

**CITY OF NORTH MIAMI BEACH, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Prepared by:

Department of Finance

# CITY OF NORTH MIAMI BEACH, FLORIDA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

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## **INTRODUCTORY SECTION**

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# **City of North Miami Beach, Florida**

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CITY MANAGER

February 23, 2004

To the Honorable Mayor, City Council Members, and Citizens of the City of North Miami Beach:

State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Additionally, the City's charter requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of North Miami Beach for the fiscal year ended September 30, 2003.

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

Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the City of North Miami Beach's financial statements for the fiscal year ended September 30, 2003, are fairly presented in conformity with GAAP. The report of the independent certified public accountants is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of North Miami Beach was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. There were no single audit findings during the fiscal year ended September 30, 2003.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of North Miami Beach's MD&A can be found immediately following the report of the independent certified public accountants.

### **Profile of the Government**

The City of North Miami Beach was incorporated on October 4, 1926 and operates under a Council-Manager form of government. The City Council is comprised of the Mayor and six members and is responsible for enacting ordinances, resolutions and regulations governing the City as well as appointing the members of various advisory boards, the City Manager, City Attorney and City Clerk. As Chief Administrative Officer, the City Manager is responsible for enforcement of laws and ordinances and appoints and supervises the department heads of the City.

The City of North Miami Beach is a nearly completely developed community located in northeastern Miami-Dade County, which is in the southeast part of Florida. Located midway between Miami and Fort Lauderdale with excellent regional highway access, it is primarily a residential and shopping community. Single-family and multi-family residential uses amount to 38 percent and 12 percent, respectively, of the City's land area. Commercial uses represent 15 percent of the City's land area. Industrial development occupies only 5 percent of the City's land area. Actual manufacturing activities are limited to a few small fabricating enterprises. Recreational uses represent 10 percent of the City's land area. The remaining land area is occupied by schools, churches and other related establishments.

The City of North Miami Beach provides the full range of municipal services for its citizens. These include public safety (fire protection is provided by Miami-Dade County), water, sewer, and stormwater utilities, sanitation services, public works, parks and recreation facilities, public library, code compliance, planning and zoning, real estate and economic development, and general and administrative services.

The annual budget serves as the foundation for the City of North Miami Beach's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and

department (e.g., police). No department may legally expend in excess of amounts appropriated for that department within an individual fund. The City Manager may make transfers of appropriations within a department and to a department from his contingency account. Transfers of appropriations between departments, however, require the approval of the City Council. The City Council approves supplemental appropriations; however, the City Manager is granted authority to amend, modify, or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 57-59 as part of the basic financial statements.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of North Miami Beach operates.

**Local economy.** Pledging revenues from the one-half percent increase in the sales tax approved by the voters of Miami-Dade County in November 2002, the City has borrowed approximately eight million dollars to complete Hanford Boulevard by 2006. Once completed, this traditional mainstreet will be the centerpiece of North Miami Beach's Fulford City Center district. The Fulford City Center is an area of approximately 120 acres which functions not only as a focal point for business activity, but also as the City's main community area featuring the Lafe Allen Library, Julius Littman Performing Arts Theater, Challenger Park, and the Patricia A. Mishcon Athletic Field. The next objective in the physical improvement of the public areas within the district is reconstruction of the avenues that intersect with Hanford Boulevard and extend from North Miami Beach Boulevard to the Snake Creek Waterway. A request for \$2.75 million of federal funding for this reconstruction is progressing simultaneously through a Federal Highway Administration grant program and the transportation enhancement area of the federal Transportation Department's appropriations bill.

An historic event took place at the west end of Hanford Boulevard during 2003 as a substantial portion of the Mall at 163rd Street was demolished. The event symbolizes the transition of the City from one that is built out and stable to one that is about to re-establish and rejuvenate itself. The Mall at 163<sup>rd</sup> Street, the first mall ever built in South Florida, will continue to change drastically over the next few years. The first and most substantial change will be the opening of a super Wal-Mart by 2006 where the east end of the mall once stood. The combination of the new Wal-Mart, the existing Home Depot, other mall improvements, and the completion of Hanford Boulevard will provide a substantial boost to the City's retail market.

During 2003, the City conducted an economic feasibility study to determine if additional private properties could follow the Mall's example of tearing down and rebuilding. It was determined that without financial incentives, and more specifically subsidies, it is likely that redevelopment of this type would only occur sporadically. Desiring a more immediate return on its investment in Hanford Boulevard, the City Council explored ways to increase dramatic redevelopment in order to create new investment necessary to generate momentum. At the Council's request, the

administration began investigating and preparing for the creation of a Community Redevelopment Area in accordance with Florida Statutes.

Also during 2003, Miami-Dade County began the planning process for a new passenger activity center (PAC) in the North Miami Beach area. Currently there are up to 62 buses per hour converging on and departing from the streets surrounding the Mall at 163<sup>rd</sup> Street. The creation of a nearby PAC on its own parcel will substantially relieve the strains this causes on the mall and its environs just as the site is being revitalized. It will also represent an initial step toward major improvement of transit in the northeast section of the County, which is essential to keeping the economy growing. Discussion of passenger rail returning the Florida East Coast (FEC) corridor is becoming widespread, linking Fulford City Center with downtown Miami.

Proposals for high-rise residential development (in this case meaning over 12 stories and up to 28) landed on the City Council's agendas for the first time in history during 2003. While only one project had officially submitted applications during this time, developers are very seriously pursuing at least two other projects. Assuming the conceptual plans supported by the City Council in 2003 result in construction projects in the ensuing years, this trend will have major permanent economic impacts on the City. It also provides further evidence that North Miami Beach stands as one of South Florida's most successful redevelopment stories.

**Long-term financial planning.** The City's water infrastructure improvements, including the Norwood Water Treatment Plant Expansion Project is underway. The program is, and will be, the main focus of the Water Production Division of the Public Services Department for years to come. The water system improvements are scheduled for substantial completion in January 2006.

The bond-funded Proud Neighborhoods capital improvement program was expanded in 2003. Added to the original program list, which contained 46 projects, were another 13 projects. Funding for the additional projects resulted from project savings and interest earnings. It is anticipated that all 59 Proud Neighborhoods projects will have been completed by or during 2006.

Property values in the City continue to rise substantially. The impacts of the improvements described above combined with an emphasis on effective code enforcement are likely contributors to this trend. An example of code enforcement efficiency is that only five percent of the citations cleared during fiscal year 2003 resulted in the assessment of fines. ("Cleared" violations include those found in compliance and those fined due to continued non-compliance.) While the 95% compliance rate shows that the process has become extremely successful, the \$82,000 collected from code enforcement fines during fiscal year 2003 and the 153 properties currently being fined every day due to non-compliance show that the City continues to target violators and compel compliance.

Environmental Protection Agency (EPA) approval of two major construction projects – a new storm water system and a sanitary sewer system in the Highland Village area – was received at the end of 2003. Pre-qualification of contractors is complete and bidding is under way. Construction will commence during fiscal year 2004.

**Cash management policies and practices.** The City's investment policy has been, and is, unwaveringly conservative. The traditional concept of return of investment as a higher priority than return on investment is reflected in the City's investment choices. Various investment and cash balances are pooled to maximize investment yields. All the funds of the City, except for the pension funds and agency fund, participate in the pooled investments.

Except for the City's restricted cash and investments and those funds excluded as noted above, the City maintains an average monthly balance of \$13 million in both its interest earning checking account at a state approved local financial institution and its account with the Florida State Board of Administration (SBA) in the Local Government Surplus Trust Funds Investment Pool. The struggling economy with its poor interest rates adversely affected the City's interest income this year. The average interest rate for the interest checking and SBA accounts for the fiscal year was 0.75% and 1.52%, respectively. The total interest earned from all investments was \$166,000 as compared to \$252,000 in fiscal year 2002. The \$86,000 decrease in interest earnings was primarily due to a continued decrease in the overall interest rates paid on investments.

	2003			2002		
	Interest <u>Earned</u>	Average Interest <u>Rate</u>	Average Investment <u>Balance</u>	Interest <u>Earned</u>	Average Interest <u>Rate</u>	Average Investment <u>Balance</u>
Interest checking	\$ 22,683	0.75	\$ 3,300,000	\$ 43,158	1.36	\$ 3,500,000
SBA	142,839	1.52	9,700,000	209,249	2.08	10,200,000
Totals	<u>\$ 165,522</u>		<u>\$ 13,000,000</u>	<u>\$ 252,407</u>		<u>\$ 13,700,000</u>

**Risk management.** The Risk Management section continues to implement and monitor various risk control techniques to minimize accidents and losses to City personnel and property. The City's workers' compensation program is self-insured and requires extensive management with the assistance of a third party administrator and managed care arrangement. The City also self-funds its general liabilities, which requires a great deal of coordination with the Finance Department and the Office of the City Attorney. Health and dental insurance coverage for the employees of the City are through fully insured plans to help control costs.

An actuarial study was recently completed for self-insured risks to determine the funding requirements necessary to meet projected losses. The reserve requirements include liabilities retained for claims losses and allocated loss adjustment expenses. It includes Incurred But Not Reported (IBNR) reserves, credit for future investment income, and margins for adverse results. The City has sufficient reserves to cover potential claims. Additional information on the City's risk management activity can be found in Note 7 of the notes to the basic financial statements.

**Pension and other post employment benefits.** In fiscal year 2003, the City created a new single employer defined benefit pension plan for employees not covered by the two existing defined

benefit pension plans. Only six employees chose to remain in the old defined contribution (Internal Revenue Code 401(a)) pension plan.

The City's three single employer defined benefit pension plans provide benefits for substantially all full-time employees and certain former City firemen. Independent actuaries engaged by the pension plans calculate the amount of the annual contribution that the City must make to the pension plans to ensure that the plans will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plans as determined by the actuary.

The City also provides post employment life, health and dental care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 154 retired employees receiving life insurance benefits; 38 retired employees receiving health benefits; and 49 retired employees receiving dental benefits. These are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and post employment benefits can be found in Notes 7, 8 and 9 in the notes to the basic financial statements.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2002. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

## Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. A special note of thanks and appreciation is also extended to our auditors, Rachlin Cohen & Holtz LLP, for their professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions. Their guidance and cooperation in planning and conducting the financial affairs of the City in a responsible and progressive manner is greatly appreciated.

In closing, without the leadership and support of the City's governing body, preparation of this report would not have been possible.

Respectfully submitted,



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Gary Brown  
City Manager



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Marilyn Spencer  
Finance Director

CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2003

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of North Miami Beach,  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2002

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



A handwritten signature in black ink, appearing to read "Edward Haney".

President

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

Executive Director

# **CITY OF NORTH MIAMI BEACH, FLORIDA**

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2003

COUNCIL - MANAGER FORM OF GOVERNMENT

## **CITY COUNCIL**

Jeffrey A. Mishcon, Mayor

Jay R. Chernoff

Raymond F. Marin

Kenneth A. De Fillipo

Myron Rosner

Philippe Derose

Jacqueline Smith

## **CITY MANAGER**

Gary Brown

## **CITY ATTORNEY**

Howard B. Lenard

## **FINANCE DIRECTOR**

Marilyn Spencer

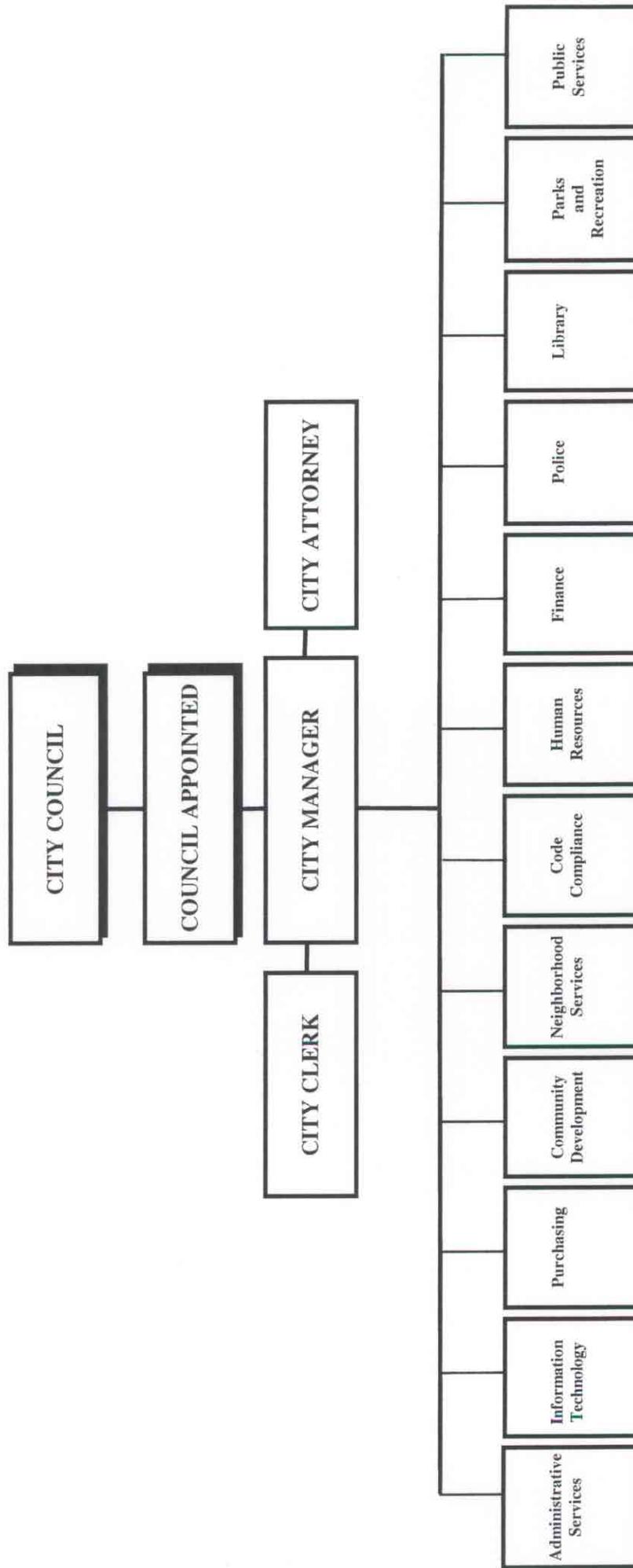
## **CITY AUDITORS**

Rachlin Cohen & Holtz LLP  
Accountants ▪ Advisors

# CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2003

## ORGANIZATION CHART



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**FINANCIAL SECTION**

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2003, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-17 and pages 57-66, respectively, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

-1-

**Rachlin Cohen & Holtz LLP**

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ [www.rachlin.com](http://www.rachlin.com)

*An Independent Member of Baker Tilly International*

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining financial statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
January 14, 2004

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD&A)**

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## Management's Discussion and Analysis

As management of the City of North Miami Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2003. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i to vii of this report.

### Financial Highlights

- The assets of the City of North Miami Beach exceeded its liabilities at the close of the most recent fiscal year by \$90.5 million (*net assets*). Of this amount, \$6 million (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets overall increased by \$828,000 during the current fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19.4 million, a decrease of \$5.5 million in comparison with the prior year. Approximately one third of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5.5 million, or 14 percent of total *General Fund* expenditures.

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety (fire protection is provided by Miami-Dade County), sanitation services, public works, parks and recreation facilities, public library, code compliance, planning and zoning, real estate and economic development, and general and administrative services. The business type activities of the City include water, sewer, and stormwater operations.

The government-wide financial statements can be found on pages 18-19 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

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

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-22 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial

statements. The City uses enterprise funds to account for its water, sewer, and stormwater operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and stormwater operations, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 23-27 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. Fiduciary funds are accounted for in a manner similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

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

The notes to the basic financial statements can be found on pages 30-56 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* including the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 57-66 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 67-74 of this report.

### **Government-Wide Financial Analysis**

Net assets may serve as a useful indicator of the City's financial position. The City of North Miami Beach's total net assets exceeded liabilities by \$90.5 million at the close of this fiscal year. This was less than a one percent increase compared to last year's net assets of \$89.7 million.

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total net assets (in millions)	\$88.8	\$89.7	\$90.5

The largest portion of the City's net assets (78 percent) reflects its investment in capital assets (e.g.; land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens; and thus, they are *not* available for future spending. The City's investment in its capital assets is reported net of related debt. The resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of North Miami Beach's Net Assets (in millions)

	2003			2002		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 13.6	\$ 10.5	\$ 24.1	\$ 13.4	\$ 10.0	\$ 23.4
Restricted assets	9.6	61.9	71.5	14.2	69.0	83.2
Capital assets, net	<u>47.5</u>	<u>73.2</u>	<u>120.7</u>	<u>43.8</u>	<u>64.0</u>	<u>107.8</u>
Total assets	<u>70.7</u>	<u>145.6</u>	<u>216.3</u>	<u>71.4</u>	<u>143.0</u>	<u>214.4</u>
Long-term liabilities	37.8	77.1	114.9	37.5	77.5	115.0
Other liabilities	<u>3.4</u>	<u>7.5</u>	<u>10.9</u>	<u>2.7</u>	<u>7.0</u>	<u>9.7</u>
Total liabilities	<u>41.2</u>	<u>84.6</u>	<u>125.8</u>	<u>40.2</u>	<u>84.5</u>	<u>124.7</u>
Net Assets:						
Invested in capital assets, net of related debt	14.9	55.8	70.7	10.8	53.0	63.8
Restricted	9.9	3.9	13.8	14.4	4.4	18.8
Unrestricted	<u>4.7</u>	<u>1.3</u>	<u>6.0</u>	<u>6.0</u>	<u>1.1</u>	<u>7.1</u>
Total net assets	<u>\$ 29.5</u>	<u>\$ 61.0</u>	<u>\$ 90.5</u>	<u>\$ 31.2</u>	<u>\$ 58.5</u>	<u>\$ 89.7</u>

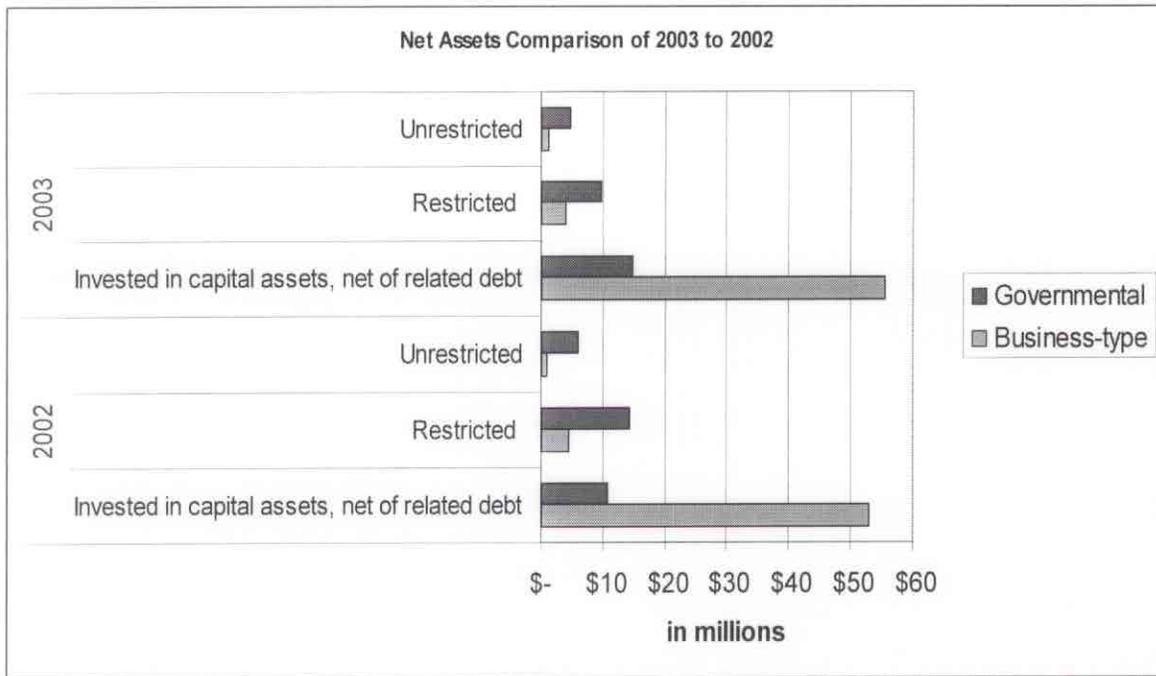
City of North Miami Beach's Changes in Net Assets (in millions)

	2003			2002		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 12.2	\$ 22.0	\$ 34.2	\$ 12.4	\$ 21.1	\$ 33.5
Operating grants & contributions	2.1	1.5	3.6	0.4	-	0.4
Capital grants & contributions	0.4	5.8	6.2	1.2	2.5	3.7
General Revenues:						
Property taxes	11.9	-	11.9	10.8	-	10.8
Other taxes	5.6	-	5.6	5.6	-	5.6
Intergovernmental	5.2	0.3	5.5	3.9	0.5	4.4
Other miscellaneous	<u>3.0</u>	<u>0.1</u>	<u>3.1</u>	<u>4.2</u>	<u>0.7</u>	<u>4.9</u>
Total revenues	<u>40.4</u>	<u>29.7</u>	<u>70.1</u>	<u>38.5</u>	<u>24.8</u>	<u>63.3</u>
Expenses:						
General government	13.7	-	13.7	10.8	-	10.8
Public safety	15.9	-	15.9	15.8	-	15.8
Library	1.0	-	1.0	1.0	-	1.0
Parks and recreation	4.3	-	4.3	4.0	-	4.0
Public services	9.6	-	9.6	8.9	-	8.9
Interest on long-term debt	1.7	-	1.7	1.8	-	1.8
Water	-	18.5	18.5	-	15.0	15.0
Sewer	-	3.8	3.8	-	4.3	4.3
Stormwater	<u>-</u>	<u>0.8</u>	<u>0.8</u>	<u>-</u>	<u>0.8</u>	<u>0.8</u>
Total Expenses	<u>46.2</u>	<u>23.1</u>	<u>69.3</u>	<u>42.3</u>	<u>20.1</u>	<u>62.4</u>
Decrease in net assets before transfers	(5.8)	6.6	0.8	(3.8)	4.7	0.9
Transfers	<u>4.1</u>	<u>(4.1)</u>	<u>-</u>	<u>3.7</u>	<u>(3.7)</u>	<u>-</u>
Change in net assets	(1.7)	2.5	0.8	(0.1)	1.0	0.9
Net assets - beginning	<u>31.2</u>	<u>58.5</u>	<u>89.7</u>	<u>31.3</u>	<u>57.5</u>	<u>88.8</u>
Net assets - ending	<u>\$ 29.5</u>	<u>\$ 61.0</u>	<u>\$ 90.5</u>	<u>\$ 31.2</u>	<u>\$ 58.5</u>	<u>\$ 89.7</u>

Some of the City's net assets (15 percent) are subject to external restrictions on how they may be used. These assets have been set aside for the completion of capital projects, debt service payments, or law enforcement and grant related expenditures.

