



C Borders-Byrd, CPA LLC

Accountants and Consultants

Special-Purpose Financial Statements and
Report of Independent Certified Public
Accountants

**MIAMI-DADE AVIATION DEPARTMENT
MIAMI INTERNATIONAL AIRPORT SPECIAL
LOUNGE FACILITIES MANAGEMENT AND
OPERATING AGREEMENT**

As of March 15, 2017 and for the Period
October 1, 2016 through March 15, 2017

Miami-Dade Aviation Department
Miami International Airport Special Lounge Facilities
Management and Operating Agreement

Special-Purpose Financial Statements

As of March 15, 2017 and for the Period
October 1, 2016 through March 15, 2017

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Honorable Mayor and Members of the
Board of County Commissioners of
Miami-Dade County, Florida

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose statement of assets and liabilities and special-purpose statement of revenues and expenses of the Miami-Dade Aviation Department-Miami International Airport Special Lounge Facilities Management and Operating Agreement (the "Facility") as of March 15, 2017 and for the period October 1, 2016 through March 15, 2017, and the related notes to the special-purpose financial statements, which collectively comprise the Facility's special-purpose financial statements as listed in the table of contents.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the provisions of the Facility's Management and Operating Agreements and accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

The accompanying special-purpose financial statements have been prepared for the purpose of complying with the Management and Operating Agreements between Miami-Dade County, Florida, and EFCO USA, Inc., the management company, of the Miami International Airport Lounge Facilities as described in Note 2 to the special-purpose financial statements, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, these special-purpose financial statements are intended to present the assets and liabilities, revenues and expenses of only the portion of Miami-Dade Aviation Department that are attributable to the transactions of the Facility. They do not purport to, and do not, present fairly the financial position of Miami-Dade Aviation Department as of March 15, 2017, or the changes in its financial position for the period October 1, 2016 through March 15, 2017, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Facility as of March 15, 2017, and the revenues and expenses for the period October 1, 2016 through March 15, 2017, on the basis of accounting described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2017 on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Facility's internal control over financial reporting and compliance.

Restriction of Use

This report was prepared solely for the information and use of the Honorable Mayor and Members of the Board of County Commissioners of Miami-Dade County, Florida and the management of the Miami-Dade Aviation Department, and is not intended to be and should not be used by anyone other than these specified parties.

C. Borders-Byrd, CPA LLC

Miami, Florida
July 13, 2017

**Miami-Dade Aviation Department
Miami International Airport Special Lounge Facilities
Management and Operating Agreement**

Special-Purpose Statement of Assets and Liabilities

March 15, 2017

Assets

Cash	\$ 24,928
Accounts receivable, net	253,183
Inventory	34,373
Total assets	<u>\$ 312,484</u>

Liabilities

Accounts payable and accrued expenses	\$ 18,358
Due to Management Company and related parties	8,283
Due to Aviation Department	285,843
Total liabilities	<u>\$ 312,484</u>

See accompanying notes to the special-purpose financial statements

**Miami-Dade Aviation Department
Miami International Airport Special Lounge Facilities
Management and Operating Agreement**

Special-Purpose Statement of Revenues and Expenses

For the Period October 1, 2016 through March 15, 2017

Revenues

Sales	\$ 1,086,599
Less: Cost of sales	96,227
Gross margin/net sales	<u>990,372</u>

Expenses

Payroll and fringe benefits	127,945
Selling, general and administrative expenses	52,732
Management fees	46,680
Total expenses	<u>227,357</u>
Excess of revenues over expenses	<u>\$ 763,015</u>

See accompanying notes to the special-purpose financial statements

**Miami-Dade Aviation Department
Miami International Airport Facilities'
Management and Operating Agreements**

Notes to Special-Purpose Financial Statements

As of March 15, 2017 and for the Period October 1, 2016 through March 15, 2017

NOTE 1 – GENERAL

Miami-Dade County, Florida (the "County") entered into a Management and Operating Agreement (the "Agreement") with a third party (the "Management Company") to operate, maintain and manage the Special Lounge Facilities (the "Facility") at Miami International Airport (the "Airport") on behalf of the County. The Agreement provides for a fixed management fee and fees based on percentages of revenue and/or operating profits of the Facility. While the County generally looks toward the Management Company for recommendations relative to operation of the Facility, the County does exercise complete budgetary control and establishes guidelines and goals for growth and performance. Such actions are taken within the rights reserved by the County under the Agreement to control all aspects of the business. These actions include such matters as pricing, staffing, employee benefits, operating hours, maintenance requirements, service levels, merchandise selections, personnel policies and marketing strategies. In the event the Management Company does not perform in accordance with the standards established by the County, the County has the right to cancel such Agreement. The Management Company does not act as general agents on behalf of the County and, therefore, cannot obligate or commit the County beyond the scope of what is required to run the day-to-day operations of the managed Facility, as established by the budgets approved by the County. See Note 3.

