



AUDIT AND MANAGEMENT SERVICES DEPARTMENT
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October 22, 2019

Mr. Esmond K. Scott
City Manager
City of North Miami Beach
17011 N.E. 19th Avenue
North Miami Beach, FL 33162

**Re: Final Audit Report – Charter County Transportation System Surtax Review –
City of North Miami Beach**

Dear Mr. Scott:

Attached is the above-referenced Audit Report, together with the City's Response. We appreciate the courtesies and assistance extended to our staff during the audit process. Please contact G. Nancy McKee, Assistant Director, at (786) 469-5900, should you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Cathy Jackson'.

Cathy Jackson
Director

CJ:bm

Attachments


c: Javier A. Betancourt, Executive Director, OCITT
Marcia Fennell, Interim Finance Director, City of North Miami Beach

Memorandum



Date: October 1, 2019

To: Javier A. Betancourt, Executive Director
Office of the Citizens' Independent Transportation Trust (OCITT)


From: Cathy Jackson, Director
Audit and Management Services Department (AMS)

Subject: Final Audit Report – Charter County Transportation System Surtax Review –
City of North Miami Beach

PURPOSE AND SCOPE

We performed a review of the City of North Miami Beach's (City) use of Charter County Transportation System Surtax (Surtax) Proceeds remitted by Miami-Dade County (County) for the four years ended September 30, 2018. 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 (Interlocal Agreement)* executed on June 10, 2010. Additionally, we assessed resolution of prior audit findings referenced in our September 30, 2015 Audit Report (Exhibit I).

BACKGROUND

County Ordinance No. 02-116, enacted on July 9, 2002, imposed a one-half of one percent Surtax on eligible sales transactions for use on 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, on a pro-rata basis using population statistics (Schedule III). 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 must annually continue the same level of General Fund support for Transportation projects appropriated in its Fiscal Year (FY) 2002 Budget (Maintenance of Effort), which totaled \$847,476 (Table I). Surtax Proceeds may be used to develop, construct, equip, maintain, operate, or expand County-wide bus systems, fixed guideway rapid transit systems, roads, and bridges, as well as secure such bonds or pay debt service. Further, the City 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. *CITT Resolution No. 09-055*, adopted July 30, 2009, allows for the rollover of unspent Surtax funds for up to five years, provided a Five-Year Transportation Plan demonstrates how the funds will be used. Additionally, *CITT Resolution No. 15-027*, adopted May 20, 2015, allows for carryover credits in the event amounts expended are in excess of annual Surtax allocations.

SUMMARY RESULTS

For the four years ended September 30, 2018, the City received \$7 million in Surtax Proceeds and claimed Transit and Transportation-related expenditures totaling \$10.6 million (Table I). After adjusting claimed expenditures for the Maintenance of Effort (MOE) as applicable, and ineligible expenditures, the City had unspent Transit and Transportation Surtax Proceeds of \$1.2 million and \$43,297, respectively.

Table I
Surtax Statistics

| Description | Fiscal Year Ended September 30, | | | | All Years |
|--|---------------------------------|--------------------|--------------------|--------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | |
| Maintenance of Effort | \$ 847,476 | \$ 847,476 | \$ 847,476 | \$ 847,476 | \$ 3,389,904 |
| Revenue (Schedule I): | | | | | |
| Surtax Proceeds | \$1,659,574 | \$1,733,203 | \$1,904,182 | \$1,724,622 | \$ 7,021,581 |
| Investment Income | 1,931 | - | - | - | 1,931 |
| | <u>\$1,661,505</u> | <u>\$1,733,203</u> | <u>\$1,904,182</u> | <u>\$1,724,622</u> | <u>\$ 7,023,512</u> |
| Claimed Expenditures: | | | | | |
| Transit (Table II) | \$ 197,939 | \$ 294,094 | \$ 963,867 | \$ 784,327 | \$ 2,240,227 |
| Transportation (Table IV) | 2,270,903 | 2,081,686 | 1,672,375 | 2,332,842 | 8,357,806 |
| | <u>\$2,468,842</u> | <u>\$2,375,780</u> | <u>\$2,636,242</u> | <u>\$3,117,169</u> | <u>\$10,598,033</u> |
| Unspent Amounts (Carryforward Credits) (Schedule II): | | | | | |
| Transit | \$2,166,291 | \$2,231,144 | \$1,656,431 | \$1,227,245 | |
| Transportation | (710,572) | (553,348) | 147,291 | 43,297 | |
| | <u>\$1,455,719</u> | <u>\$1,677,796</u> | <u>\$1,803,722</u> | <u>\$1,270,542</u> | |
| Key Account Balances as of September 30th: | | | | | |
| <i>Transit Surtax Special Revenue Fund (Schedule I):</i> | | | | | |
| Pooled Cash and Investments | \$1,125,753 | \$1,281,874 | \$1,223,234 | \$1,098,616 | |
| Accounts Receivable- Intergovernmental (Surtax) | \$ 404,677 | \$ 574,897 | \$ 743,810 | \$ 629,514 | |
| Fund Balance | <u>\$1,456,393</u> | <u>\$1,808,630</u> | <u>\$1,916,135</u> | <u>\$1,451,303</u> | |

