

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2005

Prepared by:

Department of Finance

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2005

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INTRODUCTORY SECTION



City of North Miami Beach, Florida

FINANCE DEPARTMENT

May 22, 2006

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, 2005.

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, 2005, 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, 2005, 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.

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.

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.

Long-term financial planning

As the long-term redevelopment of North Miami Beach got underway in fiscal year 2005, the implementation of some of the earliest leading indicator projects headed toward completion. These activities form the basis for assuring the long-term fiscal strength of the city and its government.

- The last large neighborhood project funded by the Proud Neighborhoods bond program, Corona Del Mar, was under construction during fiscal year 2005.
- After completion of two “sample” blocks, the reconstruction of the remaining blocks of Hanford Boulevard, the spine City’s future City Center area, commenced.
- As part of the \$3.4 million worth of improvements to Parks and Recreation facilities funded by Miami-Dade County’s Building Better Communities bond program, a contract for overhauling Victory Pool was awarded.
- The Community Redevelopment Agency was approved and preparation of its first budget began.
- An application was submitted to and accepted by Miami-Dade County for annexation of the unincorporated Windward area. This application will eventually lead to a vote of the residents.
- The Mayor and Council members in place subsequent to the May 2005 election initiated Smart Growth NMB – an effort to determine the parameters for future private redevelopment projects.

Local economy. The growing development interest that was evident in the City in 2004 drew the attention of residents during fiscal year 2005. Redevelopment of the Mall at 163rd Street and the opening of a new super Wal-Mart attracted substantial new business to the area. In fiscal year 2004, the approval of two twenty-four story condominium towers at Maule Lake Marina signaled a willingness on the City’s behalf to consider heights and densities beyond what the City has previously hosted. Constituents that did not agree with the height and density of the project challenged its approval and, thus, began a protracted community debate on the matter.

The concern shared by all stakeholders is that existing quality of life be maintained, while protecting the existing levels of service and its solid neighborhoods during this redevelopment period. Substantial care will also be required to ensure that all of the residents of the City are the benefactors of the coming economic prosperity.

Continuing initiatives. While Miami-Dade County's future plans were stymied by concerns over future water supply, the City's water infrastructure improvements garnered the praise of regional and state planners for leading the way toward the development of alternative water supply sources. The expansion is underway and the City hopes to be pumping water from the Floridan Aquifer in the very near future.

The sewer and stormwater projects in Highland Village were nearing completion in fiscal year 2005. Homeowners within the area where sewer was installed will soon be required to connect. While the majority of the neighborhood will be connecting, City staff continues to seek funding to install sewers in the remaining portions of the neighborhood that, for now, will continue to utilize their septic tanks. In addition to sanitary sewers, this multi-phased project will include stormwater and street improvements in the area.

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, 2004. This was the seventeenth 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

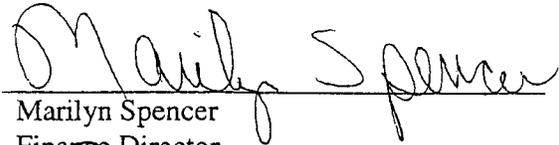
The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. A special acknowledgement of thanks is given to Kenneth Imrisek, who retired after 28 years of service with the City's Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

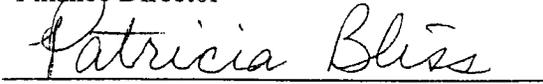
We express our appreciation to all members of other departments, especially Deputy City Manager Keven Klopp, who assisted and contributed to the preparation of this report. A special note of thanks and appreciation is also extended to our auditors, Rachlin Cohen & Holtz LLP, for their professional approach 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,


Gary Brown
City Manager


Marilyn Spencer
Finance Director


Patricia Bliss
Deputy Finance Director

CITY OF NORTH MIAMI BEACH, FLORIDA

CERTIFICATE OF ACHIEVEMENT

SEPTEMBER 30, 2005

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, 2004

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.



Carla E. Perry

President

Jeffrey R. Emery

Executive Director

CITY OF NORTH MIAMI BEACH, FLORIDA

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2005

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Raymond F. Marin, Mayor

Jay R. Chernoff John Patrick Julien

Kenneth A. De Fillipo Myron Rosner

Philippe Derose David L. Templer

CITY MANAGER

Gary Brown

CITY ATTORNEY

Howard B. Lenard

FINANCE DIRECTOR

Marilyn Spencer

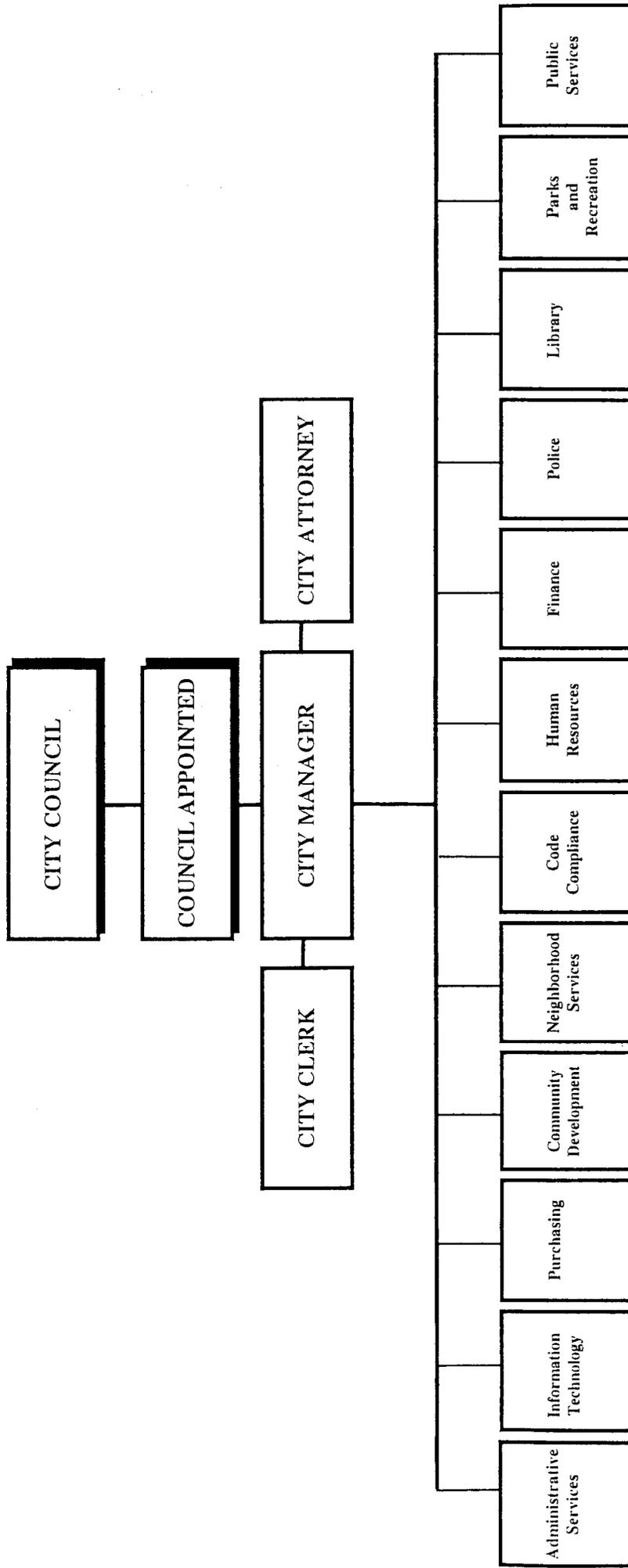
CITY AUDITORS

Rachlin Cohen & Holtz LLP
Accountants • Advisors

CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2005

ORGANIZATION CHART



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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, 2005, 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 an opinion 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2005, 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 February 23, 2006 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

-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

An Independent Member of Baker Tilly International

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

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-19 and pages 67-77, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance projects 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
February 23, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

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, 2005. 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 v 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 \$93.9 million (*net assets*). Of this amount, \$2 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 \$3.1 million 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 \$16.9 million, a decrease of \$4.3 million in comparison to 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 \$5.2 million, or 11 percent of total *General Fund* expenditures
- At the end of the current fiscal year, unrestricted net assets for the Water Fund was negative \$2.5 million.
- The City was involved in five major storms – Frances and Jeanne during the 2004 hurricane season and Katrina, Rita, and Wilma during the 2005 hurricane season. Hurricane season in Miami-Dade County starts June 1 and ends November 30, which does not coincide with the October to September fiscal year. The worse storms for south Florida historically occur in the months of August, September and October.

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 20-21 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, the Proud Neighborhood Fund, and 2003B Surtax Bond Construction 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 22-24 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 25-29 of this report.

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

The basic fiduciary fund financial statements can be found on pages 30-31 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 32-66 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 67-77 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 78-84 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 \$93.9 million at the close of this fiscal year. This was an increase of \$3.1 million compared to last year's net assets of \$90.8 million.