The remaining balance of unrestricted net assets (7 percent) may be used to meet the City's ongoing obligations to citizens and creditors. The amount of City's total unrestricted net assets decreased by \$1.1 million or 16 percent compared to last fiscal year.

At the end of the current fiscal year, the City has positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.



**Governmental activities.** Net assets of the City's governmental activities decreased by six percent (\$1.7 million) from \$31.2 million in last fiscal year compared to \$29.5 million in the current fiscal year. In general, the investment market has been difficult which has created investment losses for pension funds across the United States. The City's funds were no exception. Investment return was the major source of actuarial loss during the prior years, which means that the City's share of pension contribution expenses increased significantly. Additionally, unrestricted net assets decreased due to the settlement of a general liability lawsuit.

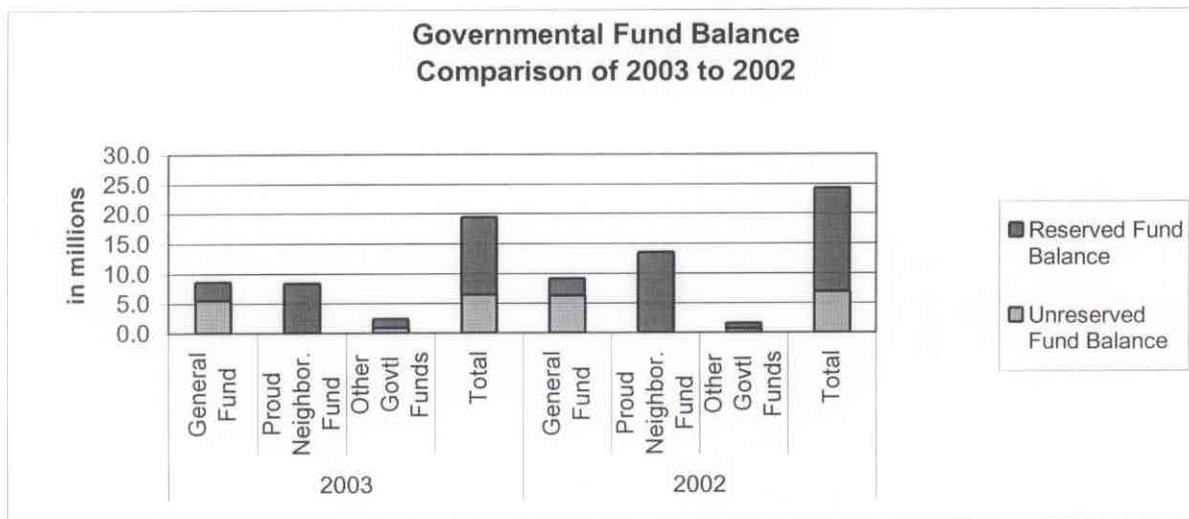
**Business-type activities.** The City's net assets of the business-type activities increased by four percent (\$2.5 million) from \$58.5 million in last fiscal year compared to \$61.0 million in the current fiscal year. The most significant increase was to the investment in capital assets, which increased due to developer in-kind capital contributions. While construction projects and engineering design work continue, additional grant revenue was received to offset some of these expenses.

## Financial Analysis of the City's Funds

The City of North Miami Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (both reserved and unreserved) of \$19.4 million, a decrease of \$5.5 million in comparison with the prior year. The majority of the decrease is due to a decrease of \$5.2 million in the Proud Neighborhood Fund as construction projects are completed in the five-year Proud Neighborhood program.



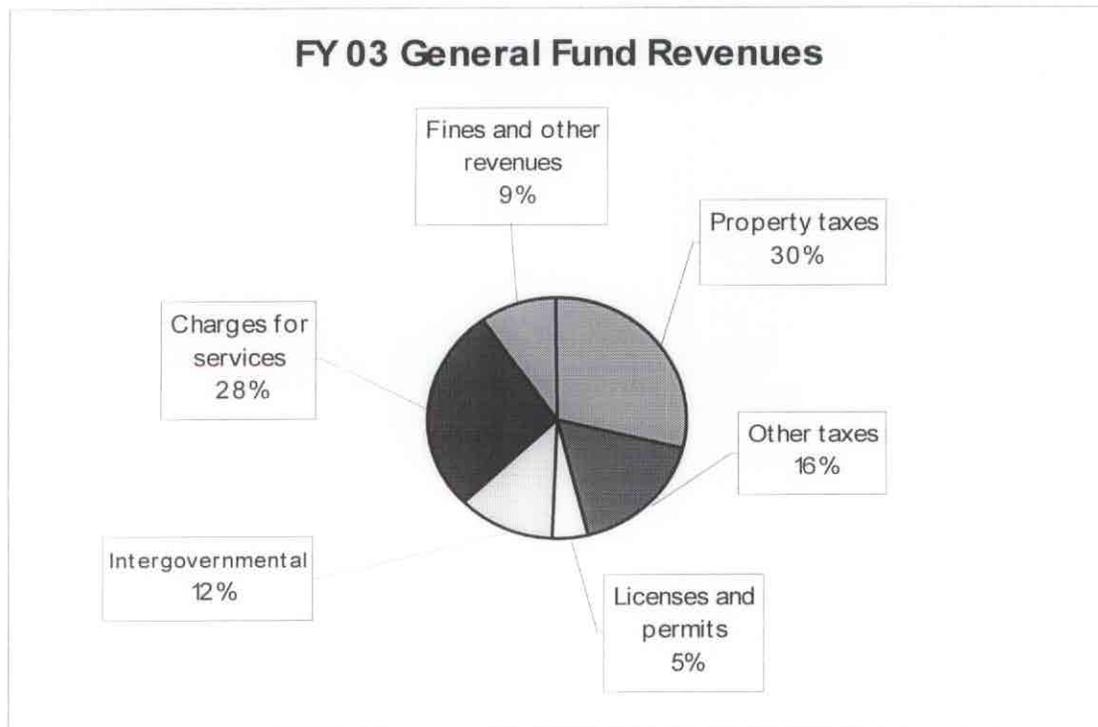
*Unreserved fund balance* is the portion of what is available for spending at the City's discretion. This year, 33 percent of this total amount (\$6.3 million) constitutes unreserved fund balance. The remainder of fund balance is *reserved* to indicate it is not available for new spending because it has already been committed for a variety of restricted purposes, such as construction projects, grant expenditures and encumbrances.

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$5.5 million, and reserved fund balance was \$3.1 million, for a total fund balance of \$8.6 million. Last fiscal year, the General Fund's total fund balance, as restated, was \$9.9 million. The bulk of the reduction in General Fund balance was due to a general liability case settlement that will be payable over three years.

The amount of General Fund revenue (budgetary basis) from various sources, their percent of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources (in thousands)	2003		2002		Amount Incr (Decr) from Prior Year	Percent Incr (Decr) from Prior Year
	2003 Amount	Percent of Total	2002 Amount	Percent of Total		
Property taxes	\$ 9,448	30	\$ 8,773	32	\$ 675	7
Franchise fees	1,443	4	1,418	4	25	2
Utility & other taxes	2,396	7	2,319	7	77	3
Communications tax	1,785	5	1,901	6	(116)	(6)
Licenses and permits	1,485	5	1,458	4	27	2
Intergovernmental	3,936	12	3,826	12	110	3
Charges for services	8,970	28	8,556	26	414	5
Fines and forfeitures	290	1	271	1	19	7
Other miscellaneous	2,725	8	2,596	8	129	5
Interest	82	0	142	0	(60)	(73)
Total	<u>\$ 32,560</u>	<u>100</u>	<u>\$ 31,260</u>	<u>100</u>	<u>\$ 1,300</u>	<u>4</u>

Compared to the prior fiscal year, total General Fund revenues increased by \$1.3 million or four percent in fiscal year 2003. The region's flat economy is reflected in the City's minor revenue growth. Property taxes increased by \$675,000 or seven percent due to the increased in valuation in the South Florida housing market. Charges for services increased due to an influx of \$427,000

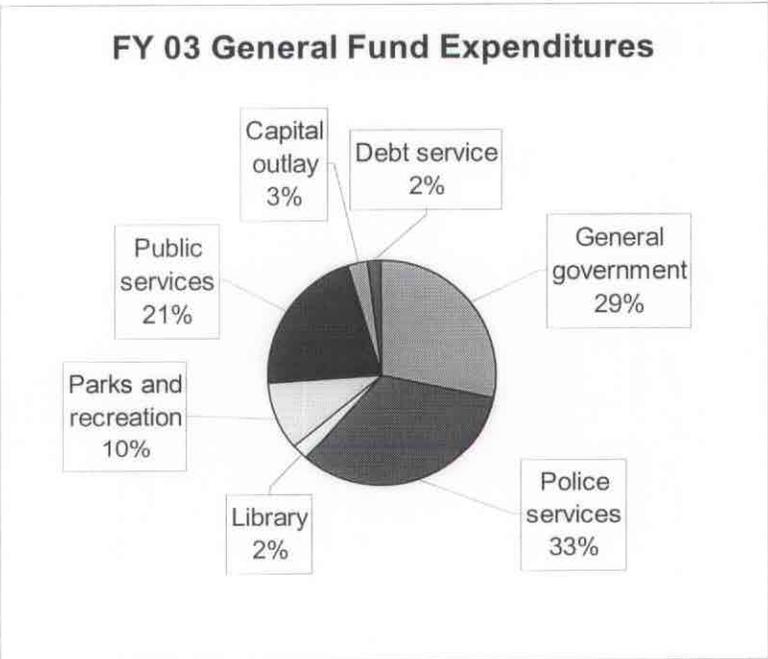


in new meter reading and legal service fees charged to the other operating funds. The decrease in interest earnings is a combination of the current low interest rates, the decrease in funds available for investment, and the City's conservative investment strategy to prioritize return of principal investment rather than return on principal.

Expenditures in the General Fund (budgetary basis) are shown in the following schedule:

<u>Expenditures</u> <u>(in thousands)</u>	<u>2003</u>		<u>2002</u>		<u>Amount Incr</u>	<u>Percent Incr</u>
	<u>2003</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2002</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>(Decr) from</u> <u>Prior Year</u>	<u>(Decr) from</u> <u>Prior Year</u>
General government	\$ 11,110	29	\$ 9,622	35	\$ 1,488	15
Police services	12,968	33	11,231	29	1,737	15
Library	872	2	826	2	46	6
Parks and recreation	4,011	10	3,566	9	445	12
Public services	8,292	21	7,887	20	405	5
Capital outlay	1,085	3	1,110	3	(25)	(2)
Debt service	793	2	919	2	(126)	(14)
Total	<u>\$ 39,131</u>	<u>100</u>	<u>\$ 35,161</u>	<u>100</u>	<u>\$ 3,970</u>	<u>11</u>

In fiscal year 2003, total General Fund expenditures increased by \$4 million or eleven percent compared to the prior year. The bulk of the increase was in the salary and other benefits category. Health insurance premiums increased an average of 25 percent over all three plans (HMO and POS 32%, PPO 23%). Due to the economy and poor overall performance of the pension investments, the City's required contribution to the General pension increased by 115 percent; the Police pension contribution increased by 32 percent. The national focus towards Homeland security has resulted in a reduced availability of grants and special revenue funds. During the budget process, the City Council required staff to provide the same level of services to residents and businesses with no tax increases. Because of the scarcity of grant funds, some employees that previously were paid from special revenue sources



were transferred to the General Fund. This caused the majority of the increase in General Fund general government and police expenditures.

The Proud Neighborhood Fund has a total fund balance of \$8.4 million, all of which is reserved for construction. The fund was established in fiscal year 2001 with the issuance of \$17.3 million in bonds after a voter approved referendum. Design and construction of various improvements began in February 2001 and construction is expected to last for five years.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of all the enterprise funds at the end of the year increased by \$144,000 and amounted to \$1.3 million. While the total increase was only \$144,000, the Water Fund and the Sewer Fund had major individual impacts. The Water Fund's unrestricted net assets decreased by \$773,000 and the Sewer Fund had an increase of \$810,000. Unrestricted net assets at the end of the year for the Water Fund, Sewer Fund, and Stormwater Fund amounted to \$592,000, \$332,000, and \$351,000, respectively.

Selected data (in thousands) from the City's Proprietary Funds are shown below:

	2003				2002			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Current and other assets	\$ 8,302	\$ 1,614	\$ 373	\$ 10,289	\$ 7,874	\$ 2,080	\$ 449	\$ 10,403
Restricted assets	61,500	395	3	61,898	68,578	383	3	68,964
Deferred charges	979	-	-	979	1,008	-	-	1,008
Capital assets, net	59,601	11,100	2,538	73,239	50,323	11,091	2,626	64,040
Total assets	130,382	13,109	2,914	146,405	127,783	13,554	3,078	144,415
Long-term liabilities	74,130	119	2,518	76,767	74,203	183	539	74,925
Other liabilities	7,109	1,389	104	8,602	6,365	2,243	2,316	10,924
Total liabilities	81,239	1,508	2,622	85,369	80,568	2,426	2,855	85,849
Net Assets:								
Invested in capital assets, net of related debt	44,939	10,949	(59)	55,829	42,155	10,883	(20)	53,018
Restricted	3,612	320	-	3,932	3,695	722	-	4,417
Unrestricted	592	332	351	1,275	1,365	(478)	244	1,131
Total net assets	\$ 49,143	\$ 11,601	\$ 292	\$ 61,036	\$ 47,215	\$ 11,127	\$ 224	\$ 58,566

	2003				2002			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Revenues:								
Operating Revenues	\$ 16,216	\$ 4,707	\$ 1,019	\$ 21,942	\$ 15,509	\$ 4,669	\$ 1,016	\$ 21,194
Expenses:								
Operating Expenses	12,336	3,298	609	16,243	11,979	3,882	647	16,508
Depreciation	2,589	439	92	3,120	2,571	433	106	3,110
Total Expenses	14,925	3,737	701	19,363	14,550	4,315	753	19,618
Operating Income	1,291	970	318	2,579	959	354	263	1,576
Non-operating revenue (expense)	(1,716)	116	153	(1,447)	281	259	237	777
Capital contributions	5,191	290	-	5,481	2,285	185	-	2,470
Transfers	(2,838)	(902)	(403)	(4,143)	(2,624)	(715)	(399)	(3,738)
Change in net assets	1,928	474	68	2,470	901	83	101	1,085
Net assets - beginning	47,215	11,127	224	58,566	46,314	11,044	123	57,481
Net assets - ending	\$ 49,143	\$ 11,601	\$ 292	\$ 61,036	\$ 47,215	\$ 11,127	\$ 224	\$ 58,566

The Water Fund's non-operating revenue (expense) category changed by \$2 million. Interest expense on the 2002 water treatment plant bond issue increased by \$3.1 million. Additionally, the bonds earned more than \$750,000 in interest revenue which when netted with the interest expense accounts for the bulk of the change.

New, high-rise condominium construction along the bordering beach cities located outside the City's limits but within the Water Fund's service area resulted in \$3 million in capital contributions in the form of in-kind water main construction.

In the Sewer Fund, net operating income increased by \$616,000. While revenues remained flat, operating expenses decreased 15 percent or \$584,000. This was caused by a \$250,000 reduction in the amount of scheduled renewal and replacement projects as well as a \$190,000 reduction in sewer disposal fees as a result of the City's continuing inflow and infiltration prevention program.

### **General Fund Budgetary Highlights**

A budgetary comparison schedule for the General Fund is part of the required supplementary information and can be found on pages 57-60 of this report.

Differences between the *original budget* and the *final amended budget* amounted to \$1.5 million this year and can be briefly summarized as follows:

- Pension contribution expenses increased by \$533,000.
- Settlement of a general liability case created \$300,000 expenditure during this fiscal year.
- A \$300,000 inter-fund transfer between the General and Liability Self-insured funds.
- An increase of \$231,000 for new vehicle purchases from prior year's capital lease proceeds.
- Increases in security at City Hall and other citywide locations totaled \$72,000.
- A \$37,000 required grant cash match for park renovations.
- An increase of \$25,000 for imaging and microfilming of building department permits and plans from reserve fund balance.

Of the total increases, \$1.3 million was funded from reserved or from unreserved (surplus) fund balance. The remaining \$200,000 was provided when additional revenue was received compared to projections thus allowing for additional expenditures.

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

- In fiscal year 2002, the Florida Communications Service Tax replaced the City's franchise fees and utility taxes for cable TV and telecommunications providers. The amount received was lower than expected by eleven percent or \$215,000 this year. Since this new revenue source has little past history, it is difficult for the State of Florida to calculate accurate revenue estimates.
- Additionally, the franchise fee and utility tax revenues were slightly higher than budgeted. The combined actual revenue was \$274,000 more than expected.
- Due to the increase in housing sales and refinancing, lien research fees were 66 percent higher than budgeted resulting in an additional \$40,000 in revenue.
- Charges for services such as summer camp and swimming pool fees were slightly higher than expected by \$50,000.
- Per Florida Statute 180.191, the city charges utility customers a surcharge based on a percentage of their total bill. The increase in consumption also increased the surcharge amount. More than \$111,000 in actual revenue was received due to the increase in consumption.

- As per City policy, use of unreserved surplus is included in the revenue budget. For statement purposes, it is shown in Other Revenue.
- Overall, departments' current expenditures were in line with budgeted expenditures. The police and public services departments were over budget mostly due to homeland security and other overtime expenses, solid waste tipping fees, and fuel expenses. The balance in the City Manager's contingency account offset the cost of these items.

### **Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2003, amounts to \$121 million (net of accumulated depreciation).

City of North Miami Beach's Capital Assets (net of depreciation, in thousands)

	2003			2002		
	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>
Land	\$ 4,168	\$ 3,986	\$ 8,154	\$ 4,168	\$ 3,247	\$ 7,415
Buildings and plant	16,889	51,924	68,813	18,088	50,160	68,248
Improvements other than buildings	6,005	-	6,005	6,598	-	6,598
Furniture, fixtures, machinery and equipment	6,938	4,603	11,541	7,709	5,243	12,952
Infrastructure	3,295	-	3,295	2,368	-	2,368
Construction in progress	<u>10,227</u>	<u>12,727</u>	<u>22,954</u>	<u>4,887</u>	<u>5,391</u>	<u>10,278</u>
Total capital assets	<u>\$ 47,522</u>	<u>\$ 73,240</u>	<u>\$ 120,762</u>	<u>\$ 43,818</u>	<u>\$ 64,041</u>	<u>\$ 107,859</u>

This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 12 percent.

Capital assets within the governmental activities had an additional \$8.4 million before depreciation and include the following items:

- In an effort to enhance the radio system for the police department, the city purchased \$300,000 of police communication equipment in partnership with the City of Aventura.
- Purchase of new vehicles for various departments along with several police vehicles and heavy construction equipment equated to \$500,000.
- Software upgrades and replacement of data processing equipment totaled \$150,000.
- The Proud Neighborhood Bonds construction-in-progress totaled \$5.7 million. It included various types of citywide improvements such as roadways, sidewalks, drainage system and landscaping.
- Construction-in-progress for Golden Beach Canal, alleyways, bike paths, and Washington Park renovation as well as other recreation buildings totaled \$1.5 million.

Business-type activities acquired an additional \$12.1 million in capital assets prior to depreciation. The expansion of the Norwood-Oeffler Water Plant amounts to one-half of the increase.

- \$3.5 million in contributed capital was received from developers for construction of water mains and hydrants. The bulk of the construction was for new high-rise condominiums and business office buildings such as the Trump Ocean Grande on Collins Avenue, Aventura Bay Townhomes, Neptune by the Bay, Walgreens and many others along the Atlantic Ocean.
- Various system betterment, water filtration system, dead-end elimination and lime softening projects totaled \$300,000.
- Continuation of the enhancements of the rehabilitation of the sewer pump stations amounted to \$300,000.
- Additional improvement to the Miami Gardens transmission system for \$516,000.
- Five properties totaling \$739,000 were purchased for further expansion to the water plant area. The houses will be demolished to provide a buffering green space around the new water plant.
- Construction of new wells for the new and improved water plant was \$874,000.
- The Norwood-Oeffler Water Plant project continued construction-in-progress at an additional \$5.6 million.

Additional information on the City's capital assets can be found in Note 4 starting on page 39 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$104.6 million. Of this amount, \$28.7 million in debt was approved by referendum by the City's voters. The guaranteed portion of State Revenue Sharing secures a net outstanding balance of \$2.3 million in debt. The remainder of the City's debt represents bonds secured solely by specified revenue sources such as water utility revenue bonds.