The Facility performs a distinct function for the County, which generates revenues to offset the cost of operations and supplement the County's budget. The Special Lounge Facilities consist of Club F which provides a leisure environment for travelers, generally by subscription, to relax and enjoy and assortment of snacks and beverages as they await their flight. The Management Company contracted to operate, maintain, and manage the Special Lounge Facilities is EFCO USA, Inc. ("EFCO"). See Note 3 for more details on the Agreement termination dates and management fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The special-purpose financial statements of the Facility conform to accounting principles generally accepted in the United States of America, except for the exclusion of certain assets, liabilities and expenses. The special-purpose statements of assets and liabilities include only those assets and liabilities which are recorded in the books of the Facility, as maintained by the Management Company for the County pursuant to the Agreement. Assets not reflected therein include, but are not limited to, cash in revenue depository bank accounts, net assets, and capital assets. Liabilities not reflected therein relate primarily to other operating expenses paid directly by the County, debt, and certain accrued compensated absences. The special-purpose statements of revenue and expenses include only those expenses, which are incurred by the Facility under the terms of the Agreement. Expenses not reflected therein include charges for certain depreciation and amortization in connection with capital assets located within the Facility and interest expense, if any. The Facility and their operations are included as part of the assets, liabilities and operations of Miami-Dade Aviation Department ("Aviation Department").

**Miami-Dade Aviation Department
Miami International Airport Facilities'
Management and Operating Agreements**

Notes to Special-Purpose Financial Statements - Continued

As of March 15, 2017 and for the Period October 1, 2016 through March 15, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting – Continued

The accompanying special-purpose financial statements of the Facility have been prepared on the full accrual basis of accounting, as prescribed by GASB, except where otherwise noted.

In accordance with provisions of the Agreement, the Facility deposits, on a daily basis, gross receipts, as defined in the Agreement, into a County-owned and controlled cash revenue depository bank account.

The Management Company pays the operating expenses of the Facility. The County reimburses the Management Company for all approved reimbursable operating expenses, as defined in the Agreements. The sales tax liability for the Facility is included in accounts payable and accrued expenses in the accompanying special-purpose statements of assets and liabilities.

Basis of Presentation

The accompanying special-purpose financial statements were prepared for the purpose of complying with the Agreement. Statements of cash flows are not required under the Agreement and have not been presented.

Cash

Cash represents amounts on hand and amounts held in demand deposit accounts with certain financial institutions that were in the name of the Facility/Management Companies and/or the Aviation Department.

Accounts Receivable, Net

Accounts receivable, net are stated at the amount of customers' outstanding balances, less any allowance for uncollectable accounts. Interest is not accrued on overdue accounts receivable. Allowance for uncollectible accounts is estimated by account collection history. Management does not believe that an allowance for uncollectible accounts is required.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Subsequent to March 15, 2017, the inventory was transferred to the successor management company.

**Miami-Dade Aviation Department
Miami International Airport Facilities'
Management and Operating Agreements**

Notes to Special-Purpose Financial Statements - Continued

As of March 15, 2017 and for the Period October 1, 2016 through March 15, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent amounts due to vendors and service providers for unpaid goods and services provided for the operations of the Facility. Estimated accrued payroll expenses are also included.

Due To Management Company and Related Parties

This amount represents accrued management fees due the Management Company.

Due To/From Aviation Department

Amounts due to the Aviation Department represent the cumulative excess/deficit of revenue over expenses and net receipts and disbursements between the Management Company and the Aviation Department since inception of the Agreement.

Revenue Recognition

Revenue is recognized when earned and realizable. Most revenue transactions represent services rendered and are recognized when the service is provided. Revenue recorded is presented net of taxes collected in escrow on behalf of governmental authorities and remitted by the Management Company or Aviation Department.

Cost of Sales

Cost of sales are recognized when incurred at the time of sale and are comprised of the cost of products used in providing services to customers or the cost of products for resale.

Payroll and Fringe Benefits

Payroll and fringe benefits are recognized when incurred and include costs of salaries, wages, healthcare and retirement benefits, compensated absences, workers compensation and payroll taxes incurred as compensation to employees of the Facility.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses (SG&A) are recognized when incurred and are primarily comprised of costs incurred for third-party service providers, professional fees, selling expenses, credit card fees, advertising and administrative costs, repairs and maintenance for the Facility, certain capital asset purchases, and other miscellaneous operating expenses.

**Miami-Dade Aviation Department
Miami International Airport Facilities'
Management and Operating Agreements**

Notes to Special-Purpose Financial Statements - Continued

As of March 15, 2017 and for the Period October 1, 2016 through March 15, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Management Fees

Management fees are recognized when incurred and represent costs incurred as compensation to the Management Company for operating the Facility. See Note 3. These are related party transactions.