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total net assets (in millions)	\$88.8	\$89.7	\$90.3	\$90.8	\$93.9

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

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 12.6	\$ 10.2	\$ 22.8	\$ 13.9	\$ 6.0	\$ 19.9
Restricted assets	8.9	39.2	48.1	11.8	59.2	71.0
Capital assets, net	<u>54.0</u>	<u>105.5</u>	<u>159.5</u>	<u>51.8</u>	<u>82.3</u>	<u>134.1</u>
Total assets	<u>75.5</u>	<u>154.9</u>	<u>230.4</u>	<u>77.5</u>	<u>147.5</u>	<u>225.0</u>
Long-term liabilities	44.7	77.6	122.3	45.0	76.6	121.6
Other liabilities	<u>3.7</u>	<u>10.6</u>	<u>14.3</u>	<u>3.7</u>	<u>8.9</u>	<u>12.6</u>
Total liabilities	<u>48.4</u>	<u>88.2</u>	<u>136.6</u>	<u>48.7</u>	<u>85.5</u>	<u>134.2</u>
Net Assets:						
Invested in capital assets, net of related debt	15.2	61.6	76.8	12.1	57.3	69.4
Restricted	8.7	6.4	15.1	11.7	5.0	16.7
Unrestricted	<u>3.2</u>	<u>(1.2)</u>	<u>2.0</u>	<u>5.0</u>	<u>(0.3)</u>	<u>4.7</u>
Total net assets	<u>\$ 27.1</u>	<u>\$ 66.8</u>	<u>\$ 93.9</u>	<u>\$ 28.8</u>	<u>\$ 62.0</u>	<u>\$ 90.8</u>

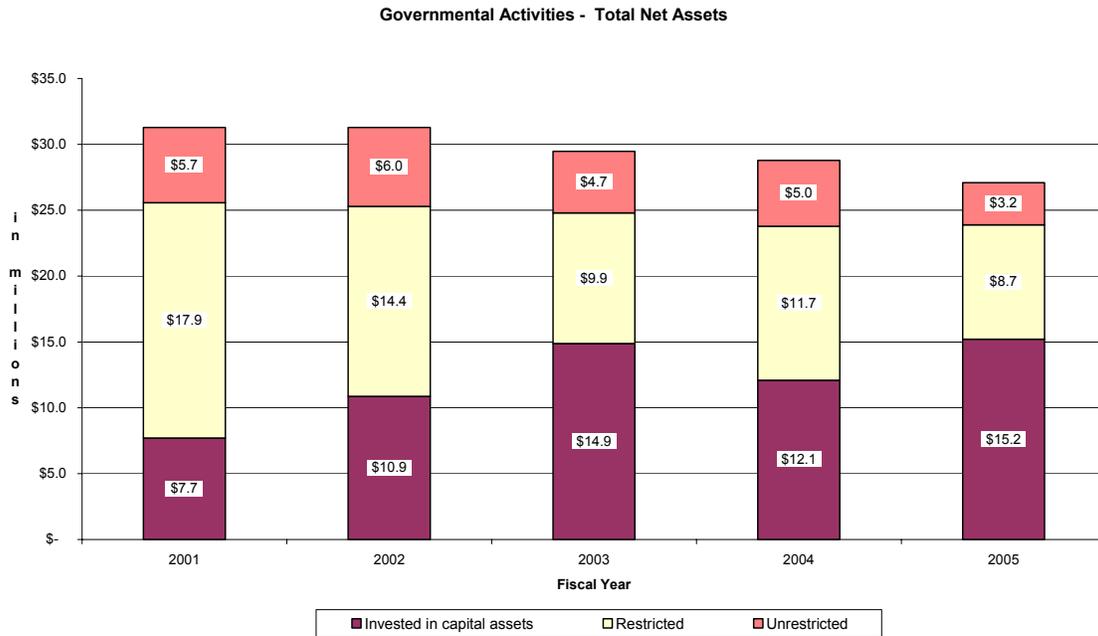
City of North Miami Beach's Changes in Net Assets (in millions)

	2005			2004		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 13.2	\$ 23.2	\$ 36.4	\$ 12.1	\$ 23.3	\$ 35.4
Operating grants & contributions	1.5	3.8	5.3	1.2	1.3	2.5
Capital grants & contributions	0.1	4.3	4.4	0.2	2.0	2.2
General Revenues:						
Property taxes	13.8	-	13.8	12.6	-	12.6
Other taxes	5.6	-	5.6	5.9	-	5.9
Intergovernmental (including sales tax)	6.8	-	6.8	6.1	-	6.1
Other miscellaneous	<u>5.5</u>	<u>1.6</u>	<u>7.1</u>	<u>5.5</u>	<u>1.3</u>	<u>6.8</u>
Total revenues	<u>46.5</u>	<u>32.9</u>	<u>79.4</u>	<u>43.6</u>	<u>27.9</u>	<u>71.5</u>
Expenses:						
General government	15.1	-	15.1	13.9	-	13.9
Public safety	18.7	-	18.7	17.6	-	17.6
Library	1.0	-	1.0	1.1	-	1.1
Parks and recreation	4.7	-	4.7	4.5	-	4.5
Public services	11.1	-	11.1	10.2	-	10.2
Interest on long-term debt	2.0	-	2.0	2.0	-	2.0
Water	-	19.4	19.4	-	18.5	18.5
Sewer	-	3.6	3.6	-	3.4	3.4
Stormwater	-	0.7	0.7	-	0.7	0.7
Total Expenses	<u>52.6</u>	<u>23.7</u>	<u>76.3</u>	<u>49.3</u>	<u>22.6</u>	<u>71.9</u>
Increase (Decr) in net assets before transfers	(6.1)	9.2	3.1	(5.7)	5.3	(0.4)
Transfers	<u>4.4</u>	<u>(4.4)</u>	<u>-</u>	<u>4.3</u>	<u>(4.3)</u>	<u>-</u>
Change in net assets	<u>(1.7)</u>	<u>4.8</u>	<u>3.1</u>	<u>(1.4)</u>	<u>1.0</u>	<u>(0.4)</u>
Net assets - beginning	<u>28.8</u>	<u>62.0</u>	<u>90.8</u>	<u>30.2</u>	<u>61.0</u>	<u>91.2</u>
Net assets - ending	<u>\$ 27.1</u>	<u>\$ 66.8</u>	<u>\$ 93.9</u>	<u>\$ 28.8</u>	<u>\$ 62.0</u>	<u>\$ 90.8</u>

The largest portion of the City's net assets (82 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.

Some of the City's net assets (16 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 (2 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 \$2.6 million or 56 percent compared to last fiscal year. The amount available for governmental activities and business-type activities decreased \$1.7 million and \$0.9 million, respectively.

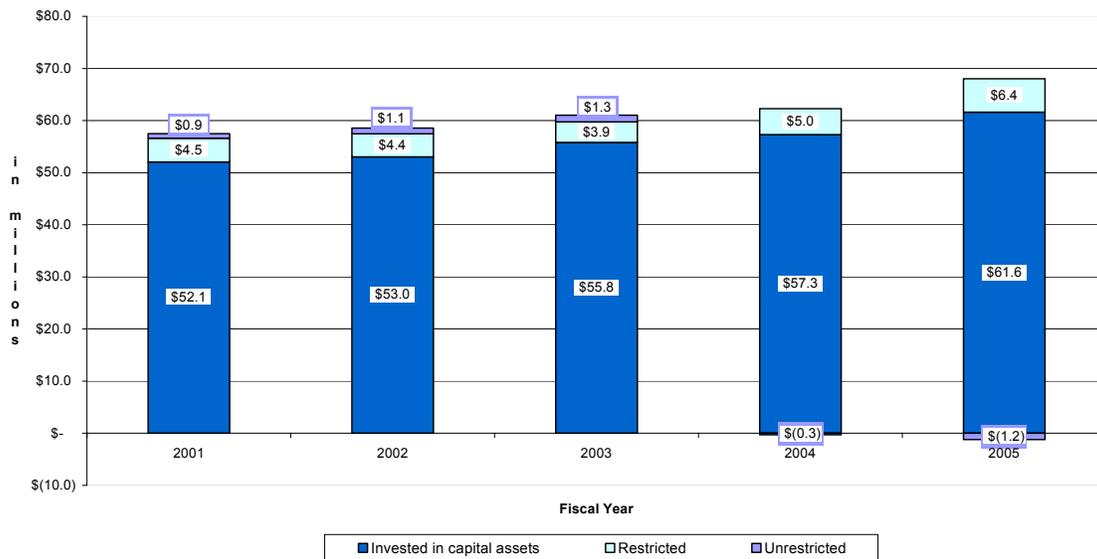


Governmental activities. Net assets of the City's governmental activities decreased by six percent (\$1.7 million) from \$28.8 million in last fiscal year compared to \$27.1 million in the current fiscal year. The impact from hurricanes was the bulk of the decrease. While the investment market has improved compared to prior years, it has been difficult forecasting funds available for investment. The rising cost of fuels, lubricants, tires and other petroleum-based products has been significant. The City's older work force and its influence on health insurance premiums and retirement expenses have increased significantly. Unrestricted net assets decreased due to the use of surplus to cover expenses related to the last two years of extremely unusual hurricane activity. The City was involved with five storms over the last two hurricane seasons.