These and other findings, along with the City's Responses (Attachment I) are presented in the remainder of this Report. The City took exception to several of our findings. Nonetheless, we maintain that our findings are accurate as indicated.

We appreciate the courtesies and assistance extended to our staff during the audit process. Based on the foregoing, we now consider this audit closed. Please contact G. Nancy McKee, Assistant Director, 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 the Surtax Proceeds, or \$1.4 million, must be used for Transit-related projects, for which the City claimed \$2.2 million for its *NMB-Line* Trolley (Table II). In September 2015, the City discontinued its employee-operated Trolley and entered into an Agreement with Limousines of South Florida, Inc.

Table II
Summary of Claimed Transit Expenditures
From the *Transit Surtax Special Revenue Fund*

| Description | Fiscal Year Ended September 30, | | | | All Years |
|--|---------------------------------|-------------------|-------------------|-------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | |
| <i>NMB-Line</i> Third-Party Operator Costs | \$ - | \$ 219,358 | \$ 340,528 | \$ 719,598 | \$ 1,279,484 |
| Trolley Acquisition | - | - | 549,468 | - | 549,468 |
| Transit - Related Salaries and Benefits | 171,907 | 20,222 | 18,487 | 48,064 | 258,680 |
| Repairs, Maintenance, and Operating Costs | 17,532 | 17,014 | 14,401 | 16,665 | 65,612 |
| <i>NMB-Line</i> Operational Analysis and Route Development | 8,500 | 37,500 | 9,000 | - | 55,000 |
| <i>NMB-Line</i> Onboard Technology Tracking | - | - | 31,983 | - | 31,983 |
| | <u>\$ 197,939</u> | <u>\$ 294,094</u> | <u>\$ 963,867</u> | <u>\$ 784,327</u> | <u>\$ 2,240,227</u> |

Source: City General Ledgers

During FY 2017, the City acquired three new Trolleys and added two new routes that operate Monday to Saturday from 7:30 am to 7:30 pm. Monthly ridership increased significantly after the addition of the routes in April 2017 (Table III). Although the City has considerably increased its Transit-related expenditures, it still had \$1.2 million in unspent Transit Surtax Proceeds as of September 30, 2018.

Table III
Monthly *NMB Line* Transit Ridership

| Month | 2016 | 2017 | 2018 |
|-----------|---------------|---------------|----------------|
| October | 1,319 | 1,645 | 15,716 |
| November | 1,520 | 1,927 | 14,265 |
| December | 1,475 | 2,106 | 14,685 |
| January | 1,785 | 3,888 | 14,728 |
| February | 1,858 | 3,471 | 14,119 |
| March | 2,254 | 3,980 | 16,857 |
| April | 2,155 | 9,589 | 17,205 |
| May | 2,014 | 11,012 | 17,307 |
| June | 2,278 | 12,149 | 14,784 |
| July | 2,170 | 11,748 | 12,726 |
| August | 2,055 | 13,913 | 17,281 |
| September | 1,711 | 11,892 | 18,018 |
| | <u>22,594</u> | <u>87,320</u> | <u>187,691</u> |

Source: City Monthly Ridership data

Recommendation

The City's Five-Year Transportation Plan shows the \$1.2 million of rollover monies being fully-utilized. OCITT should ensure the City adheres to the Plan.

City's Response

The City of North Miami Beach welcomes the OCITT oversight.

Use of Surtax Proceeds for Transportation Projects

The 80% portion of Surtax Proceeds (\$5.6 million) was spent mainly to pay debt service on borrowings used to develop roads and other eligible projects (Tables IV and V), with the remaining Proceeds funding Citywide street lighting and street improvements.