City of North Miami Beach's Outstanding Debt  
General Obligation and Revenue Bonds  
(in thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 31,330	\$ 31,580	\$ -	\$ -	\$ 31,330	\$ 31,580
Revenue bonds	\$ -	\$ -	\$ 73,240	\$ 73,240	\$ 73,240	\$ 73,240
Total	<u>\$ 31,330</u>	<u>\$ 31,580</u>	<u>\$ 73,240</u>	<u>\$ 73,240</u>	<u>\$ 104,570</u>	<u>\$ 104,820</u>

Last fiscal year, the City took advantage of the low interest rates and refinanced some of its debt. The 1994 General Obligation Bonds were defeased by the 2002A bond series. The 2002A bond interest rate varies between 3.25 percent and 5.50 percent. The prior bond interest rate varied between 5.40 percent and 6.30 percent. This transaction resulted in a \$465,288 savings to the City's residents. The 1994 bonds will be redeemed on February 1, 2004, which is the first available call date.

Also in fiscal year 2002, the City issued \$66.4 million bonds to finance the City's water treatment plant expansion. The Norwood-Oeffler Water Treatment Plant Expansion Project will increase

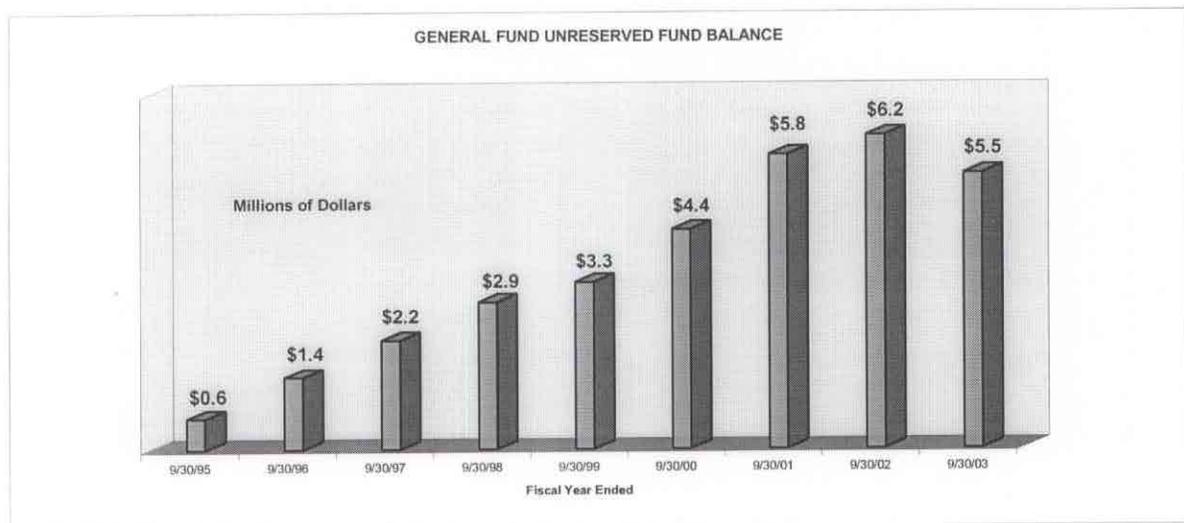
the existing plant's treatment capacity from 17 million gallons per day to 30 million gallons per day. This additional capacity will be used to replace water capacity currently provided by Miami-Dade County and will meet future drinking water regulations and satisfy water system demands for the City's customers and area residents. The first principal bond payment will not be due until fiscal year 2006 when the expanded plant and wells become operational.

Additional information on the City's long-term debt can be found in Note 6 starting on page 42 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The City's local economy is primarily based upon retail and service activities. The occupancy rates of the City's retail establishments and office structures are 94 percent and 82 percent, respectively. Even though the City itself is not a popular tourist location, many of its residents and businesses have begun to feel the effects of the current economic recovery in Florida's tourism industry as a whole.

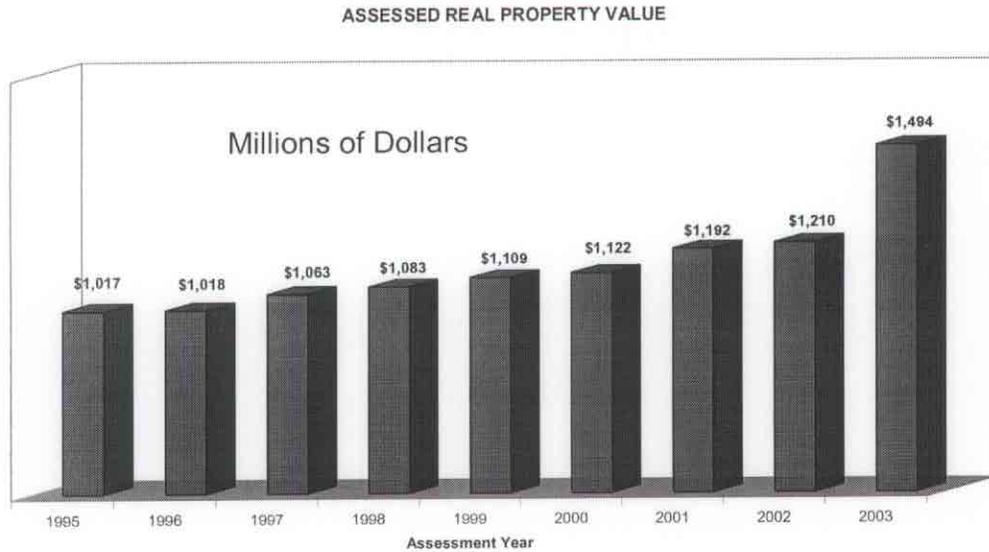
During the current fiscal year, unreserved fund balance in the General Fund decreased to \$5.5 million. This decline of \$700,000 was caused by a case settlement of \$900,000 in fiscal year 2003. Without this settlement, unreserved fund balance would have increased by approximately \$200,000. The City appropriated \$1 million of the September 30, 2003 unreserved fund balance for expenditure in the 2004 fiscal year budget. The unreserved fund balance of \$5.5 million is approximately equal to 1.7 months of General Fund expenditures. Over the last several years, the City has been able to increase its unreserved fund balance as shown in the following graph. As in prior fiscal years, a portion of unrestricted fund balance will be used to preclude or moderate future tax and user fee increases.



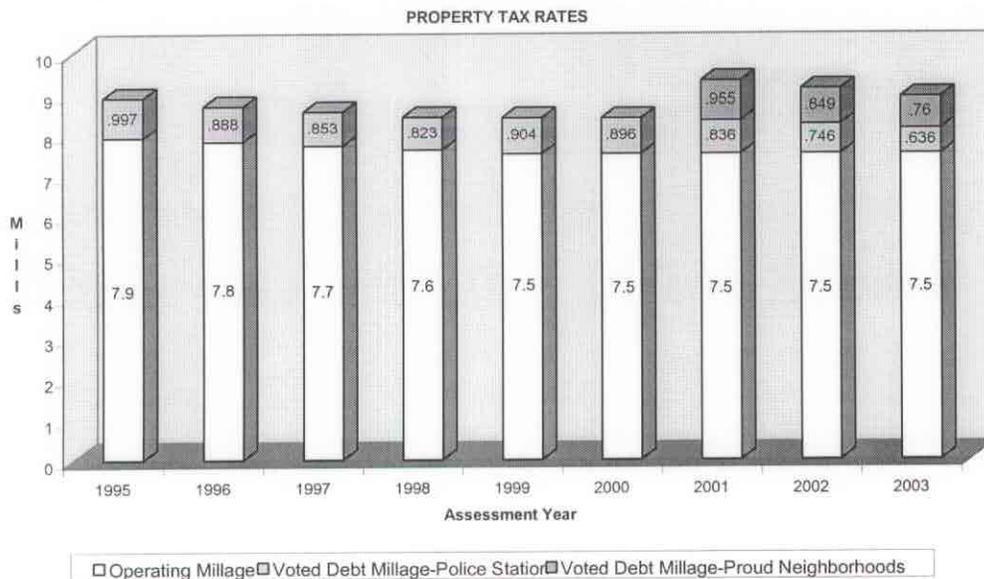
In fiscal year 2004, the City increased the surcharge on outside water & sewer rates to 25%, which is the maximum allowed by Florida statute. This change will result in an estimated increase of approximately \$1.5 million in water and sewer revenues.

In 1995, the State of Florida limited all local governments' ability to raise property assessments in

any given year to 3 percent or cost of living, whichever is lower. The graph below shows the increase in real property assessments over the past nine years.



Additionally, the City Council had previously mandated a property tax rate reduction of one-tenth of one mill per year from 8.5 to 7.5 mills. As the following graph indicates, the City's operating millage (property tax rate) has been reduced or has remained steady over the last nine years. While these mandates have limited the City's available property tax revenue, the City's operational expenditures, such as salaries, health insurance, and pension contributions, continue to increase. The City concluded negotiations and reached an agreement on the police union contract in early 2004. This contract covers the fiscal years 2004 through 2006 (expires September 30, 2006). In addition, the City will begin re-negotiating the general employees' union contract, which expires September 30, 2004.



For many years, the City, just like many cities across the country, has had to deal with the conflict of keeping taxes and service charges as low as possible while service requests from taxpayers continue to rise.

An automatic annual rate indexing adjustment is in effect for water and sewer rates in accordance with the Florida Public Service Commission deflator index. For the fiscal year 2004 budget, the adjustment increased the water and sewer consumption rates by 1.31 percent. Also in fiscal year 2004, the City passed-through to its retail customers Miami-Dade County's 8 percent wholesale water rate increase to the City. This translated into a 4.5 percent rate increase to the City's customers.

In fiscal year 2002, the City issued bonds in the amount of \$66.4 million for the expansion and improvement of the Norwood-Oeffler Water Treatment Plant, including the installation of new wells. The water treatment plant expansion will improve treatment levels and water quality as well as provide future water availability. By allowing the City to become independent of Miami-Dade County Water and Sewer Department, the City can control its rates more efficiently and become a major water source in south Florida.

All these factors were considered in preparing the City's budget for fiscal year 2004.

### **Requests for Information**

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

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Patricia Bliss, Assistant Finance Director, Finance Department, City of North Miami Beach, 17011 NE 19<sup>th</sup> Avenue, North Miami Beach, Florida 33162.



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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 8,117,667	\$ 3,838,024	\$ 11,955,691
Receivables	5,241,563	5,231,037	10,472,600
Internal balances	-	-	-
Inventories	142,575	378,736	521,311
Prepaid costs	81,068	59,691	140,759
Deferred charges	-	978,725	978,725
Other assets	35,100	-	35,100
Restricted assets:			
Cash in state investment pool	-	2,970,119	2,970,119
Escrow funds held by agent	9,154,374	58,844,011	67,998,385
Escrow funds held by lessor	407,056	84,423	491,479
Capital assets, net of accumulated depreciation	33,031,244	56,526,625	89,557,869
Capital assets, not being depreciated	<u>14,491,701</u>	<u>16,712,967</u>	<u>31,204,668</u>
Total assets not being depreciated	<u>70,702,348</u>	<u>145,624,358</u>	<u>216,326,706</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	1,736,164	1,871,776	3,607,940
Due to other governmental units	-	2,349,979	2,349,979
Payable from restricted assets:			
Customer deposits	-	3,268,938	3,268,938
Deferred revenue	892,305	-	892,305
Deposits held in trust	829,122	-	829,122
Noncurrent liabilities:			
Due within one year	2,256,306	330,615	2,586,921
Due in more than one year	<u>35,512,423</u>	<u>76,767,099</u>	<u>112,279,522</u>
Total liabilities	<u>41,226,320</u>	<u>84,588,407</u>	<u>125,814,727</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	14,887,734	55,829,630	70,717,364
Restricted for:			
In-plant and fireflow	-	3,931,723	3,931,723
Capital projects	8,584,656	-	8,584,656
Debt service	292,847	-	292,847
Law enforcement	1,000,513	-	1,000,513
Grant related	30,671	-	30,671
Unrestricted	<u>4,679,607</u>	<u>1,274,598</u>	<u>5,954,205</u>
Total net assets	<u>\$ 29,476,028</u>	<u>\$ 61,035,951</u>	<u>\$ 90,511,979</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business- type Activities	Total
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 13,681,797	\$ 2,289,967	\$ 774,099	\$ -	\$ (10,617,731)
Public safety	15,932,268	1,768,756	376,229	137,941	(13,649,342)
Library	1,040,790	25,163	-	-	(1,015,627)
Parks and recreation	4,277,295	625,764	8,072	3,450	(3,640,009)
Public works	9,570,613	7,507,257	928,062	247,561	(887,733)
Interest on long-term debt	1,716,850	-	-	-	(1,716,850)
<b>Total governmental activities</b>	<b>46,219,613</b>	<b>12,216,907</b>	<b>2,086,462</b>	<b>388,952</b>	<b>(31,527,292)</b>
<b>Business-type activities:</b>					
Water	18,466,131	16,215,452	1,237,938	5,490,629	4,477,888
Sewer	3,745,779	4,706,726	119,053	290,693	1,370,693
Stormwater	750,425	1,019,213	186,781	-	455,569
<b>Total business-type activities</b>	<b>22,962,335</b>	<b>21,941,391</b>	<b>1,543,772</b>	<b>5,781,322</b>	<b>6,304,150</b>
<b>Total</b>	<b>69,181,948</b>	<b>34,158,298</b>	<b>3,630,234</b>	<b>6,170,274</b>	<b>(25,223,142)</b>
<b>General revenues:</b>					
Property taxes				11,858,349	-
Utility taxes				2,377,175	-
Franchise fees based on gross receipts				1,442,511	-
Communication services tax				1,785,296	-
Sales taxes				2,399,369	-
Other taxes				18,921	-
State revenue sharing and other intergovernmental				2,836,613	-
Unrestricted interest from investments				78,364	43,123
Billing surcharge				2,204,171	-
Sale of City property				568	-
Miscellaneous				741,618	264,981
Transfers				4,142,872	(4,142,872)
<b>Total general revenues and transfers</b>				<b>29,885,827</b>	<b>(3,834,768)</b>
Change in net assets				(1,641,465)	827,917
Net assets - beginning				31,117,493	89,684,062
Net assets - ending				\$ 29,476,028	\$ 90,511,979

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 6,134,930	\$ -	\$ 1,982,737	\$ 8,117,667
Accounts receivables	3,788,496	-	1,453,067	5,241,563
Inventories	142,575	-	-	142,575
Prepaid costs	79,745	-	1,323	81,068
Due from other funds	1,000,813	-	153,842	1,154,655
Escrow funds held by agent	-	9,153,369	1,005	9,154,374
Escrow funds held by lessor	372,740	-	34,316	407,056
Other assets	35,100	-	-	35,100
Total assets	<u>\$11,554,399</u>	<u>\$ 9,153,369</u>	<u>\$ 3,626,290</u>	<u>\$ 24,334,058</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 892,847	\$ 755,152	\$ 88,165	\$ 1,736,164
Deposits held in trust	829,122	-	-	829,122
Due to other funds	93,615	4,653	1,056,387	1,154,655
Estimated claims	300,000	-	-	300,000
Deferred revenue	807,685	-	84,620	892,305
Total liabilities	<u>2,923,269</u>	<u>759,805</u>	<u>1,229,172</u>	<u>4,912,246</u>
Fund balances:				
Reserved:				
Encumbrances	1,260,447	-	-	1,260,447
Grant related	-	-	30,671	30,671
Law enforcement	-	-	1,000,513	1,000,513
Inventories	142,575	-	-	142,575
Prepaid costs	79,745	-	1,323	81,068
Liability claims	353,027	-	-	353,027
Workers' compensation claims	760,144	-	-	760,144
Case settlement	300,000	-	-	300,000
Land acquisition	273,417	-	-	273,417
Debt service	-	-	292,847	292,847
Construction	-	8,393,564	191,092	8,584,656
Unreserved reported in:				
General fund	5,461,775	-	-	5,461,775
Special revenue funds	-	-	880,672	880,672
Total fund balances	<u>8,631,130</u>	<u>8,393,564</u>	<u>2,397,118</u>	<u>19,421,812</u>
Total liabilities and fund balances	<u>\$11,554,399</u>	<u>\$ 9,153,369</u>	<u>\$ 3,626,290</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

47,522,945

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(37,468,729)

Net assets of governmental activities

\$ 29,476,028

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 9,448,264	\$ -	\$ 2,410,085	\$ 11,858,349
Franchise fees	1,442,511	-	-	1,442,511
Utility taxes	2,377,175	-	-	2,377,175
Communication services tax	1,785,296	-	-	1,785,296
Other taxes	18,921	-	-	18,921
Licenses and permits	1,484,769	-	-	1,484,769
Intergovernmental	3,935,653	-	2,949,603	6,885,256
Charges for services	8,969,556	-	-	8,969,556
Fines and forfeitures	289,654	-	1,472,929	1,762,583
Grants-Safe Neighborhood Program	-	-	3,450	3,450
Other	2,725,399	-	347,825	3,073,224
Interest	82,014	670,388	21,784	774,186
Total revenues	<u>32,559,212</u>	<u>670,388</u>	<u>7,205,676</u>	<u>40,435,276</u>
<b>Expenditures:</b>				
Current:				
General government	11,260,509	457,309	147,963	11,865,781
Police services	13,037,763	-	1,888,137	14,925,900
Library	867,432	-	-	867,432
Parks and recreation	3,937,265	-	97,645	4,034,910
Public services	8,160,192	-	8,000	8,168,192
Capital outlay	748,349	5,372,192	1,327,503	7,448,044
Debt service:				
Principal	736,453	-	917,538	1,653,991
Interest	57,009	-	1,659,841	1,716,850
Total expenditures	<u>38,804,972</u>	<u>5,829,501</u>	<u>6,046,627</u>	<u>50,681,100</u>
Excess (deficiency) of revenues over expenditures	<u>(6,245,760)</u>	<u>(5,159,113)</u>	<u>1,159,049</u>	<u>(10,245,824)</u>
<b>Other financing sources (uses):</b>				
Transfers in	5,398,385	-	577,220	5,975,605
Transfers out	(920,571)	-	(912,162)	(1,832,733)
Lease proceeds	547,000	-	-	547,000
Total other financing sources (uses)	<u>5,024,814</u>	<u>-</u>	<u>(334,942)</u>	<u>4,689,872</u>
Net change in fund balances	<u>(1,220,946)</u>	<u>(5,159,113)</u>	<u>824,107</u>	<u>(5,555,952)</u>
Fund balances - beginning	9,202,076	13,552,677	1,573,010	24,327,763
Cumulative effect of a change in accounting principle	650,000	-	-	650,000
Fund balances - beginning, as restated	<u>9,852,076</u>	<u>13,552,677</u>	<u>1,573,010</u>	<u>24,977,763</u>
Fund balances - ending	<u>\$ 8,631,130</u>	<u>\$ 8,393,564</u>	<u>\$ 2,397,117</u>	<u>\$ 19,421,811</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement of activities  
(Page 19) are different because:

Net change in fund balances - total governmental funds (Page 21)	\$(5,555,952)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$7,448,044	
Depreciation expense	<u>(3,715,312)</u>	
Net adjustment		3,732,732

The issuance of long-term debt (e.g., bonds, master leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Debt issued:		
Master leases	<u>547,000</u>	
	<u>547,000</u>	
Principal payments:		
General obligation and capital improvement bonds	785,000	
Notes payable	101,530	
Master leases	<u>771,180</u>	
	<u>1,657,710</u>	
Net adjustment		1,110,710

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

Compensated absences	(83,236)	
Estimated claims	(842,000)	
Other item	<u>(3,719)</u>	

Change in net assets of governmental activities (Page 19)	<u>\$ (1,641,465)</u>
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See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2003

### Business-type Activities - Enterprise Funds

	<u>Water</u> Utility <u>System</u>	<u>Sewer</u> Utility <u>System</u>	<u>Stormwater</u> Utility <u>System</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Pooled cash and investments	\$ 3,335,218	\$ 318,972	\$ 183,834	\$ 3,838,024
Accounts receivable	3,749,005	1,293,332	188,700	5,231,037
Due from other funds	780,210	-	-	780,210
Inventories	378,736	-	-	378,736
Prepaid costs	58,027	1,664	-	59,691
Total current assets	8,301,196	1,613,968	372,534	10,287,698
Non-current assets:				
Restricted assets:				
Cash in state investment pool	2,582,926	387,193	-	2,970,119
Escrow funds held by agent	58,840,559	-	3,452	58,844,011
Escrow funds held by lessor	76,769	7,654	-	84,423
	61,500,254	394,847	3,452	61,898,553
Deferred charges - unamortized issuance costs	978,725	-	-	978,725
Capital assets, net of accumulated depreciation	59,601,316	11,100,435	2,537,841	73,239,592
Total non-current assets	122,080,295	11,495,282	2,541,293	136,116,870
Total assets	\$ 130,381,491	\$ 13,109,250	\$ 2,913,827	\$ 146,404,568

(Continued)

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2003

	Business-type Activities - <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 1,725,111	\$ 142,723	\$ 3,942	\$ 1,871,776
Due to other governmental units	1,948,407	401,572	-	2,349,979
Due to other funds	324,315	455,895	-	780,210
Current portion of notes payable	-	-	100,000	100,000
Current portion of master lease payable	161,464	69,151	-	230,615
Total current liabilities	<u>4,159,297</u>	<u>1,069,341</u>	<u>103,942</u>	<u>5,332,580</u>
Current liabilities payable from restricted assets:				
Customer deposits	<u>2,948,973</u>	<u>319,965</u>	<u>-</u>	<u>3,268,938</u>
Non-current liabilities:				
Compensated absences	358,365	28,823	18,057	405,245
Notes payable	-	-	2,500,000	2,500,000
Master lease payable	177,853	89,928	-	267,781
Revenue bonds payable	73,240,000	-	-	73,240,000
Unamortized bond premium	354,073	-	-	354,073
Total non-current liabilities	<u>74,130,291</u>	<u>118,751</u>	<u>2,518,057</u>	<u>76,767,099</u>
Total liabilities	<u>81,238,561</u>	<u>1,508,057</u>	<u>2,621,999</u>	<u>85,368,617</u>
Net assets:				
Invested in capital assets, net of related debt	44,939,327	10,949,010	(58,707)	55,829,630
Restricted for in-plant and fireflow	3,611,832	319,891	-	3,931,723
Unrestricted	591,771	332,292	350,535	1,274,598
Total net assets	<u>\$49,142,930</u>	<u>\$11,601,193</u>	<u>\$ 291,828</u>	<u>\$61,035,951</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

### Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Operating revenues:				
Service revenues	<u>\$ 16,215,452</u>	<u>\$ 4,706,726</u>	<u>\$ 1,019,213</u>	<u>\$ 21,941,391</u>
Operating expenses:				
Operating, administrative and maintenance	12,335,560	3,298,678	608,544	16,242,782
Depreciation	<u>2,588,864</u>	<u>438,929</u>	<u>92,294</u>	<u>3,120,087</u>
Total operating expenses	<u>14,924,424</u>	<u>3,737,607</u>	<u>700,838</u>	<u>19,362,869</u>
Operating income	<u>1,291,028</u>	<u>969,119</u>	<u>318,375</u>	<u>2,578,522</u>
Non-operating revenue (expense):				
Intergovernmental	412,980	112,396	186,781	712,157
Interest income	1,164,200	8,812	1,726	1,174,738
Interest expense	(3,541,707)	(8,172)	(49,587)	(3,599,466)
Other income	<u>248,560</u>	<u>2,810</u>	<u>13,611</u>	<u>264,981</u>
Total non-operating revenue (expense)	<u>(1,715,967)</u>	<u>115,846</u>	<u>152,531</u>	<u>(1,447,590)</u>
Income (loss) before contributions and transfers	<u>(424,939)</u>	<u>1,084,965</u>	<u>470,906</u>	<u>1,130,932</u>
Capital contributions	5,190,629	290,693	-	5,481,322
Transfers out	<u>(2,837,913)</u>	<u>(902,085)</u>	<u>(402,874)</u>	<u>(4,142,872)</u>
	<u>2,352,716</u>	<u>(611,392)</u>	<u>(402,874)</u>	<u>1,338,450</u>
Change in net assets	1,927,777	473,573	68,032	2,469,382
Net assets, beginning	<u>47,215,153</u>	<u>11,127,620</u>	<u>223,796</u>	<u>58,566,569</u>
Net assets, ending	<u>\$ 49,142,930</u>	<u>\$ 11,601,193</u>	<u>\$ 291,828</u>	<u>\$ 61,035,951</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities - <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 17,203,602	\$ 4,842,473	\$ 1,032,487	\$ 23,078,562
Cash payments to suppliers	(8,422,562)	(3,590,144)	(574,165)	(12,586,871)
Cash payments to employees	<u>(3,031,378)</u>	<u>(572,464)</u>	<u>(217,569)</u>	<u>(3,821,411)</u>
Net cash provided by operating activities	<u>5,749,662</u>	<u>679,865</u>	<u>240,753</u>	<u>6,670,280</u>
Cash flows from noncapital financing activities:				
Capital contributions	5,190,629	290,693	-	5,481,322
Transfers to other funds	(2,837,913)	(902,085)	(402,874)	(4,142,872)
Intergovernmental revenue	<u>124,500</u>	<u>242,853</u>	<u>367,529</u>	<u>734,882</u>
Net cash provided by (used in) by noncapital financing activities	<u>2,477,216</u>	<u>(368,539)</u>	<u>(35,345)</u>	<u>2,073,332</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(11,724,493)	(423,130)	-	(12,147,623)
Disposal of capital assets	-	-	(3,815)	(3,815)
Interest paid	(3,541,707)	(8,172)	(49,587)	(3,599,466)
Deferred charges - issuance costs	28,946	-	-	28,946
Payments on master lease payable	(369,335)	(75,867)	-	(445,202)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net cash used in capital and related financing activities	<u>(15,606,589)</u>	<u>(507,169)</u>	<u>(103,402)</u>	<u>(16,217,160)</u>
Cash flows from investing activities:				
Interest income	<u>1,149,882</u>	<u>8,812</u>	<u>1,726</u>	<u>1,160,420</u>
Net increase (decrease) in pooled cash and investments	(6,229,829)	(187,031)	103,732	(6,313,128)
Pooled cash and investments, beginning	<u>71,065,301</u>	<u>900,850</u>	<u>83,555</u>	<u>72,049,706</u>
Pooled cash and investments, ending	<u>\$ 64,835,472</u>	<u>\$ 713,819</u>	<u>\$ 187,286</u>	<u>\$ 65,736,577</u>
Pooled cash and investments per balance sheet:				
Unrestricted	\$ 3,335,218	\$ 318,972	\$ 183,834	\$ 3,838,024
Restricted	<u>61,500,254</u>	<u>394,847</u>	<u>3,452</u>	<u>61,898,553</u>
	<u>\$ 64,835,472</u>	<u>\$ 713,819</u>	<u>\$ 187,286</u>	<u>\$ 65,736,577</u>

(Continued)

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

#### Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,291,028	\$ 969,119	\$ 318,375	\$ 2,578,522
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,588,864	438,929	92,294	3,120,087
Other income	248,560	2,810	13,611	264,981
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	228,224	125,476	(337)	353,363
Due from other funds	482,289	-	-	482,289
Inventories	55,604	-	-	55,604
Prepaid costs	(56,932)	(1,664)	-	(58,596)
Increase (decrease) in:				
Customer deposits	86,009	9,125	-	95,134
Vouchers payable and accrued liabilities	434,843	(64,830)	(2,446)	367,567
Due to other funds	312,154	(806,604)	(180,744)	(675,194)
Due to other governmental units	79,019	7,504	-	86,523
Total adjustments	<u>4,458,634</u>	<u>(289,254)</u>	<u>(77,622)</u>	<u>4,091,758</u>
Net cash provided by operating activities	<u>\$ 5,749,662</u>	<u>\$ 679,865</u>	<u>\$ 240,753</u>	<u>\$ 6,670,280</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 142,485</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 167,485</u>

See notes to basic financial statements.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## STATEMENT OF FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

SEPTEMBER 30, 2003

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 261,560
Cash held with trustee	3,656	-
Investments:		
Cash management funds	5,521,694	-
Mutual funds	18,124,186	-
U.S. Government securities	16,794,176	-
Corporate bonds	7,806,877	-
Common stocks	34,122,320	-
Receivables:		
Accrued interest and dividends	340,557	-
Receivable from broker on investments sold	140,599	-
Total assets	<u>82,854,066</u>	<u>261,560</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	97,914	-
Payable to broker for investments purchased	1,040,120	-
Deposits held in trust	-	261,560
Total liabilities	<u>1,138,034</u>	<u>261,560</u>
Net assets held in trust for pension benefits	<u>\$ 81,716,032</u>	<u>\$ -</u>

See notes to basic financial statements.

**CITY OF NORTH MIAMI BEACH, FLORIDA**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Pension Trust <u>Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 5,417,757
Employer	3,697,337
State/County	<u>401,821</u>
Total contributions	<u>9,516,915</u>
Investment income:	
Net appreciation in fair value of investments	7,404,499
Interest and dividends	2,234,265
Investment expenses	<u>(285,305)</u>
Net investment income	<u>9,353,459</u>
Total additions	<u>18,870,374</u>
DEDUCTIONS	
Pension benefits	5,516,997
Refunds of contributions	40,770
Administrative expenses	<u>283,763</u>
Total deductions	<u>5,841,530</u>
Net increase	13,028,844
Net assets held in trust for pension benefits:	
Beginning	<u>68,687,188</u>
Ending	<u>\$ 81,716,032</u>

See notes to basic financial statements.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

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# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami Beach (the City) was incorporated in 1926. The City operates under a Council-Manager form of government. In addition to police services, general government, library, recreation, sanitation and public works services provided to its residents, the City operates water, sewer and stormwater utilities and maintains various trust and agency funds in a fiduciary capacity. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2001, the City implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented. The more significant of the City's accounting policies are described below.

#### *a. Financial Reporting Entity*

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

#### *b. Government-Wide and Fund Financial Statements*

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### *c. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Proud Neighborhood Fund*, a capital projects fund, accounts for various upgrades and improvements to the City's neighborhoods.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### *c. Measurement Focus, Basis of Accounting and Financial Statement Presentation* (Continued)

The City reports the following major proprietary funds:

The *Water Utility System Fund* accounts for the activities of providing water treatment and distribution service to the property owners of the City and a portion of unincorporated Miami-Dade County and some adjacent municipalities.

The *Sewer Utility System Fund* accounts for the operation of the sewage pumping stations and collection systems to customers both inside and outside the City's boundaries.

The *Stormwater Utility System Fund* accounts for providing stormwater services to residences and businesses within the City.

Additionally, the City reports the following fund types:

The *Other Governmental Funds* are used to account for all other various special revenue, debt service, and capital projects funds.

The *Pension Trust Funds* account for the activities of the Retirement Plan for General Employees, the Retirement Plan for Police Officers and Firefighters and the Retirement Plan and Trust for General Management Employees which accumulates resources for pension benefits.

The *Police Holding Account Agency Fund* accounts for monies that have been seized but not forfeited and are held in trust while waiting for adjudication.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

#### *c. Measurement Focus, Basis of Accounting and Financial Statement Presentation* (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer and stormwater utility funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### *d. Assets, Liabilities and Net Assets or Equity*

##### **1. Pooled Cash and Investments**

Pooled cash and investments include cash on hand and investments with the State Board Investment Pool.

Resources of all funds, with the exception of the pension trust funds, the agency fund and certain other cash and investment accounts, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated monthly based upon equity balances of the respective funds.

All investments of the City, except the State Board Investment Pool, are recorded at fair value. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool), which is fair value.

Cash and cash equivalents, for purposes of the statement of cash flows, includes pooled cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

##### **2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

##### **3. Inventories**

Inventories in the general fund and the enterprise funds are stated at cost on a specific identification basis. Inventories, which consist of expendable supplies held for consumption, are recorded as an asset when purchased and recorded as an expense when consumed (consumption method).

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

##### **4. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 and an estimated useful life of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and utility plant	30-50
Improvements other than buildings	20
Furniture, fixtures, machinery and equipment	5-10
Infrastructure	30

##### **5. Compensated Absences**

It is the City's policy to permit full-time employees to accumulate limited amounts of earned vacation and sick leave. Upon separation from service, employees receive payment for a portion of unused vacation time and sick leave subject to length of service and contract classification. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate such amounts.

##### **6. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **7. Property Taxes**

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

Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The County bills and collects all property taxes for the City.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2003 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.3957 mills.

##### **8. Use of Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, the pension and post-retirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

##### **9. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

##### **10. Cumulative Effect of a Change in Accounting Principle**

###### *Compensated Absences and Estimated Claims of Governmental Funds as a Long-Term Liability*

In past years, the City recorded a current liability for compensated absences and estimated claims based on an estimated amount expected to be paid in the following year. However, GASB Interpretation No. 6 states that the accumulation of financial resources in a governmental fund for the eventual payment of unmatured liabilities does not constitute an outflow of current financial resources. Therefore, the reclassification of the previously reported expense of \$650,000 for compensated absences and estimated claims in the governmental funds has been recorded as a cumulative effect of a change in accounting principle, restating the beginning fund balance of the General Fund.

### NOTE 2. DEPOSITS AND INVESTMENTS

#### *Deposits*

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

The carrying amount of the City's deposits on the statement of net assets (including fiduciary funds) is as follows:

Pooled cash	\$ 3,639,028
Escrow funds held by agent	67,998,385
Escrow funds held by lessor	491,479
	<u>\$72,128,892</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 2. DEPOSITS AND INVESTMENTS

#### *Investments*

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "A" or better by Standard & Poor's Corporation or "A" or better by Moody's bond ratings.

The City's investments are categorized in the following table to give an indication of the level of risk assumed by the City at year end. Category 1 includes insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name.

	<u>Category 1</u>
U.S. Government securities	\$ 16,794,176
Corporate bonds	7,806,877
Common stock	<u>34,122,320</u>
	58,723,373
Investments not subject to categorization:	
Mutual funds	18,124,186
Investment Pool	11,551,995
Cash management funds	<u>5,521,694</u>
Total investments	<u>\$ 93,921,248</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### *Investments* (Continued)

The following is a reconciliation of deposits and investments to the statement of net assets:

Deposits	\$ 72,128,892
Investments	93,921,248
	<u>\$ 166,050,140</u>
Pooled cash and investments, primary government	\$ 11,955,688
Restricted cash in state investment pool, primary government	2,970,119
Escrow funds held by agent, primary government	67,998,385
Escrow funds held by lessor, primary government	491,479
Total primary government	<u>83,415,671</u>
Cash, fiduciary funds	261,560
Cash held with trustee, fiduciary funds	3,656
Investments, fiduciary funds	82,369,253
Total fiduciary funds	<u>82,634,469</u>
Grand total	<u>\$ 166,050,140</u>

### NOTE 3. RECEIVABLES

Receivables as of September 30, 2003 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water	Sewer	Stormwater	Nonmajor	Total
Receivables:						
Billed	\$ 905,775	\$ 2,036,351	\$ 460,841	\$ 92,044	\$ -	\$ 3,495,011
Unbilled	1,077,323	1,028,730	376,794	96,656	-	2,579,503
Franchise and utility	532,293	-	-	-	-	532,293
Intergovernmental	-	434,330	884	-	1,042,328	1,477,542
Grants	-	-	-	-	10,739	10,739
Other	1,200,973	249,594	454,813	-	400,000	2,305,380
Property taxes	72,132	-	-	-	-	72,132
Gross receivables	<u>3,788,496</u>	<u>3,749,005</u>	<u>1,293,332</u>	<u>188,700</u>	<u>1,453,067</u>	<u>10,472,600</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 3,788,496</u>	<u>\$ 3,749,005</u>	<u>\$ 1,293,332</u>	<u>\$ 188,700</u>	<u>\$ 1,453,067</u>	<u>\$ 10,472,600</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *unearned revenue* and *deferred revenue* reported in the governmental funds was as follows:

Occupational licenses and grants drawdowns prior to meeting all eligibility requirements	<u>\$ 892,305</u>
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# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,168,437	\$ -	\$ -	\$ 4,168,437
Construction in progress	4,886,984	5,436,280	(96,451)	10,226,813
Total capital assets, not being depreciated	<u>9,055,421</u>	<u>5,436,280</u>	<u>(96,451)</u>	<u>14,395,250</u>
Capital assets, being depreciated:				
Buildings	28,980,618	103,101	-	29,083,719
Improvements other than buildings	10,084,568	583,076	(777,261)	9,890,383
Furniture, fixtures, machinery and equipment	25,041,612	351,704	(80,215)	25,313,101
Infrastructure	3,400,849	1,135,352	-	4,536,201
Capital lease equipment	-	764,513	-	764,513
Total capital assets being depreciated	<u>67,507,647</u>	<u>2,937,746</u>	<u>(857,476)</u>	<u>69,587,917</u>
Less accumulated depreciation for:				
Buildings	(10,892,517)	(1,301,886)	-	(12,194,403)
Improvements other than buildings	(3,487,142)	(398,514)	-	(3,885,656)
Furniture, fixtures, machinery and equipment	(17,332,127)	(1,830,456)	44,288	(19,118,295)
Infrastructure	(1,033,124)	(207,856)	-	(1,240,980)
Capital lease equipment	-	(20,888)	-	(20,888)
Total accumulated depreciation	<u>(32,744,910)</u>	<u>(3,759,600)</u>	<u>44,288</u>	<u>(36,460,222)</u>
Total capital assets, being depreciated, net	<u>34,762,737</u>	<u>(821,854)</u>	<u>(813,188)</u>	<u>33,127,695</u>
Governmental activities capital assets, net	<u>\$43,818,158</u>	<u>\$4,614,426</u>	<u>\$ (909,639)</u>	<u>\$47,522,945</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 3,247,204	\$ 738,549	\$ -	\$ 3,985,753
Construction in progress	5,391,089	7,336,125	-	12,727,214
Total capital assets, not being depreciated	<u>8,638,293</u>	<u>8,074,674</u>	<u>-</u>	<u>16,712,967</u>
Capital assets, being depreciated:				
Buildings and utility plant	84,796,405	3,903,672	-	88,700,077
Machinery and equipment	10,338,503	147,802	(709)	10,485,596
Capital lease equipment	-	192,774	-	192,774
Total capital assets being depreciated	<u>95,134,908</u>	<u>4,244,248</u>	<u>(709)</u>	<u>99,378,447</u>
Less accumulated depreciation for:				
Buildings and utility plant	(34,636,034)	(2,140,012)	-	(36,776,046)
Machinery and equipment	(5,096,411)	(967,551)	709	(6,063,253)
Capital lease equipment	-	(12,523)	-	(12,523)
Total accumulated depreciation	<u>(39,732,445)</u>	<u>(3,120,086)</u>	<u>709</u>	<u>(42,851,822)</u>
Total capital assets, being depreciated, net	<u>55,402,463</u>	<u>1,124,162</u>	<u>-</u>	<u>56,526,625</u>
Business-type activities capital assets, net	<u>\$64,040,756</u>	<u>\$9,198,836</u>	<u>\$ -</u>	<u>\$73,239,592</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 4. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$2,180,802
Public safety	775,058
Library	173,358
Parks and recreation	103,601
Public works services	482,493
Total depreciation expense – governmental activities	<u>\$3,715,312</u>
Business-type activities:	
Water	\$2,588,864
Sewer	438,929
Stormwater	92,294
Total depreciation expense – business-type activities	<u>\$3,120,087</u>

### *Commitments*

In September 2000, the City's voters approved a referendum for up to a \$17.5 million bond issue for capital improvements throughout the various neighborhoods of the City. Pursuant to this referendum in November 2000, the City issued \$17,305,000 of Florida Municipal Loan Council Revenue Bonds, Series 2000B. Construction began in fiscal year 2001 with approximately 70% of the projects completed or well underway at September 30, 2003. The construction schedule calls for this capital program to be completed during the fiscal year ending September 30, 2006. Of the \$8.4 million reserved fund balance, approximately \$3.3 million represents outstanding encumbrances, which leaves \$5.1 million to be expended.

In August 2002, the City issued \$66,385,000 of Florida Municipal Loan Council, Series 2002B Bonds for the expansion and modernization of its Norwood Water Treatment Plant and Well Fields. The engineering and design phase of the project was started immediately after the bond issuance, and is scheduled for a February 2004 completion. Construction of two Floridan Aquifer wells has been completed. Two more Floridan Aquifer wells and five Biscayne Aquifer wells are currently under construction, and expected to be completed by August 2004. Construction of the Norwood Water Treatment Plant Expansion Project is scheduled to commence in May 2004, and substantial completion is projected for January 2006. Approximately \$4.9 million has been spent to date on engineering, design, and construction. During the current fiscal year, the City capitalized interest in the amount of \$200,000 relating to the above construction project.