Property, Plant, and Equipment & Related Costs

Pursuant to the Agreement, upon budget approval by the County, the Management Company purchases certain fixed assets needed by the Facility. Such assets are the property of the County and are not recorded in the accompanying special-purpose statement of assets and liabilities of the Facility. The Management Company is reimbursed or advanced the cost of such assets by the County. These amounts are included in selling, general and administrative expense in the accompanying special-purpose statements of revenues and expenses.

The Management Company also occasionally oversees capital improvements to the Facility directed by the County. Such capital improvements are the property of the County and are not recorded in the accompanying special-purpose statements of assets and liabilities of the Facility. The Management Company is reimbursed or advanced the cost of such capital improvements by the County. The costs and related depreciation and amortization are not included in the accompanying special-purpose statement of revenues and expenses.

Income Taxes

The special-purpose statement of revenues and expenses are intended to show the results of operations for the Facility managed under the Agreement on behalf of the County; accordingly, no provision has been made for income taxes as the County is an income tax-exempt organization.

Use of Estimates

The preparation of the special-purpose financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the special-purpose financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Miami-Dade Aviation Department
Miami International Airport Facilities'
Management and Operating Agreements**

Notes to Special-Purpose Financial Statements - Continued

As of March 15, 2017 and for the Period October 1, 2016 through March 15, 2017

NOTE 3 – MANAGEMENT AND OPERATING AGREEMENT

Pursuant to the Agreement, a management fee is payable to the Management Company of the Special Lounge Facilities on a monthly basis. The monthly management fees payable to the Management Company of the Special Lounge Facilities as defined in the Agreement in effect for the period presented is \$7,500.

Pursuant to the Agreements, the management fee also includes an additional variable component based on percentage of revenue or operating profits.

Terms of Agreement

The Special Lounge Agreement between EFCO and the County expired on September 26, 2015 and has continued on a month-to-month basis thereafter. Ordinance 95-138, Section 2-286a(9) extends any concession or management agreement related to the retail activities on a month-to-month basis for so long as may be needed to avoid disruption of concession services to passengers. Such extensions continue unless otherwise terminated by either party upon advanced written notice.

On August 12, 2016, Miami-Dade County gave notice to terminate the Special Lounge Facilities Management and Operating Agreement with EFCO effective March 25, 2017 and entered into an agreement with another management company to replace EFCO. EFCO's management of the operations of the Special Lounge Facility ceased on March 15, 2017.

NOTE 4 – RELATED PARTY TRANSACTIONS

In addition to management fees incurred by the Facility and paid to the Management Companies (Note 3), EFCO USA, Inc., the management company for the Special Lounge was paid \$12,011 for carpet cleaning services. This amount is included in selling, general and administrative expenses for the accompanying special-purpose statement of revenue and expenses.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Facility from time to time are involved in litigation incidental to the conduct of their business, and such matters can involve current and former Facility employees and contractors. In the opinion of management, the expected liability, from these claims, in excess of insurance coverage, if any, would not be material to the Facility's financial position or results of operations.

**Miami-Dade Aviation Department
Miami International Airport Facilities'
Management and Operating Agreements**

Notes to Special-Purpose Financial Statements - Continued

As of March 15, 2017 and for the Period October 1, 2016 through March 15, 2017

NOTE 6 – ECONOMIC DEPENDANCY

The Special Lounge Facilities receive approximately 79% of total revenues from five customers for the period October 1, 2016 through March 15, 2017. The largest of the five customers represents approximately 34% of total revenues for the period October 1, 2016 through March 15, 2017. Management of the Special Lounge Facilities believes that the loss of any one or more of these customers could have a detrimental material impact on its financial position and results of operations due to lost sales.

NOTE 7 – RISK MANAGEMENT

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a result, the Facility obtained general and property liabilities and worker's compensation insurance coverage.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 13, 2017, which is the date these special-purpose financial statements were available to be issued.

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

For the Period October 1, 2016 through
March 15, 2017



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF SPECIAL-PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor and Members of the
Board of County Commissioners of
Miami-Dade County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the special-purpose statement of assets and liabilities and special-purpose statement of revenues and expenses of the Miami-Dade Aviation Department-Miami International Airport Special Lounge Facilities Management and Operating Agreement (the "Facility") as of March 15, 2017 and for the period October 1, 2016 through March 15, 2017, and the related notes to the special-purpose financial statements, which collectively comprise the Facility' special-purpose financial statements, and have issued our report thereon dated July 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Facility' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Facility' internal control. Accordingly, we do not express an opinion on the effectiveness of the Facility' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's special-purpose financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's special-purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of special-purpose 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 Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C. Borders-Byrd, CPA LLC

Miami, Florida
July 13, 2017