Table IV
Summary of Claimed Transportation Expenditures, as Adjusted

| Description | Fiscal Year Ended September 30, | | | | All Years |
|--|---------------------------------|--------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | |
| Transit Surtax Special Revenue Fund: | | | | | |
| Debt Service (Table V) | \$ 625,199 | \$ 628,358 | \$ 624,355 | \$ 625,206 | \$ 2,503,118 |
| Street Resurfacing and Other Road Improvements | 593,575 | 382,515 | 123,555 | 690,421 | 1,790,066 |
| Administrative Costs | 77,500 | 76,000 | 87,200 | 89,500 | 330,200 |
| Transfer for Alley Restoration Program | 75,000 | - | - | - | 75,000 |
| | 1,371,274 | 1,086,873 | 835,110 | 1,405,127 | 4,698,384 |
| General Fund Transportation Projects: | | | | | |
| Streetlights | 899,629 | 994,813 | 837,265 | 927,715 | 3,659,422 |
| Total Claimed | 2,270,903 | 2,081,686 | 1,672,375 | 2,332,842 | 8,357,806 |
| Less Adjustment for Non-Streetlight Expenditures | (5,782) | (4,872) | (2,192) | (1,674) | (14,520) |
| Eligible Costs | \$ 2,265,121 | \$ 2,076,814 | \$ 1,670,183 | \$ 2,331,168 | \$ 8,343,286 |

Source: City General Ledgers

After adjusting claimed expenditures for the MOE and ineligible costs, the City had unspent Transportation Surtax Proceeds of \$43,297 as of September 30, 2018 (Schedule II).

Table V
Summary of Debt Service Requirements
Refunding Revenue Note, Series 2013

| Description | Fiscal Year Ended September 30, | | | | All Years |
|--|---------------------------------|--------------|--------------|--------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | |
| Outstanding Principal | \$ 3,571,000 | \$ 3,002,000 | \$ 2,420,000 | \$ 1,832,000 | |
| Less: Principal Payment | (569,000) | (582,000) | (588,000) | (599,000) | |
| Outstanding Balance | \$ 3,002,000 | \$ 2,420,000 | \$ 1,832,000 | \$ 1,233,000 | |
| <i>Debt Service Requirements (Table IV):</i> | | | | | |
| Principal | \$ 569,000 | \$ 582,000 | \$ 588,000 | \$ 599,000 | \$ 2,338,000 |
| Interest | 56,199 | 46,358 | 36,355 | 26,206 | 165,118 |
| | \$ 625,199 | \$ 628,358 | \$ 624,355 | \$ 625,206 | \$ 2,503,118 |

Source: Loan Documents, City General Ledgers, and Audited Financial Statements

Recommendation

The City should exercise greater diligence in assuring that only eligible expenditures are used to satisfy the MOE.

City's Response

The City of North Miami Beach disputes the fact that Surtax Proceeds were used to pay ineligible expenditures. The analysis appears to indicate that a portion of the streetlights paid did not qualify as eligible costs for the MOE. Streetlights are not paid from the CITT proceeds and the reduction of the amounts deemed ineligible to meet the definition of MOE did not reduce the MOE below the required level. The City requests reconsideration of this finding.

AMS Rejoinder

Streetlight expenditures were claimed to satisfy the MOE requirement, but claimed amounts included certain non-streetlight costs. We therefore reaffirm the accuracy of our finding.

Investment Earnings

Surtax Proceeds are pooled with other funds for investment purposes. However, the City did not allocate investment earnings to the *Transit Surtax Special Revenue Fund* in FYs 2016 through 2018, and only a minimal amount in FY 2015. Using *Pooled Cash and Investment* balances recorded in the City's Audited Financial Statements, we estimate an additional \$55,253 should be credited to the Surtax Fund (Table VI).

Table VI
Investment Income Attributable to Unused Surtax Funds

| Description | Fiscal Year Ended September 30, | | | | Total |
|---|---------------------------------|--------------|--------------|--------------|-----------|
| | 2015 | 2016 | 2017 | 2018 | |
| Pooled Cash and Investments (Schedule I) | \$ 1,125,753 | \$ 1,281,874 | \$ 1,223,234 | \$ 1,098,616 | |
| Average Annual Yield on Investments | <u>2.34%</u> | <u>0.96%</u> | <u>0.68%</u> | <u>0.93%</u> | |
| Investment Income Attributable to Unspent Funds | \$ 26,343 | \$ 12,306 | \$ 8,318 | \$ 10,217 | \$ 57,184 |
| Amount Recorded per the City (Schedule I) | 1,931 | - | - | - | 1,931 |
| Additional Amount Due (Schedule II) | \$ 24,412 | \$ 12,306 | \$ 8,318 | \$ 10,217 | \$ 55,253 |

Source: City Audited Financial Statements

Recommendation

Prospectively, the City should allocate investment income of \$55,253 on unspent Surtax monies.

City's Response

Pursuant to the current Interlocal Agreement dated August 18, 2003, the City is under no obligation to allocate interest to the Program and therefore does not invest proceeds of the CITT. Additionally, the City invests strictly in fixed asset investments. When interest rates rise, the City will experience losses on its investment portfolio. Many Programs deem those losses undesirable and therefore do not require allocations. The City requests reconsideration of this finding as this action is not required by the current Interlocal Agreement.