In September 2003, a settlement in a general liability lawsuit was negotiated in the amount of \$900,000 payable over three fiscal years. The first \$300,000 was paid before the fiscal year ended, the second installment was accrued at year end since payment was made on October 1, 2003 and the remaining \$300,000 has been reserved from General fund balance.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2003 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Police Anti-Crime Community Team	\$ 7,245
General	NMB Blvd Palm Tree Plant - FDACS	8,000
General	Snake Creek Project/Columbia Park	49,242
General	Capital Development Grants Program	8,398
General	MPO Study Grant	24,594
General	CDBG Wash. Park Roadway Improvement	300,000
General	CDBG Taylor Park Daycare Building	100,000
General	CDBG Housing Rehabilitation	102,780
General	2000B Bonds Debt Service Fund	385,162
General	CIP Proud Neighborhood Bonds	4,653
General	SNP Challenge & FRDAP Grants	10,739
LETf State Forfeiture Fund	Police Stop Our Stress Program	176
LETf State Forfeiture Fund	HIDTA Black Market Peso Exchange	28,451
LETf State Forfeiture Fund	Great Grant/Coop Agreement	8,883
LETf State Forfeiture Fund	Victims of Crime Act Grant	3,302
LETf State Forfeiture Fund	Bulletproof Vest Grant	15,860
LETf State Forfeiture Fund	Alternative to Suspension Program	3,555
1993 Capital Improvements Fund	General	<u>93,615</u>
		<u>\$ 1,154,655</u>
Water Utility Fund	2002B FMLC Revenue Bonds	\$ 24,315
Water Utility Fund	Water Plant Expansion Grants	300,000
Water Utility Fund	Sewer Utility Fund	<u>455,895</u>
		<u>\$ 780,210</u>

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Proud</u> <u>Neighborhood</u>	<u>Non-</u> <u>Major</u>	
<u>Fund</u>	<u>Fund</u>	<u>hood</u>	<u>Major</u>	<u>Total</u>
Transfers out:				
General fund	\$ 717,428	\$ -	\$ 203,143	\$ 920,571
Water	2,837,913	-	-	2,837,913
Sewer	902,085	-	-	902,085
Stormwater	122,874	-	280,000	402,874
Nonmajor	818,085	-	94,077	912,162
Total transfers out	<u>\$ 5,398,385</u>	<u>\$ -</u>	<u>\$ 577,220</u>	<u>\$ 5,975,605</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. LONG-TERM DEBT

#### *Bonds Payable*

#### 1. Changes in Bonds Payable

The following is a summary of bond transactions for the City for the year ended September 30, 2003:

Balance, September 30, 2002	\$ 105,355,000
Bonds retired	<u>(785,000)</u>
Balance, September 30, 2003	<u>\$ 104,570,000</u>

#### 2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2003 consists of the following individual issues:

##### **Capital Improvements Bonds:**

\$13,000,000 General Obligation 1994 Series serial bonds; final annual installment of \$275,000 due February 1, 2004; interest at 6.3%.	\$ 275,000
\$1,950,000 Capital Improvement Revenue Bonds, 1997 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$110,000 to \$395,000 through October 1, 2012; interest at 4.85%.	1,450,000
\$1,000,000 Capital Improvement Revenue Bonds, 1998 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$50,000 to \$425,000 through October 1, 2013; interest at 4.48%.	875,000
\$300,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$11,530 to \$26,205 through April 1, 2020; interest at 4.3% to 6.0%.	300,000
\$17,305,000 Florida League of Cities, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$165,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 3.75%.	16,985,000
\$11,510,000 Florida Municipal Loan Council, 2002 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$70,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	<u>11,445,000</u>
	<u>31,330,000</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

#### 2. Bonds Authorized and Outstanding (Continued)

##### Revenue Bonds:

##### Water Utility System:

\$6,855,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$263,470 to \$598,795 from April 1, 2004 to April 1, 2020; interest at 4.3% to 6.0%	6,855,000
\$66,385,000 Florida Municipal Loan Council, 2002 B Series Water Utilities Appreciation and term bonds; secured by municipal bond insurance; due in semi-annual installments of \$155,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	<u>66,385,000</u>
Total	<u>\$ 104,570,000</u>

#### 3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Bonds:			
1994 Series:			
2004	<u>\$ 275,000</u>	<u>\$ 691,750</u>	<u>\$ 966,750</u>
Capital Improvement Bonds:			
1997 Series:			
2004	\$ 110,000	\$ 70,325	\$ 180,325
2005	115,000	64,990	179,990
2006	120,000	59,413	179,413
2007	125,000	53,593	178,593
2008	135,000	47,530	182,530
2009-2012	<u>845,000</u>	<u>121,249</u>	<u>966,249</u>
	<u>\$ 1,450,000</u>	<u>\$ 417,100</u>	<u>\$ 1,867,100</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

#### 3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvements Bonds:			
1998 Series:			
2004	\$ 50,000	\$ 39,200	\$ 89,200
2005	50,000	36,960	86,960
2006	50,000	34,720	84,720
2007	50,000	32,480	82,480
2008	50,000	30,240	80,240
2009-2013	<u>625,000</u>	<u>117,600</u>	<u>742,600</u>
	<u>\$ 875,000</u>	<u>\$ 291,200</u>	<u>\$ 1,166,200</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
2004	\$ 275,000	\$ 386,831	\$ 661,831
2005	285,000	373,769	658,769
2006	300,000	360,088	660,088
2007	315,000	345,539	660,539
2008	330,000	330,183	660,183
2009-2013	1,915,000	1,387,313	3,302,313
2014-2018	2,520,000	787,688	3,307,688
2019-2020	<u>1,215,000</u>	<u>103,500</u>	<u>1,318,500</u>
	<u>\$ 7,155,000</u>	<u>\$ 4,074,910</u>	<u>\$ 11,229,910</u>
Florida League of Cities (Capital):			
2000 B Series:			
2004	\$ 165,000	\$ 894,908	\$ 1,059,908
2005	185,000	887,162	1,072,162
2006	205,000	878,434	1,083,434
2007	225,000	868,703	1,093,703
2008	245,000	857,949	1,102,949
2009-2013	1,590,000	4,085,704	5,675,704
2014-2018	2,375,000	3,562,713	5,937,713
2019-2023	3,440,000	2,783,225	6,223,225
2024-2028	4,820,000	1,685,600	6,505,600
2029-2031	<u>3,735,000</u>	<u>309,735</u>	<u>4,044,735</u>
	<u>\$ 16,985,000</u>	<u>\$ 16,814,133</u>	<u>\$ 33,799,133</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

#### 3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2004	\$ 70,000	\$ 571,268	\$ 641,268
2005	355,000	568,644	923,644
2006	375,000	550,894	925,894
2007	395,000	532,144	927,144
2008	405,000	516,344	921,344
2009-2013	2,280,000	2,319,480	4,599,480
2014-2018	2,920,000	1,676,825	4,596,825
2019-2023	3,775,000	805,650	4,580,650
2024	870,000	43,500	913,500
	<u>\$11,445,000</u>	<u>\$ 7,584,749</u>	<u>\$ 19,029,749</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2004	\$ -	\$ 3,260,281	\$ 3,260,281
2005	-	3,260,281	3,260,281
2006	215,000	3,260,281	3,475,281
2007	155,000	3,253,831	3,408,831
2008	155,000	3,249,181	3,404,181
2009-2013	5,300,000	15,961,358	21,261,358
2014-2018	8,980,000	14,374,756	23,354,756
2019-2023	13,670,000	11,660,938	25,330,938
2024-2028	18,980,000	7,673,250	26,653,250
2029-2032	18,930,000	2,424,250	21,354,250
	<u>\$66,385,000</u>	<u>\$68,378,407</u>	<u>\$ 134,763,407</u>

Debt reserve requirements as specified by provisions of various ordinances are as follows:

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance, in all material respects, with significant covenants and restrictions. Interest and bond redemption payments have been made timely.

#### 4. Defeasance of Long-Term Debt

In May 2002, the City issued \$11,510,000 Florida Municipal Loan Council, Series 2002A Bonds for the purpose of advance refunding \$10,955,000 General Obligation Bonds, Series 1994 (the refunded bonds).

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Bonds Payable* (Continued)

#### 4. Defeasance of Long-Term Debt (Continued)

After payment of approximately \$200,071, in underwriting fees, insurance, and other issuance costs, the net bond proceeds of \$11,937,917 were used to purchase government securities which were placed in an irrevocable trust with an escrow agent. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

As a result of the advance refunding, the City incurred a net present value gain of approximately \$465,300.

#### *Notes Payable*

#### **Florida Local Government Finance Commission Pooled Commercial Paper Loan Program:**

##### **Draw A-1**

In August 1996, the City obtained financing of \$2,400,000 through a commercial paper loan program to assist in financing certain stormwater projects. During 1998, the City refinanced the loan and increased its outstanding obligation by \$120,000. The refinancing extended the maturity of the loan by two years. In September 2003, the City again refinanced the loan with a balance of \$2,080,000 and extended the maturity of the loan by four years.

##### **Draw A-2**

In September 1998, the City obtained additional commercial paper loan program financing of \$720,000 from the same agency. The additional funds will also be used to finance certain stormwater projects. In September 2002, the City refinanced the loan and increased its outstanding obligation by \$570,000. The refinancing extended the maturity of the loan by two years.

##### **Draw A-3**

In August 1999, the City obtained financing of \$850,000 from the same agency to assist in financing a portion of the costs and expenses to various capital improvements projects.

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate for the month of September 2003 was 1.00144 percent. The loans are collateralized by legally available non-ad valorem revenues.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Notes Payable* (Continued)

Principal requirements to maturity are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2004	\$ 625,000	\$ 100,000	\$ 725,000
2005	-	100,000	100,000
2006	-	470,000	470,000
2007	-	1,930,000	1,930,000
	<u>\$ 625,000</u>	<u>\$ 2,600,000</u>	<u>\$ 3,225,000</u>

In February 2000, the City obtained financing of \$120,000 through taxable special obligation notes to assist in financing the purchase of real property. The notes bear interest at 8% and is payable in quarterly installments of \$3,782 including interest through February 2004. The balance as of September 30, 2003 is \$22,031.

#### *Master Leases*

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2003. During 2003, new lease purchases totaled approximately \$714,485.

Obligations created under these leases are to be repaid from on hand and legally available funds from sources other than ad valorem taxes. The agreements make provision for termination of governmental non-appropriations, such that the City will not be obligated to make any further lease payments beyond the year in which the City does not appropriate sufficient funds to continue making payments required under the leases.

The capital assets acquired under these leases remain collateral for repayment of outstanding principal obligations.

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets:			
Machinery and equipment	\$ 764,513	\$ 192,774	\$ 957,287
Less accumulated depreciation	<u>(20,888)</u>	<u>(12,523)</u>	<u>(33,411)</u>
	<u>\$ 743,625</u>	<u>\$ 180,251</u>	<u>\$ 923,876</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. LONG-TERM DEBT (Continued)

#### *Master Leases* (Continued)

The information provided is as of October 1, 2002 and prior information is not available.

Future minimum lease payments and the present value of net minimum lease payments at September 30, 2003 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2004	\$ 639,275	\$ 243,255	\$ 882,530
2005	445,457	185,320	630,777
2006	229,251	78,952	308,203
2007	<u>52,447</u>	<u>11,149</u>	<u>63,596</u>
Total minimum lease payments	1,366,430	518,675	1,885,105
Less amount representing interest	<u>(61,219)</u>	<u>(20,279)</u>	<u>(81,498)</u>
Present value of net minimum lease payments	<u>\$ 1,305,211</u>	<u>\$ 498,396</u>	<u>\$ 1,803,607</u>

#### *Changes in Long-Term Liabilities*

Long-term liability activity for the year ended September 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
General obligation and term bonds	\$ 32,115,000	\$ -	\$ (785,000)	\$ 31,330,000	\$ 670,000
Notes payable	<u>748,561</u>	<u>-</u>	<u>(101,530)</u>	<u>647,031</u>	<u>647,031</u>
Total bonds and notes payable	32,863,561	-	(886,530)	31,977,031	1,317,031
Master leases	1,529,391	547,000	(771,180)	1,305,211	639,275
Estimated claims	1,113,000	1,470,500	(878,500)	1,705,000	300,000
Compensated absences	<u>2,698,251</u>	<u>2,384,495</u>	<u>(2,301,259)</u>	<u>2,781,487</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 38,204,203</u>	<u>\$ 4,401,995</u>	<u>\$ (4,837,469)</u>	<u>\$ 37,768,729</u>	<u>\$ 2,256,306</u>
Business-type activities					
Notes payable	\$ 2,650,000	\$ -	\$ (50,000)	\$ 2,600,000	\$ 100,000
Revenue bonds	73,240,000	-	-	73,240,000	-
Premium on revenue bonds	<u>368,391</u>	<u>-</u>	<u>(14,318)</u>	<u>354,073</u>	<u>-</u>
Total bonds and notes payable	76,258,391	-	(64,318)	76,194,073	100,000
Master leases	776,113	167,485	(445,202)	498,396	230,615
Compensated absences	<u>408,897</u>	<u>522,765</u>	<u>(526,417)</u>	<u>405,245</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 77,443,401</u>	<u>\$ 690,250</u>	<u>\$ (1,035,937)</u>	<u>\$ 77,097,714</u>	<u>\$ 330,615</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 7. OTHER INFORMATION

#### *a. Risk Management*

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance. The City established a risk management program for workers' compensation and general liabilities. Premiums are paid into the self-insurance funds, which are included in the general fund. Florida law limits the liability in each instance not to exceed \$200,000. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The current liability for claims and judgments is reported in the general fund and the remainder of the liability is recorded in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources. There were no reductions in insurance coverages from coverages in the prior year and there was one settlement that exceeded insurance coverage during fiscal year 2003.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of fiscal year	\$ 1,113,000	\$ 974,000
Incurred claims (including IBNRs)	1,470,500	662,600
Claim payments	<u>(878,500)</u>	<u>(523,600)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,705,000</u>	<u>\$ 1,113,000</u>

Based upon the City Attorney's evaluation of pending cases, the maximum liability to which the City might be exposed is \$1.8 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$1.4 million at September 30, 2003 and any judgments assessed would be paid from this cash balance.

#### *b. Litigation*

The City is the defendant in several lawsuits incidental to its operations. In the opinion of management and counsel, the ultimate outcome of such matters will not have a material adverse effect upon the financial condition of the City.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 7. OTHER INFORMATION (Continued)

#### *c. Post Employment Benefits*

The City offers continuation of health and life insurance benefits to employees upon retirement. As of fiscal year end, 38 retirees participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$295-\$645 per month for single coverage and \$826-\$1866 per month for family coverage. Six of the 38 retirees received health insurance paid entirely by the City. Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$16,000 for the fiscal year ended September 30, 2003. The cost of life insurance for approximately 154 retirees is paid for by the City at a rate of \$.29 per \$1,000 of insurance. Retirees receive \$10,000 of life insurance coverage. At the end of the fiscal year, the City paid a set dollar subsidy ranging between \$12 to \$15 of the monthly dental premium for 45 retirees. The City paid the entire dental premium for 4 retirees.

#### *d. Contingent Liabilities*

Federal and State programs in which the City participates were audited in accordance with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, and the Florida Statutes. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS

The following brief descriptions of the Retirement Plans are provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

#### **1. Summary of Significant Accounting Policies**

##### *Basis of Accounting*

Public Employee Retirement Systems (PERS) financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

##### *Method Used to Value Investments*

Investments of the pension trust funds are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses.

Interest and dividends are reported as investment earnings. As of September 30, 2003, no single investment exceeded 5% of total plan net assets.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 2. Plan Description

The City, as a single employer, maintains the following three public employee retirement systems defined benefit pension plans covering substantially all full-time employees and certain former City firemen: the Retirement Plan for General Employees of the City of North Miami Beach, the Retirement Plan for Police Officers and Firefighters of the City of North Miami Beach and the Retirement Plan and Trust for General Management Employees of the City of North Miami Beach. These Plans are recorded as Pension Trust Funds. In accordance with various provisions of State statutes and the City Charter, the City is obligated to fund the liabilities of the Plans based upon actuarial valuations performed at least every two years.

The latest actuarial valuation for the Retirement Plan for the General Employees is as of October 1, 2002 and the latest actuarial valuation for the Retirement Plan for Police Officers and Firefighters is as of October 1, 2001 are as follows. The Retirement Plan and Trust for General Management Employees has not yet had an actuarial valuation performed.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	\$ 10,842	\$ 5,781	\$ 1,679
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	169	104	-
Current employees:			
Vested	112	38	26
Non-vested	183	63	5
Total	464	205	31

#### Retirement Plan for General Employees

The benefit provisions and all other requirements of the Retirement Plan for General Employees are established by City Ordinance and are summarized as follows:

##### *Vesting*

Benefits are fully vested after 6 years of credited service.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 2. Plan Description (Continued)

##### **Retirement Plan for General Employees** (Continued)

###### ***Eligibility for Retirement***

Attainment of age 62 or age 55 with 20 years of service.

###### ***Annual Retirement Benefit***

Normal retirement benefits are based upon 3.0% of "final monthly compensation", as defined by the pension plan, times years of credited service.

###### ***Other Benefits***

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.

###### ***Employee Contributions***

Employees contribute 7% of their basic annual compensation beginning after two years of service. If any employee leaves covered employment before six years of credited service, accumulated employee contributions plus interest are refunded to the employee.

###### ***City Contributions***

City contributions are based upon actuarially determined amounts, which together with employee contributions and fund earnings, are sufficient to fund the plan.

##### **Retirement Plan for Police Officers and Firefighters**

The benefit provisions and all other requirements of the Retirement Plan for Police Officers and Firefighters are established by City ordinance and are summarized as follows:

###### ***Vesting***

Benefits are fully vested after ten years of credited service.

###### ***Eligibility for Retirement***

Normal retirement is the earlier of age 52 or 22 years of service for firefighters and the earlier of age 52 or 20 years of credited service for police officers.

###### ***Annual Retirement Benefit***

Normal retirement benefits are based upon 3% for firefighters and police officers of "final monthly compensation", as defined by the pension plan, times years of credited service.

###### ***Other Benefits***

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 3. Plan Description (Continued)

##### Retirement Plan for Police Officers and Firefighters (Continued)

###### *Employee Contributions*

10.5% and 6% of annual compensation for police officers and firefighters, respectively.

###### *City Contributions*

City contributions are based upon actuarially determined amounts, which together with employee, state and county contributions and fund earnings are sufficient to fund the Plan.

##### Retirement Plan and Trust for General Management Employees

The benefit provisions and all other requirements of the Retirement Plan and Trust for General Management Employees are established by City ordinance and are summarized as follows:

###### *Vesting*

Benefits are fully vested after six years of credited service.

###### *Eligibility for Retirement*

Normal retirement is the attainment of a combined age and years of service totaling 75, but not earlier than age 55, or the attainment of age 62 with six years of service.

###### *Annual Retirement Benefit*

Normal retirement benefits are based upon 3% of "final monthly compensation", as defined by the pension plan, times years of credited service.

###### *Other Benefits*

The Plan also provides for optional retirement benefits, early retirement, deferred retirement and death benefits.

###### *Employee Contributions*

Management personnel contribute 8% of their basic annual compensation.

###### *City Contributions*

City contributions are based upon actuarially determined amounts, which together with employee and fund earnings are sufficient to fund the Plan.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 3. Annual Pension Cost and Net Pension Asset

##### General Employees

As of October 1, 2002, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$ 1,547,537
Interest on net pension obligation	(27,820)
Adjustment to annual required contribution	<u>30,455</u>
Annual pension cost	1,550,172
Contributions made	<u>1,512,123</u>
Decrease in net pension asset	(38,049)
Net pension asset, beginning of year	<u>327,299</u>
Net pension asset, end of year	<u>\$ 289,250</u>

The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the entry age normal. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions include post-retirement benefit increases for cost of living adjustment of 2.25% per year. The actuarial value of assets was determined using smoothed market value.

#### Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2001	576,257	110%	279,497
9/30/2002	654,133	107%	327,299
9/30/2003	1,550,172	98%	289,250

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 3. Annual Pension Cost and Net Pension Asset (Continued)

##### Police and Firefighters

As of October 1, 2001, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$ 1,891,578
Interest on net pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	1,891,578
Contributions made	1,900,000
Increase in net pension asset	8,422
Net pension asset, beginning of year	1,046,134
Net pension asset, end of year	\$ 1,054,556

The annual required contribution for the current year was determined as part of the October 1, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.5% to 8.7% per year. Both (a) and (b) included an inflation component of 4%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.5% per year. The actuarial value of assets was determined using the difference between actual and expected return recognized over five years.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2000	\$ 1,014,246	108%	\$ 1,173,524
9/30/2001	1,128,814	110%	1,400,466
9/30/2002	1,891,578	100%	1,054,556

##### Management Employees

On January 7, 2003, the City Council approved the creation of the General Management Employees Pension Plan. The Plan includes all full time employees not eligible for inclusion in the General Employees or Police and Firefighters Plans. The creation of this plan allowed employees previously in the City's defined contribution 401(a) plan to join this Plan. In order to switch from the defined contribution 401(a) plan into this defined benefit plan, the employees were required to relinquish their holdings in the defined contribution plan and transfer into this plan.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

#### 3. Annual Pension Cost and Net Pension Asset (Continued)

##### Management Employees (Continued)

The Florida Municipal Pension Trust Fund, a division of the Florida League of Cities, administers the Plan. The annual required contribution for the first year was determined by an impact study performed by an actuarial company in 2002. For the first year, the City contributed 17% of covered payroll or \$285,214 and the employees contributed 8% or \$133,924. Additionally in February 2003, all of the employees in this Plan contributed the balances of their individual defined contribution accounts totaling \$3,676,585. As of September 30, 2003, the Plan administrator has not completed an actuarial assessment.

### NOTE 9. DEFINED CONTRIBUTION PLAN

The City is a single employer that contributes to the City of North Miami Beach Money Purchase Plan, which is a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). When it was originally established, the Plan was limited to upper management, department heads and their assistants. Effective February 2003, the plan is limited to the six employees who did not elect to transfer to the defined benefit Management plan (see Note 8). Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employees are required to contribute 8%. Prior to January 1, the City contributed 17% and the employees contributed 7%. Employer contributions for fiscal year ended September 30, 2003 were approximately \$72,000 while the employee contributions were approximately \$33,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

### NOTE 10. SUBSEQUENT EVENTS

In December 2003, the City issued \$7,765,000 of Florida Municipal Loan Council, Series 2003B bonds for various transportation projects, including the reconstruction of Hanford Boulevard. The bonds mature in 16 years and are secured by a pledge of the City's portion of the new one-half cent County Transit Sales Surtax.

Also in December 2003, the City refinanced the Draw A-3 portion of the commercial paper loan balance in the amount of \$625,000. The refinancing extended the loan maturity by four years. The note has a variable interest rate and is secured by non-ad valorem revenues.