Business-type activities. The City's net assets of the business-type activities increased by eight percent (\$4.8 million) from \$62 million in last fiscal year compared to \$66.8 million in the

current fiscal year. A significant increase of \$1.4 million in the restricted net assets for in-plant and fire-flow occurred due to the new private development in the water and sewer service areas. These restricted funds can only be used for increasing the system’s capacity or for meeting Miami-Dade County fire-flow requirements. Most of the \$6.4 million in restricted funds will be used over the next year for the water treatment plant expansion project. This fiscal year \$18.3 million was spent on the water treatment plant expansion project. The bulk of the capital improvement project is funded by bonds, which are restricted assets. Additionally, there was a decrease of almost \$1 million in unrestricted net assets from a negative \$327,000 last year resulting in a negative \$1.2 million balance for the current fiscal year. While total net assets overall are increasing, unrestricted net assets are decreasing significantly. This trend is being monitored.

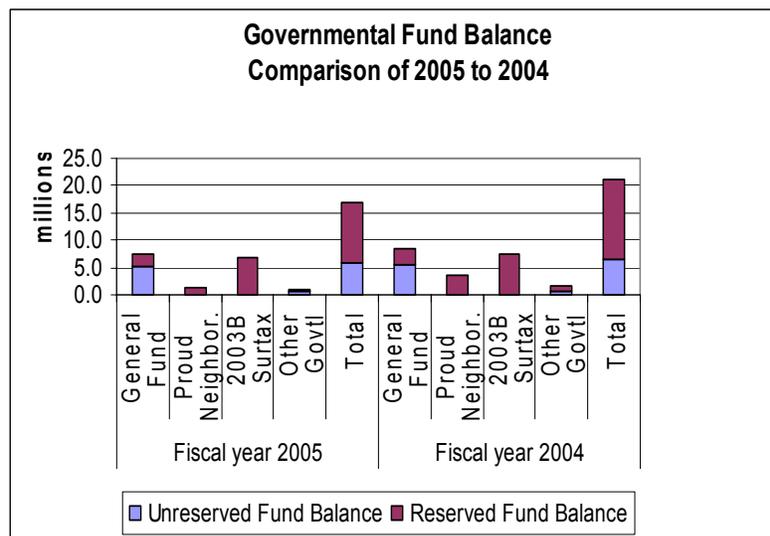
Business-type Activities - Total Net Assets



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*

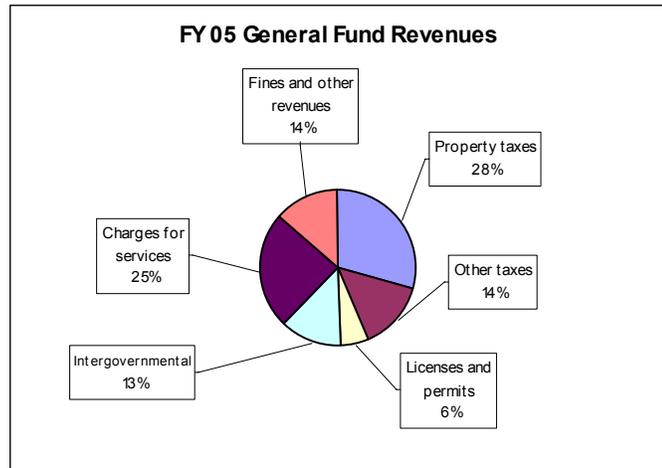


balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (both reserved and unreserved) of \$16.9 million, a decrease of \$4.3 million in comparison with the prior year. The decrease is due to several factors, including a decrease of \$2.9 million as construction projects are completed, as well as a decrease of \$640,000 in encumbrances and claim reserves.

Unreserved fund balance is that part that is available for spending at the City's discretion. This year, 35 percent of this total amount (\$5.9 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 \$5.2 million, and reserved fund balance was \$2.4 million, for a total fund balance of \$7.6 million. Last fiscal year, the General Fund's total fund balance was \$8.6 million. The \$1 million decrease was due to a reduction in encumbrances at year-end and use of surplus for hurricane related expenses.



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 millions)	2005		2004		Amount Incr (Decr) from Prior Year	Percent Incr (Decr) from Prior Year
	2005 Amount	Percent of Total	2004 Amount	Percent of Total		
Property taxes	\$ 11.8	28	\$ 10.7	32	\$ 1.1	9
Fees and other taxes	5.6	14	5.9	15	(0.3)	(5)
Licenses and permits	2.2	6	1.8	5	0.4	18
Intergovernmental	5.1	13	4.7	12	0.4	8
Charges for services	9.8	25	9.0	23	0.8	8
Fines and forfeitures	0.4	1	0.3	1	0.1	25
Other miscellaneous	4.8	12	4.8	12	-	0
Interest	0.2	1	0.1	0	0.1	50
Total	\$ 39.9	100	\$ 37.3	100	\$ 2.6	7

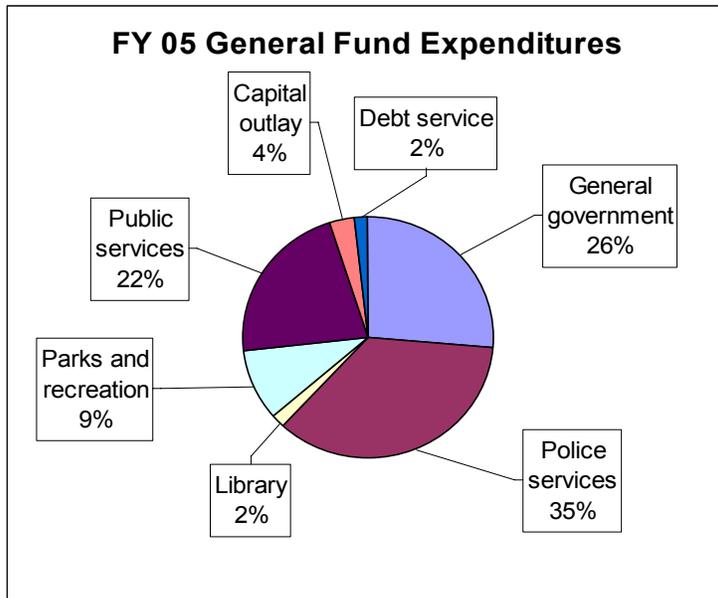
Compared to the prior fiscal year, total General Fund revenues increased by \$2.6 million or seven percent in fiscal year 2005. Increases in property valuation increased property tax revenue by

\$1.1 million or nine percent. The housing market in south Florida especially along waterfront properties continues to rise. License and permit revenue increased 18 percent and include a residential waterfront area that was redeveloped from apartments to new town homes as well as some permits for repair work completed after the hurricanes. Charges for services increased by eight percent mostly due to the Miami-Dade County sanitation fee increases that were passed through to the City customers.

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

<u>Expenditures</u> <u>(in millions)</u>	<u>2005</u>		<u>2004</u>		<u>Amount Incr</u> <u>(Decr) from</u> <u>Prior Year</u>	<u>Percent Incr</u> <u>(Decr) from</u> <u>Prior Year</u>
	<u>2005</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>	<u>2004</u> <u>Amount</u>	<u>Percent of</u> <u>Total</u>		
General government	\$ 12.0	26	\$ 11.4	31	\$ 0.6	5
Police services	16.2	35	15.0	33	1.2	8
Library	0.9	2	0.9	2	-	0
Parks and recreation	4.3	9	4.2	9	0.1	2
Public services	10.0	22	9.4	21	0.6	6
Capital outlay	1.6	4	1.1	2	0.5	45
Debt service	0.7	2	0.7	2	-	0
Total	\$ 45.7	100	\$ 42.7	100	\$ 3.0	7

In fiscal year 2005, total General Fund expenditures increased by \$3 million or seven percent compared to the prior year. The bulk of the increase was in the Police, Public Services, Code Compliance and Community Development departments. During the 2005 storm season Hurricanes Katrina, Rita, and Wilma impacted the City. Considerable employee overtime and contractor vendor costs were incurred for pre-hurricane preparation and post-hurricane debris removal. In addition to the hurricane expenses, normal salary and benefit costs continue to rise. The rising cost in oil impacted the City in multiple ways with fuel, tire, and utility costs 17 percent higher than last year's amounts. Last fiscal year the cost of these items increased 17 percent as well.