AMS Rejoinder

The City's unspent Surtax balance exceeded \$1 million during the audit period. Investment earnings from those unused restricted monies should be credited to the Transit Surtax Special Revenue Fund. Such investment earnings are restricted and thus, are not available for use by the City's General Fund.

Execution of Revised Interlocal Agreement

The City signed the revised *Interlocal Agreement* dated June 10, 2010, however, it appears the document was not executed by the County.

Recommendation

OCITT should immediately execute the Agreement and forward copies to the City and Clerk of Courts, as required.

Reporting Requirements

The City submitted most of its required reports to OCITT. However, several of the Quarterly Expenditure Reports were submitted late. Also, the City could not substantiate that its Certification Letter, Five-Year Transportation Plan, and First Quarterly Report were submitted for FY 2016. Finally, Quarterly Expenditure Reports did not agree with annual amounts recorded in the City's General Ledger.

Recommendation

City Staff must strive to provide the required reports accurately and timely to OCITT.

City's Response

The City concurs with the finding as it relates to the Certification Letter and is committed to filing it timely. However, the current Interlocal Agreement dated August 18, 2003 does not require the submission of quarterly reports nor a five-year transportation plan. The City requests revision of this finding to address only reporting requirements included in the Interlocal Agreement.

With regard to the accuracy of the reports and the quarterly reports agreeing with amounts recorded in the general ledger; there are often accounting adjustments made well past the submission of reports. It is unreasonable to expect that reports filed on a cash basis would ever agree to modified accrual general ledger accounts. For example, the first quarterly report of fiscal year 2019 would indicate that the City received no CITT revenue, when in fact the general ledger indicates that the City received \$136,330 for the month of October, \$145,548 for the month of November, and \$224,745 for the month of December. The City requests a revision of the wording of this finding with regard to the accuracy of reports.

AMS Rejoinder

The Interlocal Agreement should have been revised on June 10, 2010, per the previous finding, which would require the City to submit the aforementioned Reports. Also, Quarterly Reports should include "Current PTP Dollars Spent on the Project," either for the Quarter or Year-to-Date, but not Project-to-Date amounts.

CJ:bm

Attachments

- c: Honorable Harvey A. Ruvin, Clerk of the Courts
Abigail Price-Williams, County Attorney
Edward Marquez, Deputy Mayor
Jennifer Moon, Deputy Mayor/Director, Office of Management and Budget
Esmond K. Scott, City Manager, City of North Miami Beach

**Charter County Transportation System Surtax Review - City of North Miami Beach
Transit Surtax Special Revenue Fund**

| Balance Sheets | | | | |
|--|--|---------------------|---------------------|---------------------|
| Description | As of September 30, | | | |
| | 2015 | 2016 | 2017 | 2018 |
| Assets: | | | | |
| Pooled Cash and Investments | \$ 1,125,753 | \$ 1,281,874 | \$ 1,223,234 | \$ 1,098,616 |
| Accounts Receivable- Intergovernmental (Surtax) | 404,677 | 574,897 | 743,810 | 629,514 |
| Total Assets | <u>\$ 1,530,430</u> | <u>\$ 1,856,771</u> | <u>\$ 1,967,044</u> | <u>\$ 1,728,130</u> |
| Liabilities and Fund Balance: | | | | |
| Liabilities: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 74,037 | \$ 48,141 | \$ 50,909 | \$ 276,827 |
| Fund Balance: | | | | |
| Restricted- <i>Interlocal Agreements</i> | 1,316,063 | 1,808,630 | 1,916,135 | 1,451,303 |
| Assigned- Capital Projects and Equipment | 140,330 | - | - | - |
| Total Fund Balance | <u>1,456,393</u> | <u>1,808,630</u> | <u>1,916,135</u> | <u>1,451,303</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,530,430</u> | <u>\$ 1,856,771</u> | <u>\$ 1,967,044</u> | <u>\$ 1,728,130</u> |
| Statements of Revenues, Expenditures, and Changes in Fund Balance | | | | |
| Description | Fiscal Year Ended September 30, | | | |
| | 2015 | 2016 | 2017 | 2018 |
| Revenues: | | | | |
| Intergovernmental Revenues (Surtax) ¹ | \$ 1,659,574 | \$ 1,733,203 | \$ 1,904,182 | \$ 1,724,622 |
| Investment Income | 1,931 | - | - | - |
| Miscellaneous Income | - | - | 2,300 | - |
| Total Revenues | <u>\$ 1,661,505</u> | <u>\$ 1,733,203</u> | <u>\$ 1,906,482</u> | <u>\$ 1,724,622</u> |
| Expenditures: | | | | |
| Operating Expenditures: | | | | |
| General Government | \$ 24,296 | \$ 29,514 | \$ 415,160 | \$ 973,642 |
| Parks & Recreation ² | 191,811 | 294,093 | - | - |
| Capital Outlay | 569,279 | 353,001 | 672,262 | 495,956 |
| Total Expenditures | <u>785,386</u> | <u>676,608</u> | <u>1,087,422</u> | <u>1,469,598</u> |
| Excess of Revenues over Expenditures | 876,119 | 1,056,595 | 819,060 | 255,024 |
| Other Financing Uses: | | | | |
| Transfers Out | (758,160) | (704,358) | (711,555) | (719,856) |
| Net Change in Fund Balance | <u>117,959</u> | <u>352,237</u> | <u>107,505</u> | <u>(464,832)</u> |
| Fund Balance, Beginning | <u>1,338,434</u> | <u>1,456,393</u> | <u>1,808,630</u> | <u>1,916,135</u> |
| Fund Balance, Ending | <u>\$ 1,456,393</u> | <u>\$ 1,808,630</u> | <u>\$ 1,916,135</u> | <u>\$ 1,451,303</u> |