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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other Than MD&A)**

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# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Property taxes	\$ 9,453,065	\$ 9,453,065	\$ 9,448,264	\$ (4,801)
Franchise fees:				
Florida Power & Light	1,250,000	1,250,000	1,365,471	115,471
Towing	10,100	10,100	8,760	(1,340)
Gas and propane	76,600	76,600	59,927	(16,673)
Bus shelters	4,800	4,800	8,353	3,553
Total franchise fees	1,341,500	1,341,500	1,442,511	101,011
Utility taxes:				
Florida Power & Light	1,800,000	1,800,000	1,955,123	155,123
Telecommunications	-	-	-	-
Gas, propane and oil	91,070	91,070	95,251	4,181
N.M.B. Water & Sewer	313,000	313,000	326,801	13,801
Total utility taxes	2,204,070	2,204,070	2,377,175	173,105
Communication Services Tax	2,000,000	2,000,000	1,785,296	(214,704)
Other Taxes	28,000	28,000	18,921	(9,079)
Licenses and Permits:				
Occupational licenses	827,700	827,700	798,402	(29,298)
Building permits and fees	612,830	612,830	686,367	73,537
Total licenses and permits	1,440,530	1,440,530	1,484,769	44,239
Intergovernmental:				
Sales tax	2,455,144	2,455,144	2,399,369	(55,775)
Shared revenues	427,470	427,470	412,498	(14,972)
Local option gas tax	895,973	895,973	928,062	32,089
Beverage licenses	25,000	25,000	26,772	1,772
Other state revenue	42,400	42,400	42,220	(180)
County revenue	109,500	109,500	126,732	17,232
Total intergovernmental	3,955,487	3,955,487	3,935,653	(19,834)

(Continued)

See notes to budgetary comparison schedule.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>Charges for services:</b>				
Sanitation fees	\$ 7,397,832	\$ 7,397,832	\$ 7,390,374	\$ (7,458)
General services	551,906	551,906	593,812	41,906
Recreation fees	579,756	579,756	625,764	46,008
County sewer	100,500	100,500	100,194	(306)
Police services	145,000	154,078	142,528	(11,550)
Recycling and maintenance charges	107,300	107,300	116,884	9,584
Total charges for services	8,882,294	8,891,372	8,969,556	78,184
<b>Fines and forfeitures:</b>				
Traffic and parking	150,000	150,000	153,299	3,299
Local ordinance violations	70,000	70,000	103,042	33,042
Library	22,000	22,000	25,163	3,163
Other	-	-	8,150	8,150
Total fines and forfeitures	242,000	242,000	289,654	47,654
<b>Other:</b>				
Billing surcharge (F.S. 180.191)	2,093,000	2,093,000	2,204,171	111,171
Pension contributions	225,000	268,218	253,218	(15,000)
Interest	132,700	132,700	82,014	(50,686)
Miscellaneous	148,600	148,600	268,010	119,410
Use of surplus	1,000,000	2,027,722	-	(2,027,722)
Sale of City property	35,000	35,000	-	(35,000)
Total other	3,634,300	4,705,240	2,807,413	(1,897,827)
Total revenues	33,181,246	34,261,264	32,559,212	(1,702,052)
<b>Current expenditures:</b>				
<b>General government:</b>				
Administrative	1,318,982	1,376,982	1,375,614	1,368
Legislative	402,050	415,050	404,163	10,887
Executive	5,130,339	5,244,312	4,896,104	348,208
Human resources	1,879,672	2,164,422	2,176,623	(12,201)
Finance	2,217,412	2,271,312	2,257,220	14,092
Total general government	10,948,455	11,472,078	11,109,724	362,354
Police services	12,652,778	12,810,996	12,968,213	(157,217)
Library	866,928	865,578	871,681	(6,103)
Parks and recreation	3,925,751	3,959,534	4,011,139	(51,605)
Public services	8,095,786	8,145,053	8,292,281	(147,228)
Total current expenditures	36,489,698	37,253,239	37,253,038	201

See notes to budgetary comparison schedule.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Capital outlay:				
General government:				
Administrative	\$ 2,000	\$ 27,387	\$ 27,199	\$ 188
Legislative	-	2,000	1,093	907
Executive	14,000	148,103	134,463	13,640
Human resources	-	15,250	21,208	(5,958)
Finance	35,000	102,489	101,992	497
Total general government	51,000	295,229	285,955	9,274
Police services	75,839	186,804	173,614	13,190
Library	105,000	113,350	112,018	1,332
Parks and recreation	71,000	70,841	130,247	(59,406)
Public services	390,000	385,500	382,672	2,828
Total capital outlay	692,839	1,051,724	1,084,506	(32,782)
Debt service:				
Principal	755,105	782,791	736,453	46,338
Interest	67,700	69,886	57,009	12,877
Total debt service	822,805	852,677	793,462	59,215
Total expenditures	38,005,342	39,157,640	39,131,006	26,634
Other financing sources (uses):				
Transfers in	4,990,624	5,290,624	5,398,385	107,761
Transfers out	(596,528)	(941,248)	(920,571)	20,677
Financing proceeds - master lease	430,000	547,000	547,000	-
Total other financing sources	4,824,096	4,896,376	5,024,814	128,438
Net change in fund balance	\$ -	\$ -	\$ (1,546,980)	

See notes to budgetary comparison schedule.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2003

### NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances, for the general fund.

1. Prior to July 1, the City Manager submits to the City Council a budget estimate of the revenues and expenditures for all City departments and divisions for the fiscal year commencing the following October 1.
2. Upon receipt of the annual budget estimates, the City Council holds various budget workshops to review and amend the proposed budget.
3. Public hearings are held to obtain taxpayers' comments.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance.
5. No department or division may legally expend or contract to expend amounts in excess of amounts appropriated for any department within an individual fund. Budget appropriations lapse at year end.
6. The adopted budget may be amended as follows:
  - a) The City Manager can approve line item adjustments within a department. The legal level of budgetary control is at the departmental level. The City Council approves all other budget amendments.
  - b) The City Council approves supplemental appropriations. However, the City Manager is granted authority to amend, modify or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. There was \$1,497,018 of supplemental appropriations in the general fund during the year ended September 30, 2003.

**NOTE 2.** For the fiscal year ended September 30, 2003, expenditures exceeded appropriations in human resources by \$12,201, police services by \$157,217, library by \$6,103, parks and recreation by \$51,605 and public services by \$147,228. In capital outlay, expenditures exceeded appropriations in human resources by \$5,958 and parks and recreation by \$59,406. These over expenditures were funded by available fund balance.

### NOTE 3. BUDGET/GAAP RECONCILIATION

The following schedule reconciles the amounts on the budgetary comparison schedule to the amounts on the statement of revenues, expenditures and changes in fund balances-governmental funds:

	<u>General Fund</u>
Net change in fund balance - actual amounts - budgetary basis - as reported on the budgetary comparison schedule (page 59)	\$(1,546,980)
Differences - budget to GAAP:	
Uses/outflows of resources:	
The City budgets for claims only to the extent expected to be paid within the budget year, rather than on the modified accrual basis (GAAP)	(300,000)
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes	<u>626,034</u>
Net change in fund balance - General Fund - GAAP basis - as reported on the statement of revenues, expenditures and changes in fund balances governmental funds (page 21)	<u>\$(1,220,946)</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2003

#### RETIREMENT PLAN FOR GENERAL EMPLOYEES

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 249,667	165%
1999	254,189	210%
2000	260,461	221%
2001	297,434	213%
2002	652,083	107%
2003	1,547,537	98%

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

Valuation date	10/1/02
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount, closed
Remaining amortization period	30 years
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return*	8.5%
Projected salary increases	5.50%
Cost of living adjustments	2.25%

\* Includes inflation at 3.5%

# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

SEPTEMBER 30, 2003

#### RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Fiscal Year	Annual Required Contributions	Employer Contributions	State/County Contributions	Percentage Contributed
1998	\$ 1,057,514	\$ 1,139,000	\$ 451,901	150%
1999	1,165,416	1,003,000	414,212	122%
2000	1,174,426	1,000,000	447,733	123%
2001	1,128,814	1,128,814	226,942	120%
2002	1,891,578	1,300,000	237,243	81%
2003	1,891,578	1,900,000	401,821	100%

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

Valuation date	10/1/01
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	Varies from 18 to 30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.5%
Projected salary increases*	5.50%- 8.7%
Cost of living adjustments	3%

\*Includes inflation at 4%

**CITY OF NORTH MIAMI BEACH, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2003

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	N/A	N/A

Note: Prior to 10/1/02, the plan did not exist. No actuarial valuation has been performed yet. The valuation will be performed during fiscal year 2004.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2003

### RETIREMENT PLAN FOR GENERAL EMPLOYEES

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/1997	\$ 33,630	\$ 27,107	\$ (6,523)	124.1%	\$ 6,592	-99.0%
10/1/1998	35,879	30,501	(5,378)	117.6%	7,247	-74.2%
10/1/1999	40,229	32,131	(8,098)	125.2%	8,038	-100.7%
10/1/2000	43,651	37,968	(5,683)	115.0%	8,875	-64.0%
10/1/2001	44,382	41,803	(2,579)	106.2%	9,708	-26.6%
10/1/2002	39,872	46,100	6,238	86.5%	10,842	57.4%

Note: Dollar amounts in thousands.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2003

### RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/1996	\$ 35,543	\$ 45,250	\$ 9,707	78.5%	\$ 4,994	194.4%
10/1/1997	42,328	48,619	6,291	87.1%	5,096	123.4%
10/1/1998	43,795	51,178	7,383	85.6%	4,952	149.1%
10/1/1999	46,825	53,198	6,373	88.0%	5,607	113.7%
10/1/2000	48,928	56,485	7,557	86.6%	5,782	130.7%
10/1/2001	49,177	59,272	10,095	83.0%	6,909	146.1%

Note: Dollar amounts in thousands.

**CITY OF NORTH MIAMI BEACH, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2003

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2002	N/A	N/A	N/A	N/A	N/A	N/A

Note: Prior to 10/1/2002, the plan did not exist. No actuarial valuation has been performed yet. The valuation will be performed during fiscal year 2004.

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**COMBINING, INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2003  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2002)

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ 6,134,930	\$ 7,244,323
Accounts receivable	3,788,496	3,731,597
Due from other funds	1,000,813	833,013
Inventories	142,575	139,120
Prepaid costs	79,745	1,334
Escrow funds held by agent	-	35,100
Escrow funds held by lessor	372,740	314,693
Other assets	35,100	-
Total assets	<u>\$ 11,554,399</u>	<u>\$ 12,299,180</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 892,847	\$ 1,047,235
Deferred revenues	807,685	738,400
Deposits held in trust	829,122	661,569
Due to other funds	93,615	-
Compensated absences	-	400,000
Estimated claims	300,000	250,000
Total liabilities	<u>2,923,269</u>	<u>3,097,204</u>
Fund balances:		
Reserved:		
Encumbrances	1,260,447	1,171,622
Inventories	142,575	139,120
Prepaid costs	79,745	1,334
Liability claims	353,027	664,550
Workers' compensation claims	760,144	754,329
Case settlement	300,000	-
Land acquisition	273,417	267,417
Unreserved:		
Undesignated	<u>5,461,775</u>	<u>6,203,704</u>
Total fund balances	<u>8,631,130</u>	<u>9,202,076</u>
Total liabilities and fund balances	<u>\$ 11,554,399</u>	<u>\$ 12,299,280</u>



## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

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

**Grants** – This fund is used to account for the various federal, state and local grants of the City.

**Cultural** – This fund is used to account for the revenues and expenses of the Julius Littman Performing Arts Center.

**Transit Surtax** – This fund is used to account for the City's portion of the Miami-Dade County one-half percent sales surtax approved by voters in November 2002.

**Handicapped Parking Fines** – This fund is used to account for handicapped parking fines allocated to the City.

**SNP Interest Earning Grant** – This fund is used to account for a grant received through Miami-Dade County's Safe Neighborhood Program for various Parks and Recreation Department facility improvements.

**DOT Bike Path Design** – This fund is used to account for a joint project agreement between the City and the Florida Department of Transportation for construction of bike paths in North Miami Beach in order to connect to the State's North Dade Bike Path System.

**164<sup>th</sup> Street Guardhouse** – This fund is used to account for the operations of the guardhouse on 164<sup>th</sup> Street.

**35<sup>th</sup> Avenue Guardhouse** – This fund is used to account for the operations of the guardhouse on 35<sup>th</sup> Avenue.

**Federal Forfeitures** – This fund is used to account for federal forfeitures allocated to the City.

**State Forfeitures** – This fund is used to account for state and local forfeitures allocated to the City.

**U.S. Treasury** – This fund is used to account for federal forfeitures allocated to the City from divisions reporting to the U.S. Department of Treasury, such as Customs, Internal Revenue Service and Secret Service.

## NONMAJOR GOVERNMENTAL FUNDS

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### Debt Service Funds

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

**Series 1994** – This fund is used to account for the \$13,000,000 Series 1994 bonds issued by the City to fund the expansion of the police station and various neighborhood improvements. These bonds were refinanced/rendered void by the Series 2002A issue.

**Series 2000B** – This fund is used to account for the \$17,305,000 Series 2000B bonds issued by the City to fund neighborhood improvements related to the “Proud Neighborhood” plan.

**Series 2002A** – This fund is used to account for the principal and interest payments relating to the \$11,510,000 Florida Municipal Loan Council, 2002A Series Capital Appreciation and Term Bonds.

### Capital Projects Funds

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

**1993 Capital Improvements** – To account for the sources of and disbursements of funds for improvements within the City funded by the 1993 Capital Improvement Bonds.

**1999 Capital Improvements** – To account for major capital improvements funded from the borrowings under the commercial paper loan program of the Florida Local Government Finance Commission in 1999.

**2000 Capital Improvements** – To account for bike path and street improvements, including lighting and traffic calming devices, funded by bonds under the Florida League of Cities bond program.

**2001 Capital Improvements** – To account for financial resources to be used for current parks and recreation projects within the City.

**Alley Restoration Program** – To account for improvements to the City’s alley infrastructure in order to facilitate traffic flow of solid waste equipment, stormwater run-off and trash collection.

**Safe Neighborhood Park** – To account for funds received from Miami-Dade County’s Safe Neighborhood Challenge Grant Program for construction of the Taylor Park Sports Youth Facility – Baseball Field.

**CITY OF NORTH MIAMI BEACH, FLORIDA**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

Special Revenue

	Special Revenue										Total	
	Grants	Cultural	Transit Surtax	Handicapped Parking Fines	Interest Earning Grant	DOT Bike Path Design	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures		U.S. Treasury
<b>ASSETS</b>												
Pooled cash and investments	\$ 103,615	\$ 5,850	\$ 444,023	\$ 429	\$ -	\$ -	\$ 86,967	\$ 25,303	\$ 335,283	\$ 376,634	\$ 230,152	\$ 1,608,256
Accounts receivable:												
Intergovernmental	716,562	-	267,427	8,072	-	-	19,397	30,870	-	-	-	1,042,328
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	1,323	-	-	1,323
Prepaid costs	-	-	-	-	-	-	-	-	-	60,227	-	60,227
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Escrow funds held by agent	-	-	-	-	-	-	-	-	-	-	-	-
Escrow funds held by lessor	-	-	-	-	-	-	-	-	-	34,316	-	34,316
Total assets	<u>\$ 820,177</u>	<u>\$ 5,850</u>	<u>\$ 711,450</u>	<u>\$ 8,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,364</u>	<u>\$ 56,173</u>	<u>\$ 336,606</u>	<u>\$ 471,177</u>	<u>\$ 230,152</u>	<u>\$ 2,746,450</u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES:</b>												
Vouchers payable and accrued liabilities	\$ 44,400	\$ 3,070	\$ -	\$ -	\$ -	\$ -	\$ 1,617	\$ 2,979	\$ 20,591	\$ 9,296	\$ 6,212	\$ 88,165
Due to other funds	660,486	-	-	-	-	-	-	-	-	-	-	660,486
Deferred revenue	84,620	-	-	-	-	-	-	-	-	-	-	84,620
Total liabilities	<u>789,506</u>	<u>3,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,617</u>	<u>2,979</u>	<u>20,591</u>	<u>9,296</u>	<u>6,212</u>	<u>833,271</u>
<b>Fund balances:</b>												
Reserved:												
Grant related	30,671	-	-	-	-	-	-	-	-	-	-	30,671
Law enforcement	-	-	-	-	-	-	-	-	314,692	461,881	223,940	1,000,513
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-	-	-	1,323	-	-	1,323
Construction	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	2,780	711,450	8,501	-	-	104,747	53,194	-	-	-	880,672
Total fund balances	<u>30,671</u>	<u>2,780</u>	<u>711,450</u>	<u>8,501</u>	<u>-</u>	<u>-</u>	<u>104,747</u>	<u>53,194</u>	<u>316,015</u>	<u>461,881</u>	<u>223,940</u>	<u>1,913,179</u>
Total liabilities and fund balances	<u>\$ 820,177</u>	<u>\$ 5,850</u>	<u>\$ 711,450</u>	<u>\$ 8,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,364</u>	<u>\$ 56,173</u>	<u>\$ 336,606</u>	<u>\$ 471,177</u>	<u>\$ 230,152</u>	<u>\$ 2,746,450</u>

(Continued)

**CITY OF NORTH MIAMI BEACH, FLORIDA**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2003

	Debt Service		Capital Projects					Total	Nonmajor Governmental Funds				
	Series 1994	Series 2002A	Series 2000B	Series 2002A	Total	1993 Capital Improvements	1999 Capital Improvements			2000 Capital Improvements	2001 Capital Improvements	Alley Restoration Program	Safe Neighborhood Park
<b>ASSETS</b>													
Pooled cash and investments	\$13,510	\$ -	\$30,994	\$44,504	\$138,885	\$ -	\$ -	\$21,755	\$169,337	\$ -	\$ -	\$329,977	\$1,982,737
Accounts receivable:													
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	1,042,328
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	-	10,739	10,739	10,739
Other receivables	-	400,000	-	400,000	-	-	-	-	-	-	-	-	400,000
Prepaid costs	-	-	-	-	-	-	-	-	-	-	-	-	1,323
Due from other funds	-	-	-	-	93,615	-	-	-	-	-	-	93,615	153,842
Escrow funds held by agent	1,005	-	-	1,005	-	-	-	-	-	-	-	-	1,005
Escrow funds held by lessor	-	-	-	-	-	-	-	-	-	-	-	-	34,316
Total assets	\$14,515	\$400,000	\$30,994	\$445,509	\$232,500	\$ -	\$ -	\$21,755	\$169,337	\$10,739	\$434,331	\$3,626,290	

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>													
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$88,165
Due to other funds	-	385,162	-	385,162	-	-	-	-	-	-	10,739	10,739	1,056,387
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	84,620
Total liabilities	-	385,162	-	385,162	-	-	-	-	-	-	10,739	10,739	1,229,172
<b>Fund balances:</b>													
Reserved:													
Grant related	-	-	-	-	-	-	-	-	-	-	-	-	30,671
Law enforcement	-	-	-	-	-	-	-	-	-	-	-	-	1,000,513
Debt service	14,515	14,838	30,994	60,347	232,500	-	-	-	-	-	-	232,500	292,847
Prepaid costs	-	-	-	-	-	-	-	-	-	-	-	-	1,323
Construction	-	-	-	-	-	-	-	21,755	169,337	-	-	191,092	191,092
Unreserved, undesignated	-	-	-	-	-	-	-	-	-	-	-	-	880,672
Total fund balances	14,515	14,838	30,994	60,347	232,500	-	-	21,755	169,337	-	-	423,592	2,397,118
Total liabilities and fund balances	\$14,515	\$400,000	\$30,994	\$445,509	\$232,500	\$ -	\$ -	\$21,755	\$169,337	\$10,739	\$434,331	\$3,626,290	

**CITY OF NORTH MIAMI BEACH, FLORIDA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue											Total
	SNP											
	Grants	Cultural	Transit Surtax	Handicapped Parking Fines	Interest Earning Grant	DOT Bike Path Design	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	U.S. Treasury	
Revenues:												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	951,649	-	799,300	8,072	-	247,561	111,963	189,006	-	-	-	2,307,551
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	592,984	652,050	227,895	1,472,929
Other	-	217,658	-	-	-	-	-	300	1,783	92,124	35,960	347,825
Interest	1,067	4,437	-	9	-	-	878	293	2,310	5,354	2,529	16,877
Total revenues	952,716	222,095	799,300	8,081	-	247,561	112,841	189,599	597,077	749,528	266,384	4,145,182
Expenditures:												
Current:												
General government	120,812	-	27,151	-	-	-	-	-	-	-	-	147,963
Police services	372,960	-	-	-	-	104,870	-	184,989	313,126	671,569	240,623	1,888,137
Parks	3,973	90,289	-	-	3,383	-	-	-	-	-	-	97,645
Public services	8,000	-	-	-	-	-	-	-	-	-	-	8,000
Capital outlay	526,444	-	60,699	-	-	247,561	-	-	6,363	268,812	40,688	1,150,567
Debt service:												
Principal	-	-	-	-	-	-	-	-	54,625	17,913	-	72,538
Interest	-	-	-	-	-	-	-	-	5,632	2,173	-	7,805
Total expenditures	1,032,189	90,289	87,850	-	3,383	247,561	104,870	184,989	379,746	960,467	281,311	3,372,655
Excess (deficiency) of revenues over expenditures	(79,473)	131,806	711,450	8,081	(3,383)	-	7,971	4,610	217,331	(210,939)	(14,927)	772,527
Other financing sources (uses):												
Transfers in	121,461	-	-	-	-	-	-	-	-	17,335	-	138,796
Transfers out	(32,500)	(691,603)	-	-	(513)	-	-	-	(44,391)	-	(19,446)	(788,453)
Total other financing sources (uses)	88,961	(691,603)	-	-	(513)	-	-	-	(44,391)	17,335	(19,446)	(649,657)
Net changes in fund balance	9,488	(559,797)	711,450	8,081	(3,896)	-	7,971	4,610	172,940	(193,604)	(34,373)	122,870
Fund balances, beginning	21,183	562,577	-	420	3,896	-	96,776	48,584	143,075	655,485	258,313	1,790,309
Fund balances, ending	\$ 30,671	\$ 2,780	\$ 711,450	\$ 8,501	\$ -	\$ -	\$ 104,747	\$ 53,194	\$ 316,015	\$ 461,881	\$ 223,940	\$ 1,913,179

(Continued)