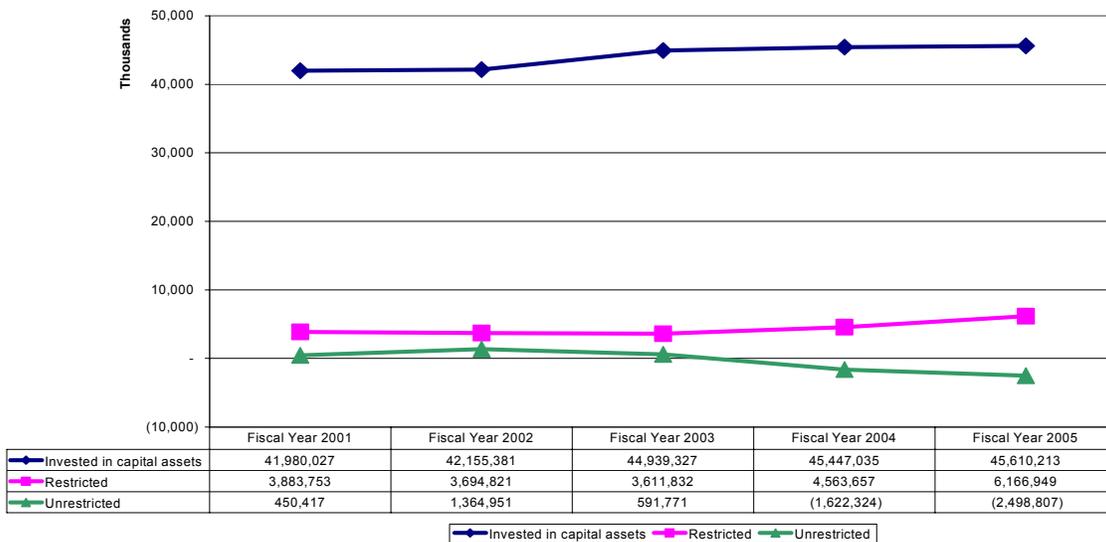
The Proud Neighborhood Fund has a total fund balance of \$1.4 million, all of which is reserved for construction. The fund was established in fiscal year 2001 with the issuance of \$17.3 million in bonds after a voter approved referendum. Design and construction of various improvements began in February 2001 and construction is expected to last for five years. Citywide improvements to roadways, sidewalks, drainage system and landscaping totaling \$2.1 million were completed last fiscal year.

The 2003B Surtax Bond Construction Fund was created in December 2003 to account for the bond proceeds of the 2003B bond issue. These bonds mature in 2019 and are secured by a pledge of the City's portion of Transit Surtax proceeds levied by Miami-Dade County and remitted to the City per an inter-local agreement. Effective January 1, 2003, Miami-Dade County created a discretionary sales surtax of one-half of one percent on taxable transactions. This surtax was approved by voter referendum. Since the surtax proceeds can only be used for transit and transportation related items, the bond proceeds will be used for transit and transportation related construction projects within the City. The City issued bonds so that large projects could be completed in a relatively short time frame. One project, the Hanford Boulevard street improvements, is scheduled for completion in 2007 at an estimated cost of \$6 million. The total fund balance as of the fiscal year end is \$6.8 million, all of which is reserved for construction. Improvements totaling \$800,000 were completed in fiscal year 2005.

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 decreased by \$0.9 million with the Water Fund alone decreasing \$0.9 million. Unrestricted net assets at the end of the year for the Water Fund, Sewer Fund, and Stormwater Fund amounted to (\$2.5 million), \$1.1 million, and \$210,000, respectively.

Water Fund Net Assets Chart



The Water Fund's unrestricted net assets decreased by \$0.9 million. The City's unrestricted net assets reflects all liabilities that are not related to capital assets or restricted assets. In general, *accounting statements* show a liability when it is incurred while *financing and budgeting* focuses on when a liability is paid. The City budgets for and raises operating revenues during the year in which a liability is to be liquidated, rather than during the year in which the liability is incurred. The operating income and cash flows from operating activities have been sufficient. However, transfers to other funds, and capital and capital-related financing activities have been reducing unrestricted net assets. The combined impact of the water treatment plant expansion capital expenditures and debt service repayment as well as the increased operating expenditures because the new plant is not yet operational is straining the water fund. The unrestricted fund balance further decreased by almost \$1 million from negative \$1.6 million to negative \$2.5 million. This

trend will be monitored and adjustments, including significantly decreasing operating expenditures or increasing water service rates, may need to be made in future budget years.

Water Fund capital contributions increased by \$2.6 million compared to last year. Last year, no large contribution was received from large development projects. In contrast, renovations to the Mall at 163 Street and super Wal-Mart construction contributed in-kind water mains to the City in this fiscal year.

Restricted net assets in the Water Fund increased by \$1.6 million compared to last year. Most of the increase is in the inplant and fireflow reserves, which will be used for the water treatment plant expansion project in future fiscal years. In fiscal year 2004, only \$1.3 million was received compared to \$2.5 million in fiscal year 2005.

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

	2005				2004			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Current and other assets	\$ 6.2	\$ 2.3	\$ 0.6	\$ 9.1	\$ 7.5	\$ 2.4	\$ 0.6	\$ 10.5
Restricted assets	38.5	0.5	0.3	39.3	55.7	0.4	-	56.1
Deferred charges	1.5	-	-	1.5	0.9	-	-	0.9
Capital assets, net	<u>86.9</u>	<u>14.6</u>	<u>4.0</u>	<u>105.5</u>	<u>67.8</u>	<u>11.8</u>	<u>2.8</u>	<u>82.4</u>
Total assets	133.1	17.4	4.9	155.4	131.9	14.6	3.4	149.9
Long-term liabilities	73.8	0.2	2.1	76.1	73.9	-	2.4	76.3
Other liabilities	<u>9.9</u>	<u>1.5</u>	<u>1.0</u>	<u>12.4</u>	<u>9.8</u>	<u>1.4</u>	<u>0.4</u>	<u>11.6</u>
Total liabilities	83.7	1.7	3.1	88.5	83.7	1.4	2.8	87.9
Net Assets:								
Invested in capital assets, net of related debt	45.6	14.4	1.6	61.6	45.4	11.7	0.3	57.4
Restricted	6.2	0.2	-	6.4	4.6	0.4	-	5.0
Unrestricted	<u>(2.5)</u>	<u>1.1</u>	<u>0.2</u>	<u>(1.2)</u>	<u>(1.6)</u>	<u>1.0</u>	<u>0.3</u>	<u>(0.3)</u>
Total net assets	<u>\$ 49.3</u>	<u>\$ 15.7</u>	<u>\$ 1.8</u>	<u>\$ 66.8</u>	<u>\$ 48.4</u>	<u>\$ 13.1</u>	<u>\$ 0.6</u>	<u>\$ 62.1</u>

In the Sewer and Stormwater Funds, net assets increased by \$2.6 million and \$1.2 million, respectively. This was due to the grant related activity of the Highland Village infrastructure improvement project. The project will provide sanitary and storm water sewers in an area that had previously been serviced by a failing septic drain field. Phase I construction was substantially complete in March 2006 at a total cost of \$7 million. Phase II construction began in March 2006 with an estimated cost of \$1.1 million.

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

	2005				2004			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Revenues:								
Operating Revenues	\$ 17.3	\$ 4.9	\$ 1.0	\$ 23.2	\$ 17.4	\$ 4.9	\$ 1.0	\$ 23.3
Expenses:								
Operating Expenses	14.0	3.1	0.5	17.6	12.4	3.0	0.6	16.0
Depreciation	<u>2.4</u>	<u>0.5</u>	<u>0.1</u>	<u>3.0</u>	<u>2.5</u>	<u>0.4</u>	<u>0.1</u>	<u>3.0</u>
Total Expenses	16.4	3.6	0.6	20.6	14.9	3.4	0.7	19.0
Operating Income	0.9	1.3	0.4	2.6	2.5	1.5	0.3	4.3
Non-operating revenue (expense)	<u>(1.1)</u>	<u>2.2</u>	<u>1.2</u>	<u>2.3</u>	<u>(1.8)</u>	<u>0.7</u>	<u>0.3</u>	<u>(0.8)</u>
Capital contributions	4.2	0.1	-	4.3	1.6	0.3	-	1.9
Transfers	<u>(3.1)</u>	<u>(1.0)</u>	<u>(0.4)</u>	<u>(4.5)</u>	<u>(3.0)</u>	<u>(1.0)</u>	<u>(0.4)</u>	<u>(4.4)</u>
Change in net assets	0.9	2.6	1.2	4.7	(0.7)	1.5	0.2	1.0
Net assets - beginning	<u>48.4</u>	<u>13.1</u>	<u>0.6</u>	<u>62.1</u>	<u>49.1</u>	<u>11.6</u>	<u>0.4</u>	<u>61.1</u>
Net assets - ending	<u>\$ 49.3</u>	<u>\$ 15.7</u>	<u>\$ 1.8</u>	<u>\$ 66.8</u>	<u>\$ 48.4</u>	<u>\$ 13.1</u>	<u>\$ 0.6</u>	<u>\$ 62.1</u>

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 67-69 of this report.