Source: City General Ledgers and Audited Financial Statements

¹ Amounts differ from Schedule III due to timing differences.

² Expenditures were mistakenly recorded as Parks and Recreation instead of General Government.

These Financial Statements are not complete without the accompanying Auditors' Reports and Notes.

Charter County Transportation System Surtax Review - City of North Miami Beach
Surtax Proceeds Usage Analysis

| Description | Fiscal Year Ended September 30, | | | | All Years |
|---|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | |
| Sources of Funds (Schedule I): | | | | | |
| Surtax Proceeds ¹ | \$ 1,659,574 | \$ 1,733,203 | \$ 1,904,182 | \$ 1,724,622 | \$ 7,021,581 |
| Investment Income Attributable to Unused Surtax Funds (Table VI): | | | | | |
| Amount Recorded by City of North Miami Beach | 1,931 | - | - | - | 1,931 |
| Additional Amount Due Per AMS | 24,412 | 12,306 | 8,318 | 10,217 | 55,253 |
| | <u>26,343</u> | <u>12,306</u> | <u>8,318</u> | <u>10,217</u> | <u>57,184</u> |
| | <u>\$ 1,685,917</u> | <u>\$ 1,745,509</u> | <u>\$ 1,912,500</u> | <u>\$ 1,734,839</u> | <u>\$ 7,078,765</u> |
| Surtax Uses: | | | | | |
| Eligible Transit Expenditures (Table II) | \$ 197,939 | \$ 294,094 | \$ 963,867 | \$ 784,327 | \$ 2,240,227 |
| Eligible Transportation Expenditures (Table IV) | \$ 2,265,121 | \$ 2,076,814 | \$ 1,670,183 | \$ 2,331,168 | \$ 8,343,286 |
| Less MOE | (847,476) | (847,476) | (847,476) | (847,476) | (3,389,904) |
| Expenditures Available For Surtax Use | <u>\$ 1,417,645</u> | <u>\$ 1,229,338</u> | <u>\$ 822,707</u> | <u>\$ 1,483,692</u> | <u>\$ 4,953,382</u> |
| AMS Analysis: | | | | | |
| Transit-Related Expenditures: | | | | | |
| Expenditures Available for Surtax Use | \$ 197,939 | \$ 294,094 | \$ 963,867 | \$ 784,327 | \$ 2,240,227 |
| Less 20% Minimum ² | (331,915) | (346,641) | (380,836) | (344,924) | (1,404,316) |
| Less Investment Income | (26,343) | (12,306) | (8,318) | (10,217) | (57,184) |
| (Increase) Decrease In Unspent Amounts | <u>\$ (160,319)</u> | <u>\$ (64,853)</u> | <u>\$ 574,713</u> | <u>\$ 429,186</u> | <u>\$ 778,727</u> |
| Analysis of Unspent Rollover: | | | | | |
| Beginning Balance ³ | \$ 2,005,972 | \$ 2,166,291 | \$ 2,231,144 | \$ 1,656,431 | \$ 2,005,972 |
| Increase (Decrease) In Unspent Amounts | 160,319 | 64,853 | (574,713) | (429,186) | (778,727) |
| Remaining Unspent Amount | <u>\$ 2,166,291</u> | <u>\$ 2,231,144</u> | <u>\$ 1,656,431</u> | <u>\$ 1,227,245</u> | <u>\$ 1,227,245</u> |
| Transportation-Related Expenditures: | | | | | |
| Expenditures Available for Surtax Use | \$ 1,417,645 | \$ 1,229,338 | \$ 822,707 | \$ 1,483,692 | \$ 4,953,382 |
| Less Remaining 80% Amount ² | (1,327,659) | (1,386,562) | (1,523,346) | (1,379,698) | (5,617,265) |
| (Increase) Decrease In Unspent Amounts | <u>\$ 89,986</u> | <u>\$ (157,224)</u> | <u>\$ (700,639)</u> | <u>\$ 103,994</u> | <u>\$ (663,883)</u> |
| Analysis of Carryforward Credit: | | | | | |
| Beginning Balance ³ | \$ (620,586) | \$ (710,572) | \$ (553,348) | \$ 147,291 | \$ (620,586) |
| Increase (Decrease) In Unspent Amounts | (89,986) | 157,224 | 700,639 | (103,994) | 663,883 |
| Remaining Unspent Amount (Carryforward Credits) | <u>\$ (710,572)</u> | <u>\$ (553,348)</u> | <u>\$ 147,291</u> | <u>\$ 43,297</u> | <u>\$ 43,297</u> |