**CITY OF NORTH MIAMI BEACH, FLORIDA**

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Debt Service				Capital Projects						Total Nonmajor Governmental Funds	
	Series 1994	Series 2000B	Series 2002A	Total	1993 Capital Improvements	1999 Capital Improvements	2000 Capital Improvements	2001 Capital Improvements	Alley Restoration Program	Safe Neighborhood Parks		Total
Revenues:												
Property taxes	\$ 290,485	\$ 1,470,000	\$ 649,600	\$ 2,410,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,410,085
Intergovernmental	-	-	-	-	642,052	-	-	-	-	-	-	642,052
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	3,450	3,450	3,450
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	1,472,929
Other	-	-	-	-	-	-	-	-	-	-	-	347,825
Interest	341	133	1,024	1,498	2,743	-	191	210	265	-	3,409	21,784
Total revenues	290,826	1,470,133	650,624	2,411,583	644,795	-	191	210	265	3,450	648,911	7,205,676
Expenditures:												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	-	147,963
Police services	-	-	-	-	-	-	-	-	-	-	-	1,888,137
Parks	-	-	-	-	-	-	-	-	-	-	-	97,645
Public services	-	-	-	-	-	-	-	-	-	-	-	8,000
Capital outlay	-	-	-	-	-	-	-	-	173,486	3,450	176,936	1,327,503
Debt service:												
Principal	260,000	150,000	65,000	475,000	310,000	60,000	-	-	-	-	370,000	917,538
Interest and fiscal charges	22,489	919,230	554,630	1,496,349	124,298	14,811	16,578	-	-	-	155,687	1,659,841
Total expenditures	282,489	1,069,230	619,630	1,971,349	434,298	74,811	16,578	-	173,486	3,450	702,623	6,046,627
Excess (deficiency) of revenues over expenditures	8,337	400,903	30,994	440,234	210,497	(74,811)	(16,387)	210	(173,221)	-	(53,712)	1,159,049
Other financing sources (uses):												
Transfers in	-	-	-	-	-	74,811	13,613	-	350,000	-	438,424	577,220
Transfers out	-	-	-	-	(123,709)	-	-	-	-	-	(123,709)	(912,162)
Total other financing sources (uses)	-	-	-	-	(123,709)	74,811	13,613	-	350,000	-	314,715	(334,942)
Net changes in fund balance	8,337	400,903	30,994	440,234	86,788	-	(2,774)	210	176,779	-	261,003	824,107
Fund balances, beginning	6,178	(386,065)	-	(379,887)	145,712	-	2,774	21,545	(7,442)	-	162,589	1,573,010
Fund balances, ending	\$ 14,515	\$ 14,838	\$ 30,994	\$ 60,347	\$ 232,500	\$ -	\$ -	\$ 21,755	\$ 169,337	\$ -	\$ 423,592	\$ 2,397,117

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## **FIDUCIARY FUNDS**

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# CITY OF NORTH MIAMI BEACH, FLORIDA

## FIDUCIARY FUNDS COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2003

<u>ASSETS</u>	<u>Pension Trust Funds</u>			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
Cash held with trustee	\$ 2,547	\$ 1,109	\$ -	\$ 3,656
Investments:				
Cash management funds	2,833,129	2,688,565	-	5,521,694
Mutual funds	6,422,423	7,211,272	4,490,491	18,124,186
U.S. Government securities	8,104,307	8,689,869	-	16,794,176
Corporate bonds	3,755,551	4,051,326	-	7,806,877
Common stocks	17,088,881	17,033,439	-	34,122,320
Receivables:				
Accrued interest and dividends	166,023	174,534	-	340,557
Receivable from broker on investments sold	60,257	80,342	-	140,599
Total assets	38,433,118	39,930,457	4,490,491	82,854,066
<u>LIABILITIES AND NET ASSETS</u>				
Vouchers payable and accrued liabilities	28,444	67,786	1,684	97,914
Payable to broker for investments purchased	474,513	565,607	-	1,040,120
Total liabilities	502,957	633,393	1,684	1,138,034
Net assets held in trust for pension benefits	\$ 37,930,161	\$ 39,297,064	\$ 4,488,807	\$ 81,716,032

# CITY OF NORTH MIAMI BEACH, FLORIDA

## FIDUCIARY FUNDS COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Pension Trust Funds</u>			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
<b>ADDITIONS</b>				
Contributions:				
Employees	\$ 799,182	\$ 808,066	\$ 3,810,509	\$ 5,417,757
Employer	1,512,123	1,900,000	285,214	3,697,337
State/County	-	401,821	-	401,821
Total contributions	<u>2,311,305</u>	<u>3,109,887</u>	<u>4,095,723</u>	<u>9,516,915</u>
Investment income:				
Net appreciation in fair value of investments	3,673,194	3,731,305	-	7,404,499
Interest and dividends	896,028	940,449	397,788	2,234,265
Investment expenses	(136,978)	(148,327)	-	(285,305)
Net investment income	<u>4,432,244</u>	<u>4,523,427</u>	<u>397,788</u>	<u>9,353,459</u>
Total additions	<u>6,743,549</u>	<u>7,633,314</u>	<u>4,493,511</u>	<u>18,870,374</u>
<b>DEDUCTIONS</b>				
Pension benefits	1,924,390	3,592,607	-	5,516,997
Refunds of contributions	39,984	786	-	40,770
Administrative expenses	76,039	203,020	4,704	283,763
Total deductions	<u>2,040,413</u>	<u>3,796,413</u>	<u>4,704</u>	<u>5,841,530</u>
Change in net assets	4,703,136	3,836,901	4,488,807	13,028,844
<b>Net assets held in trust for pension benefits:</b>				
Beginning	<u>33,227,025</u>	<u>35,460,163</u>	<u>-</u>	<u>68,687,188</u>
Ending	<u>\$37,930,161</u>	<u>\$39,297,064</u>	<u>\$ 4,488,807</u>	<u>\$81,716,032</u>

# CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Balance September 30, <u>2002</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2003</u>
<u>ASSETS</u>				
Cash	\$ <u>396,558</u>	\$ <u>709,470</u>	\$ <u>844,468</u>	\$ <u>261,560</u>
<u>LIABILITIES</u>				
Deposits held in trust	\$ <u>396,558</u>	\$ <u>709,470</u>	\$ <u>844,468</u>	\$ <u>261,560</u>



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**STATISTICAL SECTION**

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**CITY OF NORTH MIAMI BEACH, FLORIDA**

GOVERNMENT-WIDE REVENUES BY FUNCTION

LAST TEN FISCAL YEARS

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	State Revenue Sharing and Other Inter-governmental	Franchise Fees	Unrestricted Investment Earnings	Billing Surcharge	Sale of City Property	Sales and Other Taxes	Communications Services Taxes	Miscellaneous	Total
1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995	-	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-	-
2001	32,330,717	4,084,051	3,495,988	4,889,731	1,771,684	1,848,254	1,950,089	22,924	22,924	1,807,508	1,807,508	65,575,836
2002	33,603,242	395,806	3,719,758	4,364,594	1,417,597	1,508,616	2,128,004	46,473	46,473	1,900,963	1,275,054	63,535,499
2003	34,158,298	1,802,799	6,170,274	2,836,613	1,442,511	1,948,922	2,204,171	568	2,418,290	1,785,296	1,006,599	70,009,865

Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GOVERNMENT-WIDE EXPENSES

### LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Library	Parks and Recreation			Public Works	Interest on Long-Term Debt	Water	Sewer	Storm-water	Total
				Recreation	and	Library						
1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995	-	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-	-
2001	12,626,188	14,639,398	968,193	3,648,394	7,487,155	2,023,196	16,820,348	5,370,571	690,195	64,273,638		
2002	10,822,725	15,784,498	998,191	3,993,083	8,932,967	1,758,128	15,005,475	4,325,674	794,793	62,415,534		
2003	13,681,797	15,932,268	1,040,790	4,277,295	9,570,613	1,716,850	18,666,131	3,745,779	750,425	69,381,948		

Information for fiscal years ended September 30, 1994 to 2000 are unavailable.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Police Services</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Services</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1994	\$6,169,054	\$8,460,853	\$497,499	\$2,019,587	\$6,077,584	\$1,057,393	\$ 612,627	\$24,894,597
1995	6,946,404	8,943,544	538,062	2,048,146	6,527,393	2,049,997	753,433	27,806,979
1996	6,589,556	8,459,454	625,032	2,065,637	6,421,997	1,398,477	1,023,546	26,583,699
1997	6,827,805	9,814,136	666,890	2,030,712	6,127,342	1,582,900	866,674	27,916,459
1998	7,991,203	9,281,889	683,495	2,052,039	6,489,551	1,293,443	727,810	28,519,430
1999	8,071,059	9,194,703	728,626	2,741,726	6,977,695	2,079,418	844,972	30,638,199
2000	8,526,158	9,314,053	758,700	3,291,600	7,355,189	1,362,285	866,640	31,474,625
2001	9,094,784	10,246,001	790,595	3,451,091	7,417,088	1,048,617	992,796	33,040,972
2002	9,621,705	11,231,307	825,946	3,566,389	7,886,883	1,109,861	919,046	35,161,137
2003	11,109,724	12,968,213	871,681	4,011,139	8,292,281	1,084,506	793,462	39,131,006

Note: General Fund Only (budgetary basis)

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL GOVERNMENTAL REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Licenses and Permits	Inter-Governmental	Utility Taxes (1)	Franchise Fees	Fines and Forfeitures	Other	Charges for Services	Interest	Total
1994	\$ 7,420,631	\$ 6,385,037	\$ 2,822,411	\$ 2,884,107	\$ 1,516,585	\$ -	\$ 998,630	\$ 1,684,371	\$ 144,451	\$ 23,856,223
1995	7,273,785	7,186,118	3,186,642	3,109,029	1,416,161	-	894,368	1,848,961	192,473	25,107,537
1996	7,556,447	7,328,626	3,144,332	3,146,066	1,487,150	-	1,097,759	2,222,054	223,033	26,205,467
1997	7,413,017	7,418,383	3,572,182	3,173,613	1,544,366	-	2,229,395	2,721,865	235,496	28,308,317
1998	7,630,248	7,598,197	3,794,841	3,318,004	1,453,485	-	1,022,226	2,722,394	303,639	27,843,034
1999	7,862,920	1,144,972	3,449,435	3,443,466	1,590,366	172,514	2,267,831	9,699,300	328,121	29,958,925
2000	7,967,152	1,362,657	3,710,121	3,458,416	1,476,318	249,986	2,673,311	10,034,171	446,625	31,378,757
2001	8,033,116	1,428,960	3,631,965	3,511,342	1,771,684	234,306	2,725,289	8,101,703	402,697	29,841,062
2002	8,773,396	1,457,601	3,825,526	4,197,998	1,417,597	271,134	2,618,783	8,555,664	141,609	31,259,308
2003	9,448,264	1,484,769	3,935,653	4,162,471	1,442,511	289,654	2,744,320	8,969,556	82,014	32,559,212

(1) As of 2002, includes communications services tax.

\*Reclassification of categories in 1999.

Note: General Fund Only

# CITY OF NORTH MIAMI BEACH, FLORIDA

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Total Assessed Valuation	Taxable Assessed Levy	Total Tax Levy	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy
1994	\$ 976,042,091	\$ 967,934,908	\$ 7,743,479	\$ 7,420,631	96%
1995	1,019,107,174	1,016,720,571	7,578,289	7,273,785	96%
1996	1,020,168,188	1,017,994,330	7,838,556	7,556,448	96%
1997	1,064,108,447	1,062,713,107	7,957,312	7,413,017	93%
1998	1,100,915,565	1,082,543,223	8,087,224	7,630,248	94%
1999	1,124,472,717	1,108,549,661	8,256,867	7,862,920	95%
2000	1,133,672,093	1,122,293,059	8,433,545	7,967,152	94%
2001	1,210,331,467	1,190,439,497	8,502,541	8,033,116	94%
2002	1,326,749,346	1,302,043,942	9,077,486	8,773,396	97%
2003	1,493,821,280	1,471,015,863	9,950,620	9,448,264	95%

Note: For each fiscal year ending September 30, property is valued as of the preceding January 1.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Gross Total	Real Estate Exemption	Net Assessed Property Value
1994	\$ 867,976,832	\$ 107,420,668	\$ 644,591	\$ 976,042,091	\$ 8,107,183	\$ 967,934,908
1995	912,198,851	106,261,631	646,692	1,019,107,174	2,386,603	1,016,720,571
1996	904,659,481	114,896,212	612,495	1,020,168,188	2,173,858	1,017,994,330
1997	938,540,444	124,950,495	617,508	1,064,108,447	1,395,340	1,062,713,107
1998	973,907,113	126,168,895	839,557	1,100,915,565	18,372,342	1,082,543,223
1999	990,456,776	133,200,024	815,917	1,124,472,717	15,923,056	1,108,549,661
2000	1,026,103,859	106,739,394	828,840	1,133,672,093	11,379,034	1,122,293,059
2001	1,101,412,707	108,074,203	844,557	1,210,331,467	19,891,970	1,190,439,497
2002	1,210,077,211	115,813,890	858,245	1,326,749,346	24,705,404	1,302,043,942
2003	1,372,853,705	120,112,860	854,715	1,493,821,280	22,805,417	1,471,015,863

Note: Net assessed property value is equal to the sum of real property, personal property and property centrally assessed for operating purposes less any exemptions.

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

# CITY OF NORTH MIAMI BEACH, FLORIDA

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>Environmental Project</u>	<u>State</u>	<u>County</u>	<u>Total</u>
1994	8.000	9.923	-	0.648	11.229	29.800
1995	8.897	10.345	0.100	0.546	10.483	30.371
1996	8.688	10.366	0.100	0.610	9.988	29.752
1997	8.553	10.462	0.100	0.650	9.677	29.442
1998	8.423	10.160	0.100	0.644	9.724	29.051
1999	8.404	9.644	0.100	0.641	9.377	28.166
2000	8.396	9.617	0.100	0.638	9.155	27.906
2001	9.290	9.376	0.100	0.636	9.017	28.419
2002	9.095	9.252	0.100	0.636	8.940	28.023
2003	8.896	9.100	0.100	0.636	9.415	28.147

Note: Property tax rates are based on each \$1,000 of net assessed value.

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

**CITY OF NORTH MIAMI BEACH, FLORIDA**  
**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Total Permits Issued	<u>Miscellaneous</u>		<u>Residential</u>		<u>Commercial</u>		Total of Construction	Bank Deposits (1) (000s Omitted)
		Permits Issued	Valuation	Number of Units	Valuation	Permits Issued	Valuation		
1994	2,384	125	\$ 149,093	443	\$ 1,846,288	241	\$ 6,628,358	\$ 8,623,739	\$ 17,524,140
1995	2,221	115	124,779	308	998,479	220	13,133,971	14,257,229	17,810,595
1996	2,255	165	218,497	330	1,980,070	217	12,957,045	15,155,612	14,561,154
1997	2,359	133	162,252	304	5,944,338	176	6,253,364	12,359,954	15,821,531
1998	2,603	103	124,341	317	5,369,695	193	7,113,423	12,607,459	16,781,463
1999	2,283	93	108,994	232	4,132,166	176	9,133,758	13,374,918	14,009,503
2000	2,450	118	259,835	261	4,074,872	96	12,582,670	16,917,377	15,023,417
2001	2,212	97	119,625	198	3,068,900	94	13,881,340	17,069,865	17,319,705
2002	2,181	133	147,940	383	7,646,605	117	4,760,414	12,554,959	18,131,752
2003	2,204	108	127,439	903	7,293,166	521	18,459,683	25,880,288	20,096,701

Source: (1) Federal Reserve Bank, Atlanta, Georgia. Information is for Miami-Dade County, of which the City of North Miami Beach is a part. Information is not available for North Miami Beach alone.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## UTILITY SERVICE TAX REVENUES BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Communication Service Tax</u>	<u>Water</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Propane</u>	<u>Total</u>
1994	\$ 1,979,349	\$ 777,937	\$ -	\$ -	\$ 126,821	\$ 19,479	\$ 2,209	\$ 2,906,112
1995	1,987,409	725,356	-	270,795 (1)	125,469	19,406	2,628	2,860,585
1996	2,018,015	737,015	-	263,458	127,578	16,777	3,366	3,166,209
1997	1,937,278	829,188	-	278,552	128,595	2,479	28,146	3,204,238
1998	1,985,750	911,420	-	302,115	118,719	1,696	19,921	3,339,621
1999	1,910,550	1,108,495	-	303,215	121,206	-	-	3,443,466
2000	1,794,222	1,236,757	-	308,313	119,124	-	-	3,458,416
2001	1,807,555	1,296,848	-	293,977	112,962	-	-	3,511,342
2002	1,892,022	-	1,901,291 (2)	318,990	85,695	-	-	4,197,998
2003	1,955,123	-	1,785,296	326,801	95,251	-	-	4,162,471

(1) Starting with fiscal year 1995, Ordinance 94-33 which governs excise taxes on utilities, was amended to include a 10% tax on non-governmental purchases of water from the City of North Miami Beach.

(2) Starting with fiscal year 2002, the State of Florida Department of Revenue amended the communication service tax which eliminated collection of telephone/telegraph utility service tax and franchise fees for local governments. There is a 10% maximum rate allowed by statute.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## FRANCHISE FEE REVENUE BY SOURCE

### LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Gas</u>	<u>Cable Television</u>	<u>Bus Bench and Shelter</u>	<u>Other</u>	<u>Total</u>
1994	\$ 1,187,741	\$ 74,575	\$ 78,248	\$ 164,362	\$ 10,509	\$ 1,150	\$ 1,516,585
1995	1,147,371	70,780	71,621	106,096	13,023	7,270	1,416,161
1996	1,218,030	70,130	89,230	98,847	6,598	4,315	1,487,150
1997	1,192,384	76,768	69,665	189,512	9,422	6,615	1,544,366
1998	1,146,481	63,165	71,504	160,596	3,969	7,770	1,453,485
1999	1,198,387	70,188	74,146	230,789	8,294	8,562	1,590,366
2000	1,123,852	84,089	76,980	175,644	6,698	9,055	1,476,318
2001	1,332,049	142,651	94,695	187,839	5,760	8,690	1,771,684
2002	1,331,489	- (1)	68,528	3,230 (1)	6,310	8,040	1,417,597
2003	1,365,471	-	59,927	-	8,353	8,760	1,442,511

(1) Amendment of communication service tax statute eliminated telephone/telegraph and cable television franchise fee collection by local governments.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## INTEREST REVENUE BY SOURCE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Expendable Trust Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
1994	\$ 144,451	\$ 32,137	\$ 207,266	\$ 999	\$ 20,699	\$ 365,719	\$ 771,271
1995	192,473	45,500	589,416	11,315	28,511	617,890	1,485,105
1996	223,033	79,722	250,581	13,345	31,685	689,577	1,287,943
1997	235,496	53,383	42,040	10,246	39,448	932,620	1,313,233
1998	303,639	208,037	129,841	10,931	51,730	794,957	1,499,135
1999	328,121	153,550	84,297	16,202	43,061	549,304	1,174,535
2000	446,625	163,212	79,332	9,559	62,850	535,369	1,296,947
2001	402,697	265,654	789,207	14,200	-	376,496	1,848,254
2002	141,609	920,226	9,144	4,115	-	433,522	1,508,616
2003	82,014	16,877	673,797	1,498	-	1,174,738	1,948,924

# CITY OF NORTH MIAMI BEACH, FLORIDA

## WATER UTILITY FUND - REVENUE BOND COVERAGE LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Other Income (Primarily Interest)	Net Operating Revenue	Debt Service (3)	Coverage Factor (25%)	Total	Excess of Net Operating Revenue
1994	\$ 11,386,513	\$ 9,720,954	\$ 312,818	\$ 1,978,377	\$ 809,198	\$ 202,300	\$ 1,011,498	\$ 966,879
1995	13,650,222	9,840,560	711,500	4,521,162	810,293	202,573	1,012,866	3,508,296
1996	13,023,290	10,052,715	1,016,783	3,987,358	818,376	204,594	1,022,970	2,964,388
1997	13,252,575	11,873,321	1,106,954	2,486,208	950,653	237,663	1,188,316	1,297,892
1998	14,569,453	13,335,379	882,819	2,116,893	996,545	249,136	1,245,681	871,212
1999	14,426,144	13,375,859	631,775	1,682,060	1,154,414	288,604	1,443,018	239,042
2000	15,203,060	13,863,951	606,533	1,945,642	628,679	(4)	628,679	1,316,963
2001	14,250,161	11,797,894	586,726	3,038,993	503,360	(4)	503,360	2,535,633
2002	15,509,314	11,979,262	415,953	3,946,005	454,988	(4)	454,988	3,491,017
2003	16,215,452	12,335,560	1,412,760	5,292,652	3,741,707	(4)	3,741,707	1,550,945
Average excess coverage								<u>\$ 1,849,371</u>

(1) Total revenues excluding interest.

(2) Total operating expenses excluding depreciation.

(3) Includes principal and interest on revenue bonds.

(4) Current bond issue has no requirement for a coverage factor.

## CITY OF NORTH MIAMI BEACH, FLORIDA

### RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Expenditures (1)</u>	<u>Ratio of Debt Service to Governmental Expenditures</u>
1994	\$ 115	\$ 124	\$ 239	\$ 28,894	0.83%
1995	135	992	1,127	32,637	3.45%
1996	320	841	1,161	36,128	3.21%
1997	335	828	1,163	30,531	3.81%
1998	375	914	1,289	33,845	3.81%
1999	475	939	1,414	33,377	4.24%
2000	500	918	1,418	34,821	4.07%
2001	520	1,285	1,805	37,525	4.81%
2002	720	1,439	2,159	42,116	5.13%
2003	785	1,638	2,423	47,008	5.15%

(1) Includes General, Proud Neighborhood, Capital Projects, and Debt Service Funds.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## SCHEDULE OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT SEPTEMBER 30, 2003 (IN THOUSANDS)

<u>Jurisdiction</u>	Net General Obligation Bonded Debt <u>Outstanding</u>	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of North Miami Beach	\$ <u>31,330</u>	<u>100.00%</u>	\$ <u>31,330</u>
Overlapping:			
Miami-Dade County	\$ 247,541	1.15%	\$ 2,847
School Board	790,200	1.15%	<u>9,088</u>
	<u>\$1,037,741</u>		<u>\$ 11,935</u>

Note: Represents the percentage of the total tax roll valuation of all real and personal property in Miami-Dade County and the City of North Miami Beach.

Sources: Miami-Dade County, Finance Department/Controller's Division  
School Board of Miami-Dade County, Division of Accounting.