Differences between the *original budget* and the *final amended budget* amounted to \$358,000 this year and can be briefly summarized as follows:

- Estimated preparation, recovery, and debris removal costs related to Hurricane Frances totaled \$69,000.
- An increase of \$60,000 for the purchase of land for a park in the Washington Park area.
- An increase of \$55,000 for police joint task force operations and investigations.
- An increase of \$37,000 for bridge repairs.
- Additional funding of \$45,000 for various camp programs.
- A \$25,000 donation to the school district to fund a school nurse/health program for resident children.
- Additional equipment totaling \$67,000 in the police, parks, and public service departments.

Of the total increases, \$69,000 was from estimated hurricane-related FEMA reimbursements. Surplus reserves and land acquisition reserves funded \$91,000. The remaining \$198,000 was provided when additional unanticipated revenue, such as donation revenue, was received thus allowing for additional expenditures.

The differences in the *actual* revenues and expenditures 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 \$194,000 less than budgeted this fiscal year. Last fiscal year, the amount received was greater than budgeted by \$290,000. Since this new revenue source has little past history, it is difficult for the State of Florida to provide the City with accurate revenue estimates.
- Building permits and fees were \$273,000 less than expected. There has been an overall resurgence of improvements in residential and business properties as property values in coastal areas in south Florida have soared this year. However, some major developments of business properties were delayed and their permits were not applied for and issued as projected.
- Local one-half cent sales tax received from the State was \$241,000 more than budgeted mainly due to increases in the sale of repair materials attributable to hurricane damage.
- Federal revenue was \$450,000 greater than expected. This was due to FEMA's reimbursement of expenditures incurred by the City during Hurricanes Frances and Jeanne of the 2004 storm season and Hurricane Katrina and Tropical Storm Rita of the 2005 storm season. The Police and Public Service Department expenses were overbudget by the same amount.
- As per City policy, use of unreserved surplus is included in the revenue budget. For statement purposes, it is shown in Other Revenue.
- Charges for services increased \$297,000 primarily as a result of lien research and open building permit research fees due to increased housing sales and refinancing.
- Fines and forfeitures were \$176,000 more than expected. This was due primarily to a stronger enforcement of local ordinances by the respective departments.

- The decrease in actual Executive expenditures of \$717,000 was due primarily to the City not using its regular contingency reserve. Unused contingency increases available fund balance in future years.
- Police leave payouts were overbudget by \$180,000 as the Chief of Police and Assistant Chief of Police, each with 16 years of service, and a senior detective, with 23 years of service, retired in 2005.
- Pension contributions received from the State of Florida were lower than expected by \$77,000.
- Solid waste tipping disposal expense was overbudget by \$155,000. On the revenue side, solid waste sanitation fees were overbudget by \$134,000. Miami-Dade County implemented a 3 percent rate increase to the City at the beginning of the fiscal year, which was passed through to the customers.
- The increase in fuel and lubricant expenses resulted in the City over expending the fuel budget by \$114,000 in the Police and Public Services Departments.
- The Parks and Recreation Department was underbudget by \$338,000 due to staffing shortages and efficient usage of operating supplies as well as donations received from private contributors.
- Overall, departments' current expenditures were in line with budgeted expenditures. The police and public services departments were over budget mostly due to hurricane-related and other overtime expenses.

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, 2005, amounts to \$159.4 million (net of accumulated depreciation).

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 18.8 percent.

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

	2005			2004		
	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>	<u>Govern- mental</u>	<u>Business- type</u>	<u>Total</u>
Land	\$ 4.3	\$ 5.4	\$ 9.7	\$ 4.2	\$ 5.3	\$ 9.5
Buildings and plant	14.4	65.7	80.1	15.6	59.4	75.0
Improvements other than buildings	5.9	-	5.9	6.0	-	6.0
Furniture, fixtures, machinery and equipment	8.2	2.1	10.3	6.3	2.2	8.5
Infrastructure	1.9	-	1.9	3.5	-	3.5
Construction in progress	<u>19.2</u>	<u>32.3</u>	<u>51.5</u>	<u>16.2</u>	<u>15.5</u>	<u>31.7</u>
Total capital assets	<u>\$ 53.9</u>	<u>\$ 105.5</u>	<u>\$ 159.4</u>	<u>\$ 51.8</u>	<u>\$ 82.4</u>	<u>\$ 134.2</u>

Capital assets within the governmental activities had an additional \$5.7 million before depreciation and include the following items:

- Improvements and restorations of numerous alleyways amounted to \$500,000.

- Acquisition of land for the purpose of expanding parks at a cost of \$100,000.
- Equipment purchases of \$1.7 million to include the purchase of several heavy service vehicles, police cars, library books and upgrading laptops and computers.
- Improvement and renovation to buildings and various City sites, such as, the installation of accordion shutters, fencing, parking lots, demolition of building and upgrade to security system equated to \$500,000.
- Various construction-in-progress citywide totaled \$2.2 million. It included the various types of project improvements such as the Proud Neighborhood Bonds project, various road-surfacing projects and the bus shelter project.
- The Hanford Boulevard renovation continued construction at an additional cost of \$700,000.

Additions to capital assets before depreciation for business type activities amounted to \$28 million. The majority of the increase (\$18.3 million) is attributed to the continued expansion of the water treatment plant project.

- \$1.7 million of previous year construction-in-progress was completed and recorded as assets. Such projects included the completion of the Miami Garden's water transmission main replacement, Corona Del Mar system betterments and improvements to the Norwood Water Plant security system.
- Installation of water mains installed by commercial entities, such as Wal-Mart, Biscayne Commons and other major developers were donated and released to the City for maintenance, at a cost of \$1.5 million.
- \$500,000 of equipment purchases. Such purchases include the upgrading of computers and laptops, and several police-type vehicles to be utilized as security patrol vehicles at the water treatment plant.
- Construction-in-progress totaled \$1.9 million for various projects, such as Strand Avenue bridge canal crossing, the Operation Center water storage tank project and the continuation of the 40-year certification for restoration to the water treatment plant.
- The completion of two deep injection-monitoring wells at a total value of \$4.5 million.
- The Norwood Water Treatment Plant continued construction-in-progress at an additional \$12.8 million.
- Sewer projects totaled \$1.6 million. The majority of the projects include the rehabilitation of lift stations, pipelines installation, wastewater pump station upgrades and the replacement of gravity main manholes.
- The process of replacing septic tanks with a city sewer sanitary system continued with improvements within the Highland Village area at a cost of \$2 million this fiscal year.
- The Highland Village Stormwater Improvement project had \$1.3 million in construction costs and includes the installation of a Stormwater system and a pumping station within the Highland Village area.

Additional information on the City's capital assets can be found in note 4 starting on page 45 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$110.4 million. Of this amount, \$35 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 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 millions)**

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 37.3	\$ 38.4	\$ -	\$ -	\$ 37.3	\$ 38.4
Revenue bonds	0.0	0.0	73.1	73.0	73.1	73.0
Total	\$ 37.3	\$ 38.4	\$ 73.1	\$ 73.0	\$ 110.4	\$ 111.4

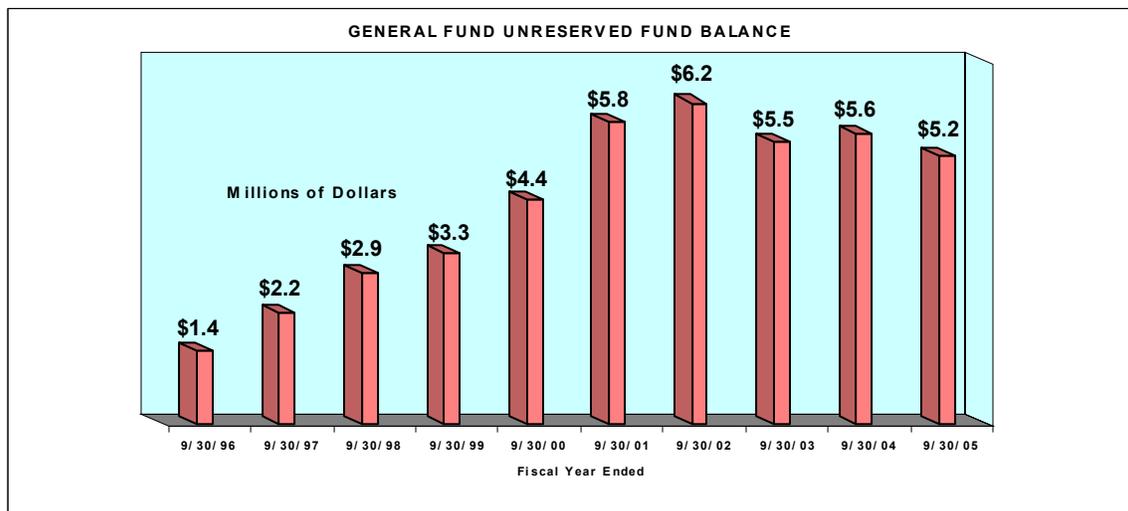
In August 2005, the City took advantage of the low interest rates and issued \$5.4 million Municipal Loan Council 2005C series revenue refunding serial bond. The bond replaced the 2000A capital appreciation term bond. The 2005C bond interest rate varies between 3.00 percent and 4.125 percent. The prior bond interest rate varied between 4.30 percent and 6.00 percent. The transaction is expected to net a \$180,754 in savings to the City's residents in the form of lower debt service millage. The unrefunded portion of the 2000A bond totaled \$1,655,000 and matures in April 2010.