¹ Amounts differ from Schedule III due to timing differences.

² 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.

³ Per the September 30, 2015 Audit Report

**Charter County Transportation System Surtax Review
Summary of Payments to Municipalities**

| Municipality | Fiscal Year Ended September 30, | | | | | | | All Years |
|------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| | 2003 to 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| City of Miami ¹ | \$ 116,849,163 | \$ 14,564,114 | \$ 15,424,405 | \$ 16,414,208 | \$ 16,889,133 | \$ 16,523,990 | \$ 18,187,632 | \$ 214,852,645 |
| City of Hialeah | 68,960,371 | 8,118,432 | 8,457,199 | 8,983,772 | 9,243,159 | 9,346,775 | 9,873,020 | 122,982,728 |
| City of Miami Beach | 27,484,782 | 3,166,271 | 3,351,080 | 3,552,358 | 3,670,335 | 3,678,499 | 3,925,123 | 48,828,448 |
| City of Miami Gardens ² | 10,352,937 | 3,837,951 | 3,985,238 | 4,199,539 | 4,336,722 | 4,409,954 | 4,737,286 | 35,859,627 |
| City of North Miami | 17,943,986 | 2,107,503 | 2,212,494 | 2,328,969 | 2,454,241 | 2,473,804 | 2,665,998 | 32,186,995 |
| City of Homestead | 13,789,737 | 2,204,159 | 2,354,015 | 2,519,902 | 2,669,792 | 2,788,854 | 2,969,698 | 29,296,157 |
| City of Coral Gables | 13,391,235 | 1,685,507 | 1,781,041 | 1,897,394 | 1,955,854 | 1,981,236 | 2,091,593 | 24,783,860 |
| City of North Miami Beach | 12,435,165 | 1,493,737 | 1,566,354 | 1,659,574 | 1,733,203 | 1,746,039 | 1,882,765 | 22,516,837 |
| City of Aventura | 8,891,581 | 1,280,248 | 1,385,071 | 1,436,028 | 1,494,036 | 1,502,980 | 1,590,870 | 17,580,814 |
| City of Doral ² | 3,642,653 | 1,667,049 | 1,767,800 | 1,925,900 | 2,120,606 | 2,232,433 | 2,508,437 | 15,864,878 |
| Town of Miami Lakes ¹ | 7,766,182 | 1,052,533 | 1,095,293 | 1,172,205 | 1,209,319 | 1,211,635 | 1,288,227 | 14,795,394 |
| Town of Cutler Bay ² | 3,886,873 | 1,453,608 | 1,541,361 | 1,643,660 | 1,721,858 | 1,769,140 | 1,899,220 | 13,915,720 |
| Village of Palmetto Bay | 7,423,535 | 841,373 | 879,379 | 930,008 | 952,951 | 956,304 | 1,013,542 | 12,997,092 |
| City of Hialeah Gardens | 6,178,662 | 780,808 | 816,410 | 859,975 | 904,713 | 922,372 | 986,599 | 11,449,539 |
| City of Sunny Isles Beach | 5,376,896 | 752,852 | 795,768 | 834,090 | 869,990 | 866,019 | 933,221 | 10,428,836 |