## CITY OF NORTH MIAMI BEACH, FLORIDA

### RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund (2)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	36	\$ 967,935	\$ 13,000	\$ 1	\$ 12,999	1.34%	\$ 361
1995	36	1,016,721	13,000	1	12,999	1.28%	361
1996	36	1,017,994	12,815	-	12,815	1.26%	356
1997	43	1,060,922	12,620	-	12,620	1.19%	293
1998	43	1,082,453	12,415	-	12,415	1.15%	289
1999	43	1,108,550	15,695	-	15,695	1.42%	365
2000	42	1,122,293	15,495	-	15,495	1.38%	369
2001	42	1,190,439	32,280	-	32,280	2.71%	769
2002	42	1,302,044	31,560	-	31,560	2.42%	752
2003	42	1,471,016	31,330	-	31,330	2.13%	746

(1) Annual estimate - City of North Miami Beach Economic Development

(2) Amount obligated for repayment of general obligation bonds principal and interest.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
RHC Parkway, Inc.	Hospital	\$ 54,690,052	3.66%
Florida Power & Light Co.	Utility	24,439,238	1.64
Intracoastal Pacific, Ltd.	Office Building	16,900,000	1.13
Costco Wholesaler	Retail	13,121,989	0.88
Dayton Hudson Corp. - Target	Retail	12,603,855	0.84
Bell South	Utility	10,897,516	0.73
Sonic Ward, Inc. - K Mart Corp.	Retail	10,200,000	0.68
RK Associates	Retail	7,300,000	0.49
NMB Commerce Center	Office Building	7,103,251	0.48
Arcos 1 USA, Inc.	Retail	<u>2,608,847</u>	0.17
 Total taxpayers		 <u>\$ 159,864,748</u>	 10.70%
 Total assessed valuation		 <u>\$ 1,493,821,280</u>	

State of Florida has a taxable valuation of \$12,581,003 but is exempt from tax.

Source: Miami-Dade County Property Appraiser's Office

# CITY OF NORTH MIAMI BEACH, FLORIDA

## DEMOGRAPHIC STATISTICS

### Population by Ethnic Origin

	Hispanic		Hispanic		Hispanic		Non-Hispanic		Non-Hispanic		Totals
	Any Race	White	Afro-American	All Other Races	Any Race	Subtotal	Any Race	White	All Other Races	Subtotal	
1980	3,489	N/A	N/A	N/A	3,489	3,489	32,842	N/A	N/A	32,842	36,331
1990	7,817	N/A	N/A	N/A	7,817	7,817	27,542	N/A	N/A	27,542	35,359
2000	-	8,936	622	2,687	12,245	12,245	-	10,104	3,164	28,541	40,786

### Population by Ethnic Origin

	Afro-American		American Indian/ Eskimo		Total
	White	Asian	Other	Subtotal	
1980	33,601	2,067	632	31	36,331
1990	25,308	7,707	1,207	55	35,359
2000	19,040	15,895	1,615	66	40,786

N/A - Information is not available from the Bureau of Census.  
 Prior year's census grouped by either Hispanic or non-Hispanic.  
 Current year's census grouped by race as well as by ethnic origin.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2003

Date of Incorporation	1926												
Form of Government	Council-Manager												
Area	5.1 Square Miles												
Miles of Streets	109 Linear Miles												
Fire Protection:													
Number of Stations	2 (Operated by the County)												
Police Protection:													
Number of Stations	1												
Number of Police Officers	105												
Number of Support Staff (Non-Sworn)	36 full-time, 24 part-time												
Hospitals	1												
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Elementary</u></th> <th style="text-align: left;"><u>Jr. High</u></th> <th style="text-align: left;"><u>Sr. High</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">7</td> <td style="text-align: right;">2</td> <td style="text-align: right;">2</td> </tr> <tr> <td style="text-align: right;">6,874</td> <td style="text-align: right;">3,814</td> <td style="text-align: right;">6,451</td> </tr> <tr> <td style="text-align: right;">379</td> <td style="text-align: right;">148</td> <td style="text-align: right;">261</td> </tr> </tbody> </table>	<u>Elementary</u>	<u>Jr. High</u>	<u>Sr. High</u>	7	2	2	6,874	3,814	6,451	379	148	261
<u>Elementary</u>	<u>Jr. High</u>	<u>Sr. High</u>											
7	2	2											
6,874	3,814	6,451											
379	148	261											
Education:													
Attendance Centers	7												
Number of Students	6,874												
Number of Teachers	379												
Municipal Water Department:													
Number of Customers	32,065												
Average Daily Consumption	24.5 Million Gallons												
Miles of Water Mains	515												
Fire Hydrants	2,200												
Valves	8,160												
Sewers:													
Number of Customers	6,980												
Number of Lift Stations	29												
Miles of Sewer Mains	90												
Building Permits Issued	2,204												
Recreation and Culture:													
Number of Parks	9												
Number of Libraries	1												
Number of Senior Centers	1												
Number of Municipal Swim Centers	3												
Number of Tennis Centers	1												
Number of Recreational Centers	5												
Number of Performing Arts Centers	1												
Number of Amphitheatres	1												
Employees:													
Full Time	516												

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL INFORMATION

### Location

North Miami Beach is located in northeast Miami-Dade County and is approximately one mile from the beach. The City is centrally located to both Fort Lauderdale and Miami and easily accessible by all major highways. This region of southeast Florida is commonly referred to as "South Florida".

### Climate

Average Annual Temperature	74.6° F
Average January Temperature	65.6° F
Average July Temperature	81.8° F
Average Annual Rainfall	57.2"

### Airports and Seaports

North Miami Beach is within 15 minutes of two major airports, Miami International Airport and Fort Lauderdale-Hollywood International Airport. Opa-Locka Executive Airport, which services private and business aircraft, is located 20 minutes west of North Miami Beach.

Two deepwater seaports, Port of Miami and Port Everglades, which are located within 20 minutes of North Miami Beach.

### Road Systems

North Miami Beach is located five minutes from two major highways: I-95 and the access route to the Florida Turnpike. Both roads lead south to Miami and the Florida Keys, or north to Fort Lauderdale, the Palm Beaches, and Orlando.

### Train

North Miami Beach has a major train depot serving both Amtrak and Tri-Rail at its western City boundary. The Tri-Rail Commuter Organization runs from Miami to West Palm Beach.

### Bus

The City-run NMB-line minibus and the countywide Metro Bus System service North Miami Beach. A Greyhound Bus station is located within city limits.

### Historical Points of Interest

The Spanish Monastery was erected in Spain in 1141 and brought to North Miami Beach in 1940; the Fulford-by-the-Sea Monument was constructed to commemorate the founding of the City of Fulford-by-the-Sea, as North Miami Beach was previously known; two residential structures were constructed in the 1920s.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL INFORMATION

(Continued)

### Colleges and Universities

North Miami Beach residents and businesses have access to a number of higher education institutions. In the immediate vicinity are Nova Southeastern University/Fischler Graduate School of Education and Human Services, Florida International University and Union Institute & University. Within 15 miles are University of Miami, St. Thomas University, Barry University, Miami-Dade Community College and Johnson & Wales University.

### Hospitals and Medical Industry

The North Miami Beach area offers impressive health care facilities including four major hospitals with more than 1,800 beds within five miles. Within City limits is Parkway Regional Medical Center including a pediatric emergency room and the 72,000 square foot Northpark Medical Center office building. The City's 436 licensed health care professionals include 287 doctors, 53 dentists and 96 registered nurses. The medical services sector accounts for more jobs in North Miami Beach than any other sector, except retail.

### Retail Shopping and Office Space

Retail space is available in a wide array of sites with two regional malls – The Mall at 163rd Street and Aventura Mall – working as anchors. Mid-rise office buildings offering ample parking and an easy-to-reach locale characterize the business and professional environment. The retail sector in the Greater North Miami Beach area employs over 12,000 people at 1,000 stores.

Retail/Commercial Space within City Limits	154 properties	2.5 million square feet
Business/Office space within City Limits	101 properties	1.1 million square feet

### Parks and Recreation

Within city limits, North Miami Beach offers a performing arts theater, open-air amphitheater, library, bike paths, easy access to beautiful ocean beaches, and acres of lush parks.

City Parks:	9 parks	49 acres
County Parks:	Greynolds Park	170 acres
	East Greynolds Park	58 acres
State Parks:	Oleta State Recreation Area	850 acres
Recreation:	Less than 1 mile to the Atlantic Ocean	
	10 golf courses within 5 miles	
	2.5 miles to Pro Player Stadium -	
	Home of the Miami Dolphins and Florida Marlins	
	10 miles to American Airlines Arena -	
	Home of the Miami Heat	
	10 miles to the Orange Bowl	

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL INFORMATION

(Continued)

### Housing

North Miami Beach offers cozy starter homes, elegant waterfront properties, luxurious condominiums, and comfortable rental apartments in an array of styles and prices.

Housing Value Ranges (2003):	
Single Family	\$70,000 - \$1,800,000
Condominiums	\$40,000 - \$600,000
Apartment Rents (Median)	
One Bedroom	\$700
Two Bedroom	\$875
Three Bedroom	\$1,025
Housing within the City Limits (2003)	
Single Family	7,642
Condominiums	4,414
Apartments	3,294
Total	15,350

### Labor Force Statistics

With almost all of Dade and Broward Counties within easy commute, North Miami Beach businesses can draw from a huge labor force, with virtually any type and level of skill a business might need. The North Miami Beach workforce also represents a wide cross-section of South Florida, offering a rich diversity in language skills, cultural background and international experience.

### Household Demographics

North Miami Beach has seen a dramatic change in the composition of its residents within the last decade. Young professionals and families are discovering that North Miami Beach affords them the convenience and lifestyles they've been searching for.

	<u>1990</u>	<u>2000</u>
Total Households	14,315	14,019
Persons per Household	2.47	3.00
Total Household Income (in \$millions)	\$474	\$595
Average (mean)	\$33,867	\$42,442

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL INFORMATION

(Continued)

### Population Demographics

North Miami Beach is a multi-ethnic community with an integrated mix of cultures, ages, races and ethnic backgrounds. Its population is growing increasingly younger as families with children move to its twelve neighborhoods. Current estimates place the City's population at 42,000 residents.

#### Population Distribution by Age

	<u>1990 Census</u>	<u>2000 Census</u>	<u>2003 Estimates</u>
Total	35,359	40,786	42,000
Age 19 & under	8,592	12,309	12,685
Age 20 to 44	13,158	15,274	15,915
Age 45 to 64	6,573	8,592	8,955
Age 65+	7,036	4,611	4,445
Median Age	37.1	34.5	34.4

#### Percentage of Population by Age

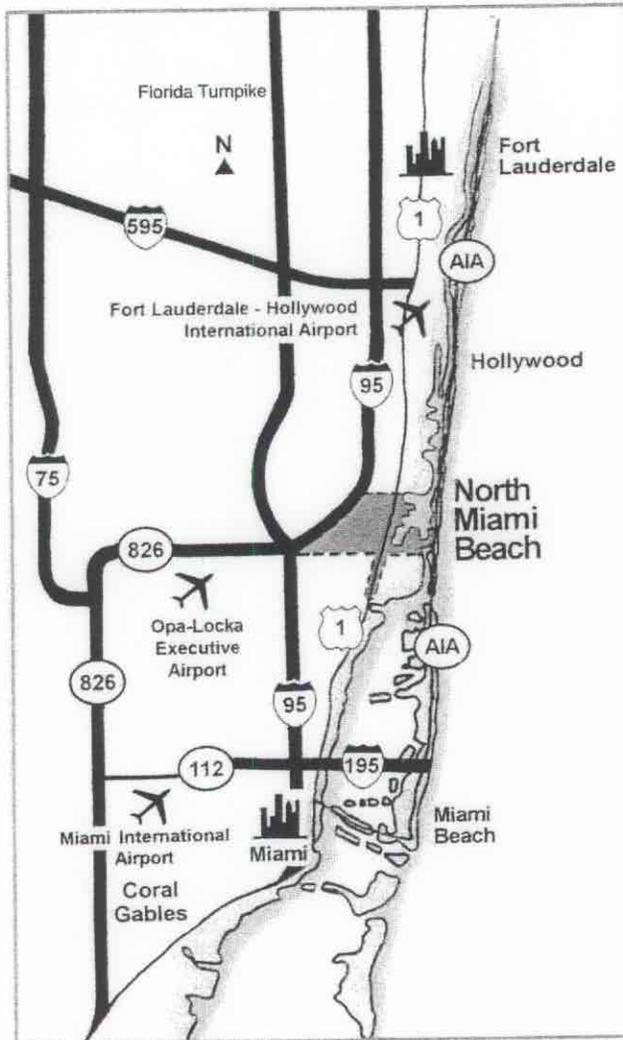
	<u>1990 Census</u>	<u>2000 Census</u>	<u>2003 Estimates</u>
Age 19 & under	24%	30%	30%
Age 20 to 44	37%	37%	38%
Age 45 to 64	19%	21%	21%
Age 65+	20%	12%	11%

### North Miami Beach at a Glance

Land Area:	5.1 square miles
Form of Government:	Council/Manager
Annual Budget (FY2004):	\$41 million
Number of Residents (2003):	42,000
Median Age (2003):	34.4
# of Businesses:	1,800
Major Economic Base:	Health Care, Retail
% Residential:	50%
% Commercial:	20%
% Recreational:	10%
% Other:	20%
Average Household Income (2003):	\$42,442
# of Housing Units (2003):	15,350
Zip Codes:	33179, 33160, 33162, 33169, 33181

# CITY OF NORTH MIAMI BEACH, FLORIDA

## GENERAL INFORMATION (Continued)





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## **COMPLIANCE SECTION**

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

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the fiscal year ended September 30, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

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

However, we noted other matters that we have reported to management in the schedule of findings and questioned costs accompanying this report.

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida  
Page Two

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

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
January 14, 2004

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

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the fiscal year ended September 30, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to Each Major Federal Awards Program and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 14, 2004, should be considered in conjunction with this management letter.

In connection with our audit of basic financial statements of the City of North Miami Beach for the year ended September 30, 2003, we report the following in accordance with Chapter 10.550, Rules of the Auditor General, *Local Government Entity Audits* which requires that this report specifically address, but not be limited to, the matters outlined in Rule 10.554(1)(g):

1. No inaccuracies, shortages, defalcations, fraud and violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. The City, during fiscal year 2003, was not in a state of financial emergency as defined by Florida Statute, Section 218.503(1). The City has no deficit fund balances for two consecutive years.
3. The City has complied with section 218.415, Florida Statutes, regarding the investment of public funds.
4. Recommendations to improve the City's present financial management, accounting procedures and internal accounting controls have been addressed in the schedule of findings and questioned costs accompanying this report.
5. There were no recommendations made in the preceding annual financial audit.

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida  
Page Two

6. During the course of our audit, nothing came to our attention that caused us to believe that the City:
  - a. Was in violation of any laws, rules, regulations and contractual provisions.
  - b. Made any illegal or improper expenditures.
  - c. Had improper or inadequate accounting procedures.
  - d. Failed to record financial transactions, which could have a material effect on the City's basic financial statements.
  - e. Had other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that come to the attention of the auditor.
7. The annual financial report for the fiscal year ended September 30, 2003 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.
8. The City was incorporated pursuant to Chapter 15824, Laws of Florida, Acts of 1931. The City has no component units.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. There were no findings regarding deteriorating financial conditions.

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

*Rachlin Cohen + Holtz LLP*

Miami, Florida  
January 14, 2004

**CITY OF NORTH MIAMI BEACH, FLORIDA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant or Identifying Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Miami-Dade County:			
CDBG - Housing Rehabilitation	14.218	CDBG FY2001	\$ 95,156
CDBG - Taylor Park Daycare	14.218	CDBG FY1998	103,303
Washington Park Roadway Improvement	14.218	CDBG FY2001	<u>300,000</u>
Total U.S. Department of Housing and Urban Development			<u>498,459</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	N/A	N/A	424,137
Forfeiture Fund - U.S. Treasury Equitable Sharing	N/A	N/A	300,757
North Miami Beach Police "SOS" (Stop our Stress) Program	16.563	2001-FS-BX-K003	78,491
Local Law Enforcement Block Grant - 2000	16.592	2000-LB-BX-0217	2,076
Local Law Enforcement Block Grant - 2001	16.592	2001-LB-BX-2106	3,061
Local Law Enforcement Block Grant - 2002	16.592	2002-LB-BX-2834	42,711
Bulletproof Vest	16.607	N/A	<u>4,163</u>
Subtotal - direct awards			855,396
Passed through the Office of the Attorney General - State of Florida:			
2002-2003 Victims of Crime Act Agreement	16.575	V2195	57,763
Passed through Florida Department of Law Enforcement and			
Miami-Dade County Department of Human Services:			
Police Anti-Crime Community Team	16.579	2003-CJ-5A-11-23-01-079	<u>10,393</u>
Total U.S. Department of Justice			<u>923,552</u>
<b>U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY</b>			
Passed through Monroe County Sheriff's Office:			
HITDA Black Market Peso Exchange	N/A	11PMIP5120	30,463
HITDA Black Market Peso Exchange	N/A	12PMIP5120	61,552
HITDA Black Market Peso Exchange	N/A	13PMIP586	<u>7,865</u>
Total U.S. Office of National Drug Control Policy			<u>99,880</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Federal Highway Administration			
Passed through Florida Department of Transportation:			
Bike Path	20.205	A1529/FIN405581	<u>247,561</u>
Total U.S. Department of Transportation			<u>247,561</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through Florida Office of Drug Control:			
Alternative to Suspension Program	84.186A	03CJ-2P-11-23-23-080	<u>63,004</u>
Total U.S. Department of Education			<u>63,004</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Special Water Infrastructure Award	66.606	XP-97428601-2	164,674
Vulnerability Assessments and Related Security Improvements at Large			
Drinking Water Utilities	66.476	HS-829954-01-0	<u>103,480</u>
Total U.S. Environmental Protection Agency			<u>268,154</u>

(Continued)

**CITY OF NORTH MIAMI BEACH, FLORIDA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant or Identifying Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Gang Resistance Education and Training	21.053	ATC010151	14,369
Gang Resistance Education and Training	21.053	ATC020165	<u>10,015</u>
Total U.S. Department of the Treasury			<u>24,384</u>
<b>U.S. DEPARTMENT OF INTERIOR- NATIONAL PARK SERVICE</b>			
Urban Park and Recreation Recovery Program Grant			
Washington Park Pool Restrooms Rehab	15.919	12-CTY-2230-0101	<u>55,626</u>
Total U.S. Department of Interior			<u>55,626</u>
<b>U.S. DEPARTMENT OF AGRICULTURE - U.S. FOREST SERVICE</b>			
Passed through Florida Department of Agriculture and Consumer Services			
North Miami Beach Boulevard Sidewalk Palm Planting	10.664	U&CF Application #01-43	<u>8,000</u>
Total U.S. Department of Agriculture			<u>8,000</u>
 Total of Expenditures of Federal Awards			 <u>\$ 2,188,620</u>

N/A - Not available.

# CITY OF NORTH MIAMI BEACH, FLORIDA

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

### NOTE 1. BASIS OF PRESENTATION

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

**Report of Independent Certified Public Accountants on Compliance with  
Requirements Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida

Compliance

We have audited the compliance of the City of North Miami Beach, Florida (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2003.

Internal Control over Compliance

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

Honorable Mayor, City Council and City Manager  
City of North Miami Beach, Florida  
Page Two

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal awards program or state financial assistance project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Rachlin Cohen & Holtz LLP*

Miami, Florida  
January 14, 2004

**CITY OF NORTH MIAMI BEACH, FLORIDA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

**PRIOR YEAR COMMENTS AND STATUS**

None.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

*Unqualified Opinion*

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes X No

Reportable condition(s) identified not considered to be material weakness?

\_\_\_ Yes X None reported

Non-compliance material to financial statements noted?

\_\_\_ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_ Yes X No

Reportable condition(s) identified not considered to be material weakness?

\_\_\_ Yes X None reported

Type of auditor’s report issued on compliance for major programs:

*Unqualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_ Yes X No

Identification of major programs:

CFDA Numbers    Name of Federal Program or Cluster

N/A                    U.S. Treasury Equitable Sharing  
20.205                Bicycle Path Phase II

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

\$300,000

Auditee qualified as low-risk auditee?

X Yes    \_\_\_ no

(Continued)

# CITY OF NORTH MIAMI BEACH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Other Matters

##### *03-01. Capital Assets*

We noted during our testing of capital assets that the City's financial management system and capital asset system were not in balance for the governmental funds. The City needs to record all expenditures for capital outlays properly to capital asset accounts. The Information Technology Department should modify existing computer programs to ensure that all capital outlay expenditures get recorded into the capital asset system and that the two systems are in balance. This is important under GASB 34 reporting because all assets must be accounted for in order to have the proper amount of depreciation charged to the assets. The dollar amount that the two systems have been out-of-balance has not been material.

#### *Recommendation*

The City should ensure that capital asset expenditures are recorded in the proper capital outlay accounts and modify their computer programs to reconcile that they are in balance at the beginning or end of each day. We noted that this reconciliation is already being done daily for the funds that comprise the business-type activities. This recommendation should be extended to the funds that comprise the governmental activities.

#### *Management Response*

The Finance Department currently does a manual reconciliation at the end of each fiscal year. While the amount is immaterial, the Finance Department agrees that this process should be automated and will work with the Information Technology Department to meet this recommendation.

##### *03-02. Physical Inventory of Capital Assets*

We noted that the City has not taken a physical inventory of its capital assets in recent years. The purpose of a capital asset inventory would ensure that only active, in-service machinery and equipment is included in the City's financial statements and would also provide safeguards from loss or misuse of assets.

#### *Recommendation*

We recommend that the City perform a physical inventory of all capital assets and maintain detailed records of these assets to ensure that the assets are properly reported and properly safeguarded from loss or misuse.

#### *Management Response*

The City will re-institute an annual physical inventory by all departments.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.