Additional information on the City's long-term debt can be found in note 6 starting on page 48 of this report.

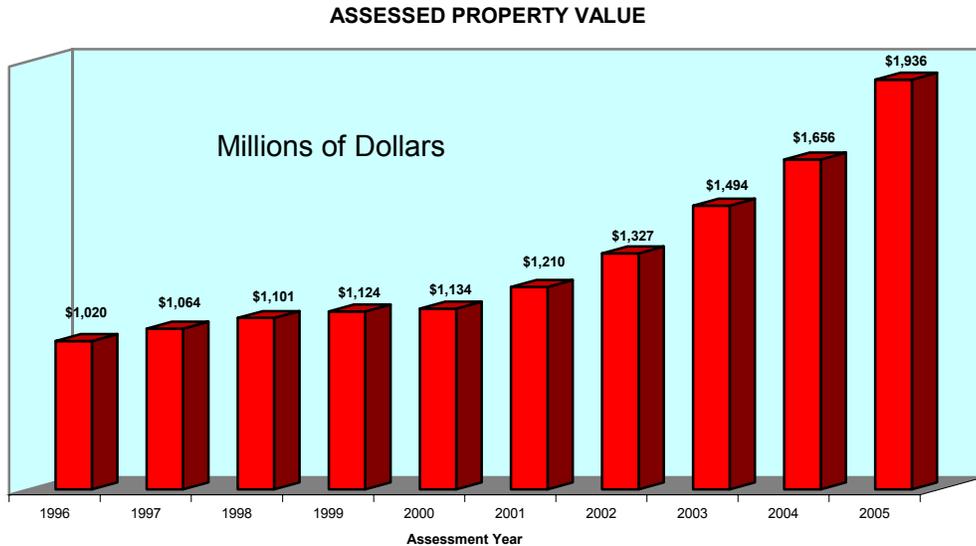
Economic Factors and Next Year's Budgets and Rates

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 by \$338,000 to \$5.2 million. The City appropriated \$1 million of the September 30, 2005 unreserved fund balance for expenditure in the 2006 fiscal year budget. The unreserved fund balance of \$5.2 million is approximately equal to 1.3 months of General Fund expenditures. As in prior fiscal years, a portion of unrestricted fund balance will be used to preclude or moderate future tax and user fee increases.

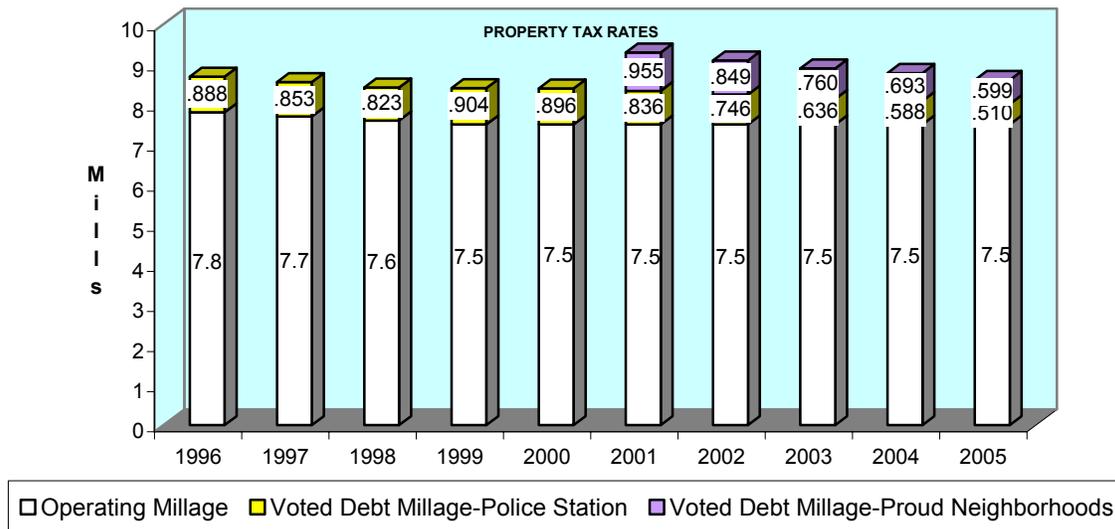


In 1995, the State of Florida limited all local governments' ability to increase assessments of homesteaded property in any given year to 3 percent or cost of living, whichever is lower. The graph below shows the increase in property assessments over the past ten years.



While property assessed value has been increasing steadily, the “Save Our Homes” initiative has kept revenue received from ad valorem taxes relatively flat.

Additionally, the City Council had previously mandated a property tax rate reduction of one-tenth of one mill per year from 8.12 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 ten years. While these mandates have limited the City's 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 general employees’ union contract in February 2005. This contract covers the fiscal years 2005 through 2007 (expires September 30, 2007). The current police union contract expires September 30, 2006.



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 2006 budget, the adjustment increased the water and sewer consumption rates by 2.17 percent.

Additionally, the City purchases water on a wholesale basis from the County. On September 22, 2005, the County increased its water rates to wholesale customers by 40 percent effective October 1, 2005. After many wholesale customers requested explanation and clarification of the increases, the County decreased their rates on March 21, 2006. The new County rate ordinance increases rates by 29 percent from the original 2005 rates and allows the wholesale customers to transition to the revised rates and defer the payment of the rate increase. The City of North Miami Beach water consumption rate increased by 8 percent to pass-through the County's rate increase. The County has provided a means for the cities impacted by the rate adjustments to assist in the calculation methods. It is hoped that the new system will mitigate large rate increases and aid in the forecasting of wholesale rates for customers.

In fiscal year 2002, the City issued bonds in the amount of \$66.4 million for the expansion and improvement of the Norwood 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.

The original completion date of the new Norwood Water Treatment Plant was scheduled for August 2005 with bond principal and interest payments payable from operating revenues scheduled to commence in February 2006. The plan was for the reduction in the purchase of County water to coincide with the addition of debt service expenses. The Council has committed that water rates would not increase until fiscal year 2007. The bond issue included \$10 million in capitalized interest to cover the first three years of bond interest payments.

The project has experienced significant delays impacting the design, bidding, permitting and construction phases. Substantial completion is now anticipated to occur in April 2007, with final completion anticipated for May 2007. As a result of these delays, the City will continue to purchase water from the County on a wholesale basis to offset the difference between demand and production until the project is substantially complete. Since the bond's principal and interest payments began in February 2006, the City's fiscal year 2006 Water Fund operating budget contained both the purchase of County water expense as well as the bond principal payment expense. As a way to minimize the expenses associated with the purchase of water, the production portion of the plant will be completed first. This will reduce the time the City is dependent on County water and reduce the associated purchase of water expenses. Additionally, the County stopped its purchase of water from the City. A reduction in revenue has occurred while water production costs remain the same. The fiscal year 2007 budget will be a considerable challenge to the Public Services Department, as both these expenses will put a strain on operations until the water treatment plant expansion project is completed.

All these factors will be considered in preparing the City's future budgets.

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, Deputy Finance Director, Finance Department, City of North Miami Beach, 17011 NE 19th Avenue, North Miami Beach, Florida 33162.



BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	<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	\$ 4,880,899	\$ 1,947,081	\$ 6,827,980
Receivables	6,088,023	6,744,788	12,832,811
Internal balances	421,414	(421,414)	-
Inventories	163,963	408,833	572,796
Prepaid costs	98,228	75,342	173,570
Deferred charges	-	1,494,103	1,494,103
Other assets	35,100	-	35,100
Net pension asset	900,600	-	900,600
Restricted assets:			
Pooled cash and investments	-	6,370,675	6,370,675
Escrow funds held by agent	8,545,640	32,222,455	40,768,095
Escrow funds held by lessor	373,667	607,372	981,039
Capital assets, not being depreciated	23,485,756	37,741,088	61,226,844
Capital assets, net of accumulated depreciation	<u>30,473,420</u>	<u>67,789,042</u>	<u>98,262,462</u>
Total assets	<u>75,466,710</u>	<u>154,979,365</u>	<u>230,446,075</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	2,047,769	4,300,002	6,347,771
Due to other governmental units	-	2,819,185	2,819,185
Customer deposits	-	3,481,514	3,481,514
Unearned revenue	869,891	-	869,891
Deposits held in trust	793,712	-	793,712
Noncurrent liabilities:			
Due within one year	3,741,486	1,542,433	5,283,919
Due in more than one year	<u>40,906,736</u>	<u>76,045,096</u>	<u>116,951,832</u>
Total liabilities	<u>48,359,594</u>	<u>88,188,230</u>	<u>136,547,824</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	15,238,993	61,584,493	76,823,486
Restricted for:			
In-plant and fireflow	-	6,370,675	6,370,675
Capital projects	8,204,229	-	8,204,229
Debt service	210,369	-	210,369
Law enforcement	239,725	-	239,725
Grant related	7,872	-	7,872
Unrestricted	<u>3,205,928</u>	<u>(1,164,033)</u>	<u>2,041,895</u>
Total net assets	<u>\$ 27,107,116</u>	<u>\$ 66,791,135</u>	<u>\$ 93,898,251</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Program Revenues			Governmental Activities	Business-type Activities	Total
	Expenses	Charges for Services	Operating Grants and Contributions			
Primary government:						
Governmental activities:						
General government	\$ 15,063,112	\$ 3,448,417	\$ 73,638	\$ -	\$ -	\$ (11,541,057)
Public safety	18,678,011	1,164,357	471,455	62,924	-	(16,979,275)
Library	1,036,733	19,371	8,500	-	-	(1,008,862)
Parks and recreation	4,676,255	548,674	11,994	105,461	-	(4,010,126)
Public works	11,147,196	7,997,721	904,391	-	-	(2,245,084)
Interest on long-term debt	1,998,466	-	-	-	-	(1,998,466)
Total governmental activities	52,599,773	13,178,540	1,469,978	168,385	-	(37,782,870)
Business-type activities:						
Water	19,381,274	17,251,240	335,181	4,195,280	2,400,427	2,400,427
Sewer	3,641,845	4,854,018	2,209,708	149,388	3,571,269	3,571,269
Stormwater	662,847	1,037,640	1,263,691	-	1,638,484	1,638,484
Total business-type activities	23,685,966	23,142,898	3,808,580	4,344,668	7,610,180	7,610,180
Total	\$ 76,285,739	\$ 36,321,438	\$ 5,278,558	\$ 4,513,053	\$ 7,610,180	\$ (30,172,690)
General revenues:						
Property taxes				13,768,689	-	13,768,689
Utility taxes				2,242,994	-	2,242,994
Franchise fees on gross receipts				1,454,185	-	1,454,185
Communication service tax				1,862,748	-	1,862,748
Sales taxes				2,612,036	-	2,612,036
Other taxes				20,791	-	20,791
State revenue sharing and other unrestricted intergovernmental				4,164,411	-	4,164,411
Unrestricted interest earnings				541,647	1,296,539	1,838,186
Billing surcharge				3,889,716	-	3,889,716
Miscellaneous				1,040,306	299,968	1,340,274
Transfers				4,453,344	(4,453,344)	-
Total general revenues and transfers				36,050,867	(2,856,837)	33,194,030
Change in net assets				(1,732,003)	4,753,343	3,021,340
Net assets - beginning				28,839,119	62,037,792	90,876,911
Net assets - ending				\$ 27,107,116	\$ 66,791,135	\$ 93,898,251

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	<u>General</u>	<u>Proud Neighborhood</u>	<u>2003B Surtax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Pooled cash and investments	\$ 3,959,124	\$ -	\$ -	\$ 921,775	\$ 4,880,899
Accounts receivables	4,710,391	-	-	1,377,632	6,088,023
Inventories	163,963	-	-	-	163,963
Prepaid costs	98,228	-	-	-	98,228
Due from other funds	1,318,097	-	-	304,099	1,622,196
Escrow funds held by agent	-	1,682,964	6,862,676	-	8,545,640
Escrow funds held by lessor	373,667	-	-	-	373,667
Other assets	35,100	-	-	-	35,100
Total assets	<u>\$ 10,658,570</u>	<u>\$ 1,682,964</u>	<u>\$ 6,862,676</u>	<u>\$ 2,603,506</u>	<u>\$ 21,807,716</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 1,449,122	\$ 305,459	\$ 10,841	\$ 282,347	\$ 2,047,769
Deposits held in trust	793,712	-	-	-	793,712
Due to other funds	56,015	2,840	29,894	1,112,033	1,200,782
Deferred revenue	804,292	-	-	65,599	869,891
Total liabilities	<u>3,103,141</u>	<u>308,299</u>	<u>40,735</u>	<u>1,459,979</u>	<u>4,912,154</u>
Fund balances:					
Reserved:					
Encumbrances	968,411	-	-	-	968,411
Grant related	-	-	-	7,872	7,872
Law enforcement	-	-	-	239,725	239,725
Inventories	163,963	-	-	-	163,963
Prepaid costs	98,228	-	-	-	98,228
Liability claims	468,678	-	-	-	468,678
Workers' compensation claims	413,314	-	-	-	413,314
Land acquisition	225,496	-	-	-	225,496
Debt service	-	-	-	210,369	210,369
Construction	-	1,374,665	6,821,941	7,623	8,204,229
Unreserved reported in:					
General fund	5,217,339	-	-	-	5,217,339
Special revenue funds	-	-	-	677,938	677,938
Total fund balances	<u>7,555,429</u>	<u>1,374,665</u>	<u>6,821,941</u>	<u>1,143,527</u>	<u>16,895,562</u>
Total liabilities and fund balances	<u>\$ 10,658,570</u>	<u>\$ 1,682,964</u>	<u>\$ 6,862,676</u>	<u>\$ 2,603,506</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.	53,959,176
Net pension asset	900,600
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(44,648,222)
Net assets of governmental activities	<u>\$ 27,107,116</u>

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, 2005

	<u>General</u>	<u>Proud Neighborhood</u>	<u>2003B Surtax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 11,752,889	\$ -	\$ -	\$ 2,015,800	\$ 13,768,689
Franchise fees	1,454,185	-	-	-	1,454,185
Utility taxes	2,242,994	-	-	-	2,242,994
Communication service tax	1,862,748	-	-	-	1,862,748
Other taxes	20,791	-	-	-	20,791
Licenses and permits	2,200,623	-	-	-	2,200,623
Intergovernmental	5,092,633	-	-	2,212,879	7,305,512
Charges for services	9,771,045	-	-	-	9,771,045
Fines and forfeitures	412,404	-	-	794,468	1,206,872
Grants - Safe Neighborhood Program	-	-	-	1,079,949	1,079,949
Other	4,848,846	-	-	110,527	4,959,373
Interest	198,451	127,594	179,594	36,006	541,645
Total revenues	<u>39,857,609</u>	<u>127,594</u>	<u>179,594</u>	<u>6,249,629</u>	<u>46,414,426</u>
Expenditures:					
Current:					
General government	12,027,281	96,284	226,592	464,104	12,814,261
Police services	16,130,114	-	-	1,748,288	17,878,402
Library	876,586	-	-	3,935	880,521
Parks and recreation	4,294,500	-	-	158,534	4,453,034
Public services	10,103,691	131,496	75,875	3,868	10,314,930
Capital outlay	1,803,540	2,042,552	643,657	1,248,274	5,738,023
Debt service:					
Principal	680,303	-	-	1,289,392	1,969,695
Interest and other fiscal charges	49,131	-	-	1,949,335	1,998,466
Total expenditures	<u>45,965,146</u>	<u>2,270,332</u>	<u>946,124</u>	<u>6,865,730</u>	<u>56,047,332</u>
Deficiency of revenues over expenditures	<u>(6,107,537)</u>	<u>(2,142,738)</u>	<u>(766,530)</u>	<u>(616,101)</u>	<u>(9,632,906)</u>
Other financing sources (uses):					
Transfers in	5,213,708	-	-	1,472,652	6,686,360
Transfers out	(987,347)	(2,692)	(2,532)	(1,240,445)	(2,233,016)
Lease proceeds	863,600	-	-	-	863,600
Debt issuance	-	-	-	225,577	225,577
Premium on debt issuance	-	-	-	7,339	7,339
Payment to escrow agent	-	-	-	(228,269)	(228,269)
Total other financing sources (uses)	<u>5,089,961</u>	<u>(2,692)</u>	<u>(2,532)</u>	<u>236,854</u>	<u>5,321,591</u>
Net change in fund balances	(1,017,576)	(2,145,430)	(769,062)	(379,247)	(4,311,315)
Fund balances - beginning	<u>8,573,005</u>	<u>3,520,095</u>	<u>7,591,003</u>	<u>1,522,774</u>	<u>21,206,877</u>
Fund balances - ending	<u>\$ 7,555,429</u>	<u>\$ 1,374,665</u>	<u>\$ 6,821,941</u>	<u>\$ 1,143,527</u>	<u>\$ 16,895,562</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, 2005