| Village of Pinecrest ³ | 5,225,789 | 1,205,816 | 686,122 | 723,235 | 737,876 | 738,316 | 777,521 | 10,094,675 |
| City of Miami Springs | 4,113,990 | 496,146 | 522,095 | 550,052 | 562,418 | 565,087 | 601,223 | 7,411,011 |
| City of Opa-locka ⁵ | 4,640,264 | 552,018 | 580,600 | 556,122 | 90,323 | 195,000 | 210,000 | 6,824,327 |
| City of South Miami | 3,280,419 | 443,069 | 504,946 | 538,750 | 546,219 | 547,720 | 546,151 | 6,407,274 |
| Village of Key Biscayne | 3,415,345 | 443,069 | 461,282 | 489,679 | 502,197 | 508,734 | 540,692 | 6,360,998 |
| City of Sweetwater ¹ | 4,077,699 | 390,842 | 326,534 | 275,281 | 273,778 | 133,332 | 466,662 | 5,944,128 |
| City of Florida City | 2,794,031 | 419,450 | 440,752 | 477,906 | 498,385 | 504,443 | 542,769 | 5,677,736 |
| Miami Shores Village | 3,145,976 | 368,810 | 384,663 | 408,970 | 419,557 | 420,697 | 443,831 | 5,592,504 |
| North Bay Village | 1,965,557 | 263,374 | 279,848 | 299,797 | 314,789 | 328,007 | 378,523 | 3,829,895 |
| City of West Miami | 1,770,807 | 214,600 | 224,057 | 235,786 | 241,053 | 241,373 | 279,166 | 3,206,842 |
| Town of Surfside | 1,666,675 | 206,033 | 214,832 | 226,558 | 229,428 | 228,739 | 234,500 | 3,006,765 |
| Town of Bay Harbor Islands | 1,566,561 | 201,912 | 214,053 | 227,105 | 231,953 | 222,682 | 234,375 | 2,898,641 |
| Village of Biscayne Park | 994,312 | 110,094 | 115,264 | 122,506 | 125,900 | 126,220 | 135,905 | 1,730,201 |
| Bal Harbour Village | 948,405 | 89,667 | 110,690 | 113,983 | 114,472 | 111,421 | 114,881 | 1,603,519 |
| Village of El Portal ⁴ | 751,852 | 83,900 | 87,815 | 88,880 | 6,467 | 174,873 | 90,094 | 1,283,881 |
| Village of Virginia Gardens | 704,328 | 85,654 | 89,044 | 94,354 | 96,229 | 96,903 | 102,910 | 1,269,422 |
| Town of Medley | 333,660 | 29,889 | 31,913 | 33,823 | 34,442 | 33,529 | 35,277 | 532,533 |
| Town of Golden Beach ¹ | 262,985 | 33,042 | 34,366 | 35,427 | 36,766 | 37,221 | 39,423 | 479,230 |
| Indian Creek Village | 3,604 | - | - | - | - | - | - | 3,604 |
| | <u>\$ 366,036,017</u> | <u>\$ 50,643,530</u> | <u>\$ 52,721,784</u> | <u>\$ 55,855,796</u> | <u>\$ 57,288,164</u> | <u>\$ 57,624,331</u> | <u>\$ 62,327,134</u> | <u>\$ 702,496,756</u> |

