	\$ 1,823,270	\$ 1,820,476	\$ 1,822,833	\$ 1,822,308	\$ 1,825,332	\$ 1,821,658	\$ 1,814,984	\$ 15,175,759
<i>Allowed Debt Service:</i> <sup>1</sup>													
Debt Service Claimed	\$ -	\$ -	\$ 620,932	\$ 1,822,681	\$ 1,845,824	\$ 1,842,910	\$ 1,842,760	\$ 1,844,861	\$ 1,843,935	\$ 1,477,273	\$ 1,474,007	\$ 1,474,007	\$ 14,615,183
Less Deductions for Ineligible and Other Costs	-	-	(11,115)	(17,536)	(20,904)	(19,640)	(22,625)	(22,169)	(21,697)	-	-	-	(135,686)
	\$ -	\$ -	\$ 609,817	\$ 1,805,145	\$ 1,824,920	\$ 1,823,270	\$ 1,820,135	\$ 1,822,692	\$ 1,822,238	\$ 1,477,273	\$ 1,474,007	\$ 1,474,007	\$ 14,479,497

On February 15, 2005, Hialeah executed a Loan Agreement with the FMLC to borrow \$29.1 million from the proceeds of the FMLC Revenue Bonds, Series 2005A, for major roadway improvements and infrastructure projects. Semi-annual payments commenced on August 1, 2005 through February 1, 2035, with interest at rates ranging from 3% to 5%.

Source: Loan Agreements, City of Hialeah General Ledger, and Audited Financial Statements

<sup>1</sup> The amount of Surtax Proceeds used to pay debt service costs varied annually, as determined by Hialeah. In certain years, such costs were adjusted for ineligible fees, such as bank and trustee costs, as well as to correct other errors.

**Charter County Transportation System Surtax Review  
City of Hialeah  
Status of Prior Audit Findings <sup>1</sup>**

Finding	Recommendation	Auditee Response	Current Status
<b>General Fund Support</b>			
<p>The City of Hialeah (Hialeah) reported \$83,186 as the Maintenance of Effort (MOE); however, our review disclosed budgeted Fiscal Year (FY) 2002 General Fund transportation expenditures of \$127,049.</p>	<p>Require Hialeah certify the corrected MOE within 30 days.</p>	<p>Hialeah concurs with the finding.</p>	<p><b>Resolved</b> Hialeah revised its MOE as recommended.</p>
<b>Use of Surtax Proceeds</b>			
<p>Our review disclosed \$4.6 million in ineligible costs, primarily for stormwater drainage construction, legal fees associated with bond issuances, and right-of-way landscaping maintenance, among others. After adjusting claimed expenditures and using the corrected MOE, we determined Hialeah was unable to expend \$300,979 on eligible projects.</p>	<p>Recapture the \$300,979 or allow for rollover, in accordance with revised guidelines approved by Members of the Citizens' Independent Transportation Trust (CITT).</p>	<p>Hialeah has consistently spent more in Transit and Transportation-related projects than the Surtax Proceeds received since the enactment of the law in 2002.</p>	<p><b>Resolved</b> Pursuant to CITT Resolution No. 09-055, previously reported unspent amounts that originated in FY 2005 were used to fund FY 2006 expenditures.</p>
<b>Certification and Reporting Requirements</b>			
<p>Hialeah included its use of Surtax Proceeds as part of its Five-Year Transportation Plans, but excluded certain Transportation-related projects and funding sources. Moreover, Certification Letters were not submitted for FYs 2003, 2004, and 2007, and those forwarded for 2005 and 2006 omitted the affirmation that Surtax Proceeds were used in accordance with the terms of the Interlocal Agreement.</p>	<p>Prospectively, Hialeah should submit reports to the Office of the Citizens' Independent Transportation Trust (OCITT) in the prescribed form.</p>	<p>The Transit component has always been reported as one sole project, which is the bus transit system. The Transportation component has always been submitted to OCITT using the department's existing format, which lists every construction project by address, not by funding source.</p> <p>The City has always submitted the annual Certification Letters in a timely manner, and receipt has been acknowledged by OCITT. We concur that specific language was omitted from some of the Certification Letters. The City has already amended the language in the Certification Letter for the FY 2009 and submitted same.</p>	<p><b>Partially Resolved</b> Annual Certification Letters are being correctly submitted. However, other reports are not being submitted as required. <i>See page 5 of the Audit Report.</i></p>
<b>Signage</b>			
<p>The Amended Interlocal Agreement requires posting of a conspicuous sign at the job site, structure, or vehicle if funded in whole, or in part, by Surtax Proceeds; however, this signage was not posted on Hialeah Circulator buses.</p>	<p>Hialeah should be instructed to comply with the signage requirement.</p>	<p>The Transit Division concurs with finding and recommendation on the placement of signs on the Hialeah Circulator Buses. Our Transit Division has already placed signs as indicated in the Interlocal Agreement.</p>	<p><b>Resolved</b></p>

<sup>1</sup> See the Audit Report dated September 1, 2009 for the full text.