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

¹ Amounts are net of withholdings of \$76,553 from the Town of Miami Lakes, \$1.6 million from the City of Sweetwater, \$21,058 from the Town of Golden Beach, and \$2.5 million from the City of Miami, due to specific instances of noncompliance.

² Pursuant to the respective Interlocal and/or Settlement Agreements, these Municipalities, which were incorporated after November 2002, are receiving a share of the County's Surtax Proceeds consistent with the other Municipal distributions.

³ In FY 2009, \$551,589 was returned by the Village of Pinecrest for their unspent Transit portion of funding as of September 30, 2007. In FY 2013, OCITT returned the monies to the Village.

⁴ Amount in FY 2016 is net of \$84,069 withheld due to instances of noncompliance, which was returned in FY 2017 by OCITT.

⁵ A total of \$1.7 million is being withheld from the City of Opa-locka, due to instances of noncompliance.

Charter County Transportation System Surtax – City of North Miami Beach (City)
Status of Prior Audit Findings ¹

| Finding | Recommendation | Auditee Response | Current Status |
|---|--|---|--|
| Use of Surtax Proceeds | | | |
| The City did not screen On-Demand Transportation patrons for eligibility. Further, the City had unspent Transit Surtax Proceeds of \$2 million, but only \$1.56 million as <i>Pooled Cash and Investments</i> . | The City should avoid using Surtax funds on Special Transit Services that do not meet eligibility criteria, and should replenish \$447,957 to the <i>Transit Surtax Special Revenue Fund</i> within 90 days. | The City is committed to only using Surtax Funds that meet eligibility requirements, and has transferred the responsibility of compliance and management of the Transit program to the Public Works Department. | <u>Resolved</u> |
| Transportation-Related Expenditures | | | |
| The City had \$793,668 ineligible charges. | The City should assure that only eligible expenditures are paid with Surtax Proceeds. | The City will ensure that only eligible expenditures are paid with Surtax Proceeds. | <u>Resolved</u> |
| Execution of Revised Interlocal Agreement | | | |
| The City signed the revised <i>Interlocal Agreement</i> dated June 10, 2010, however, it appears the document was not executed by the County. | OCITT should promptly execute the Agreement and forward copies to the City and Clerk of Courts, as required. | The City will work with OCITT to ensure an Agreement is executed expeditiously. | <u>Unresolved</u> The County has not executed the 2010 <i>Interlocal Agreement</i> . See page 6 of the <i>Audit Report</i> . |
| Certification and Reporting Requirements | | | |
| Quarterly Reports due between January 2009 and January 2010 were not submitted to OCITT, and other reports were submitted late. | City Staff must ensure that all reports submitted to OCITT are timely and accurate. | The City will ensure that all required reports are submitted timely. | <u>Partially Resolved</u> Most of the required reports were submitted to OCITT. However, several were missing or submitted late. See pages 6 to 7 of the <i>Audit Report</i> . |

¹ See the Audit Report dated September 30, 2015 and the Response dated October 15, 2015 for the full text



City of North Miami Beach, Florida
FINANCE DEPARTMENT

September 16, 2019

Cathy Jackson, Director
Auditing and Management Services Department
Overtown Transit Village
701 NW 1st Court – Suite 8-175
Miami, Florida 33136

RE: Charter County Transportation System Surtax Review – City of North Miami Beach

Dear Ms. Jackson:

Enclosed are the responses to the review of City of North Miami Beach's use of Charter County Transportation System Surtax Proceeds remitted by Miami-Dade County for the four years ended September 30, 2018.

Please contact me if there are questions.

Sincerely,

Janette Smith
Interim Assistant City Manager
City of North Miami Beach
17011 NE 19th Avenue
North Miami Beach, FL 33162
(305) 948-2930

cc: Esmond K. Scott, City Manager
Marcia Fennell, Interim Finance Director

FINDINGS AND RECOMMENDATIONS

Uses of Surtax Proceeds for Transit Projects

Recommendation

The City's Five-Year Transportation Plan shows the \$1.2 million of rollover monies being fully-utilized (*sic*). OCITT should ensure the City adheres to the Plan.

Management Response

The City of North Miami Beach welcomes the OCITT oversight.

Use of Surtax Proceeds for Transportation Projects

Recommendation

The City should exercise greater diligence in assuring that only eligible expenditures are paid with Surtax Proceeds.

Management Response

This City of North Miami Beach disputes the fact that surtax proceeds were used to pay ineligible expenditures. The analysis appears to indicate that a portion of the streetlights paid did not qualify as eligible costs for the MOE. Streetlights are not paid from the CITT proceeds and the reduction of the amounts deemed ineligible to meet the definition of MOE did not reduce the MOE below the required level. The City requests reconsideration of this finding.

Investment Earnings

Recommendation

The City should allocate appropriate investment income on unspent Surtax Proceeds.

Management Response

Pursuant to the current Interlocal Agreement dated August 18, 2003, the City is under no obligation to allocate interest to the program and therefore does not invest proceeds of the CITT. Additionally, the City invests strictly in fixed asset investments. When interest rates rise, the City will experience losses on its investment portfolio. Many programs deem those losses undesirable and therefore do not require allocations. The City requests reconsideration of this finding as this action is not required by the current Interlocal Agreement.

Execution of Revised Interlocal Agreement

Recommendation

OCITT should immediately execute the Agreement and forward copies to the City and Clerk of Courts, as required.

Management Response

No response.

Reporting Requirements

Recommendation

City staff must strive to provide timely and accurate reporting to OCITT.

Management Response

The City concurs with the finding as it relates to the Certification Letter and is committed to filing it timely. However, the current Interlocal Agreement dated August 18, 2003 does not require the submission of quarterly reports nor a five-year transportation plan. The City requests revision of this finding to address only reporting requirements included in the Interlocal Agreement.

With regard to the accuracy of the reports and the quarterly reports agreeing with amounts recorded in the general ledger; there are often accounting adjustments made well past the submission of reports. It is unreasonable to expect that reports filed on a cash basis would ever agree to modified accrual general ledger accounts. For example, the first quarterly report of fiscal year 2019 would indicate that the City received no CITT revenue, when in fact the general ledger indicates that the City received \$136,330 for the month of October, \$145,548 for the month of November, and \$224,745 for the month of December. The City requests a revision of the wording of this finding with regard to the accuracy of reports.