Amounts reported for governmental activities in the statement of activities

(Page 21) are different because:

Net change in fund balances - total governmental funds (Page 23)	\$(4,311,315)
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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	\$5,738,023	
Depreciation expense	<u>(3,538,909)</u>	
Net adjustment		2,199,114

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:		
Revenue bonds	225,577	
Master leases	<u>863,600</u>	
	<u>1,089,177</u>	
Principal payments:		
General obligation and capital improvement bonds	1,319,078	
Notes payable	100,000	
Master leases	<u>757,846</u>	
	<u>2,176,924</u>	
Net adjustment		1,087,747

Amortization of net pension asset	56,164
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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	(314,393)
Estimated claims	(404,000)
Other items	<u>(45,320)</u>

Change in net assets of governmental activities (Page 21)	<u>\$(1,732,003)</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, 2005

		Business-type Activities - <u>Enterprise Funds</u>			
		<u>Water</u> <u>Utility</u> <u>System</u>	<u>Sewer</u> <u>Utility</u> <u>System</u>	<u>Stormwater</u> <u>Utility</u> <u>System</u>	<u>Totals</u>
<u>ASSETS</u>					
Current assets:					
Pooled cash and investments	\$	1,790,046	\$ 137,630	\$ 19,405	\$ 1,947,081
Accounts receivable, net		3,933,368	2,174,503	585,531	6,693,402
Inventories		408,833	-	-	408,833
Prepaid costs		35,622	20,692	19,028	75,342
Restricted assets:					
Pooled cash and investments - inplant and fireflow		6,166,949	203,726	-	6,370,675
Escrow funds held by agent		1,815,947	-	-	1,815,947
Escrow funds held by lessor		37,372	285,000	285,000	607,372
Interest receivable on bonds		51,386	-	-	51,386
Total current assets		<u>14,239,523</u>	<u>2,821,551</u>	<u>908,964</u>	<u>17,970,038</u>
Non-current assets:					
Restricted assets:					
Escrow funds held by agent		30,403,057	-	3,451	30,406,508
Deferred charges - unamortized issuance costs		1,494,103	-	-	1,494,103
Capital assets, net of accumulated depreciation		<u>86,901,889</u>	<u>14,645,167</u>	<u>3,983,074</u>	<u>105,530,130</u>
Total non-current assets		<u>118,799,049</u>	<u>14,645,167</u>	<u>3,986,525</u>	<u>137,430,741</u>
Total assets		<u>133,038,572</u>	<u>17,466,718</u>	<u>4,895,489</u>	<u>155,400,779</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2005

Business-type Activities -
Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 1,821,720	\$ 599,793	\$ 62,542	\$ 2,484,055
Due to other governmental units	2,371,936	447,249	-	2,819,185
Due to other funds	-	30,000	391,414	421,414
Customer deposits	3,145,576	335,938	-	3,481,514
Current portion of revenue bonds payable	598,228	-	-	598,228
Current portion of notes payable	-	-	470,000	470,000
Current portion of master lease payable	168,038	91,060	69,550	328,648
Current liabilities payable from restricted assets:				
Vouchers payable and accrued liabilities	1,689,158	-	-	1,689,158
Interest payable on bonds	126,789	-	-	126,789
Total current liabilities	<u>9,921,445</u>	<u>1,504,040</u>	<u>993,506</u>	<u>12,418,991</u>
Non-current liabilities:				
Compensated absences	550,192	80,549	10,279	641,020
Notes payable	-	-	1,930,000	1,930,000
Master lease payable	254,983	166,352	164,701	586,036
Revenue bonds payable	72,526,803	-	-	72,526,803
Unamortized bond premium	495,308	-	-	495,308
Unamortized investment premium	11,486	-	-	11,486
Total non-current liabilities	<u>73,838,772</u>	<u>246,901</u>	<u>2,104,980</u>	<u>76,190,653</u>
Total liabilities	<u>83,760,217</u>	<u>1,750,941</u>	<u>3,098,486</u>	<u>88,609,644</u>
Net assets:				
Invested in capital assets, net of related debt	45,610,213	14,387,755	1,586,525	61,584,493
Restricted for in-plant and fireflow	6,166,949	203,726	-	6,370,675
Unrestricted	<u>(2,498,807)</u>	<u>1,124,296</u>	<u>210,478</u>	<u>(1,164,033)</u>
Total net assets	<u>\$49,278,355</u>	<u>\$15,715,777</u>	<u>\$1,797,003</u>	<u>\$66,791,135</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, 2005

	Business-type Activities - <u>Enterprise Funds</u>			
	Water Utility System	Sewer Utility System	Stormwater Utility System	Totals
Operating revenues:				
Service revenues	<u>\$ 17,251,240</u>	<u>\$ 4,854,018</u>	<u>\$ 1,037,640</u>	<u>\$ 23,142,898</u>
Operating expenses:				
Operating, administrative and maintenance	13,978,606	3,095,360	492,544	17,566,510
Depreciation	<u>2,421,084</u>	<u>537,488</u>	<u>89,159</u>	<u>3,047,731</u>
Total operating expenses	<u>16,399,690</u>	<u>3,632,848</u>	<u>581,703</u>	<u>20,614,241</u>
Operating income	<u>851,550</u>	<u>1,221,170</u>	<u>455,937</u>	<u>2,528,657</u>
Non-operating revenue (expense):				
Intergovernmental	335,181	2,209,708	1,263,691	3,808,580
Interest income	1,267,516	24,360	4,663	1,296,539
Interest expense	(2,981,584)	(8,997)	(81,144)	(3,071,725)
Other income	<u>285,391</u>	<u>1,152</u>	<u>13,425</u>	<u>299,968</u>
Total non-operating revenue (expense)	<u>(1,093,496)</u>	<u>2,226,223</u>	<u>1,200,635</u>	<u>2,333,362</u>
Income (loss) before contributions and transfers	<u>(241,946)</u>	<u>3,447,393</u>	<u>1,656,572</u>	<u>4,862,019</u>
Capital contributions	4,195,280	149,388	-	4,344,668
Transfers out	<u>(3,063,347)</u>	<u>(988,315)</u>	<u>(401,682)</u>	<u>(4,453,344)</u>
	<u>1,131,933</u>	<u>(838,927)</u>	<u>(401,682)</u>	<u>(108,676)</u>
Change in net assets	889,987	2,608,466	1,254,890	4,753,343
Net assets, beginning	<u>48,388,368</u>	<u>13,107,311</u>	<u>542,113</u>	<u>62,037,792</u>
Net assets, ending	<u>\$ 49,278,355</u>	<u>\$ 15,715,777</u>	<u>\$ 1,797,003</u>	<u>\$ 66,791,135</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	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	\$ 17,895,417	\$ 4,956,994	\$ 1,025,896	\$ 23,878,307
Cash payments to suppliers	(10,316,864)	(2,505,655)	(157,408)	(12,979,927)
Cash payments to employees	<u>(4,113,160)</u>	<u>(448,529)</u>	<u>(221,066)</u>	<u>(4,782,755)</u>
Net cash provided by operating activities	<u>3,465,393</u>	<u>2,002,810</u>	<u>647,422</u>	<u>6,115,625</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(3,063,347)	(988,315)	(401,682)	(4,453,344)
Intergovernmental revenue	<u>328,272</u>	<u>1,881,675</u>	<u>1,147,318</u>	<u>3,357,265</u>
Net cash provided by noncapital financing activities	<u>(2,735,075)</u>	<u>893,360</u>	<u>745,636</u>	<u>(1,096,079)</u>
Cash flows from capital and related financing activities:				
Capital contributions	4,195,280	149,388	-	4,344,668
Acquisition and construction of capital assets	(21,097,003)	(3,135,219)	(1,034,074)	(25,266,296)
Interest paid	(2,981,584)	(8,997)	(81,144)	(3,071,725)
Deferred charges - issuance costs	(548,967)	-	-	(548,967)
Proceeds from bonds payable	5,303,108	-	-	5,303,108
Payments on master lease payable	(198,558)	(117,516)	(50,749)	(366,823)
Payments on bonds payable	(5,005,922)	-	-	(5,005,922)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by capital and related financing activities	<u>(20,333,646)</u>	<u>(3,112,344)</u>	<u>(1,265,967)</u>	<u>(24,711,957)</u>
Cash flows from investing activities:				
Interest income	<u>1,267,516</u>	<u>24,360</u>	<u>4,663</u>	<u>1,296,539</u>
Net increase (decrease) in pooled cash and investments	(18,335,812)	(191,814)	131,754	(18,395,872)
Pooled cash and investments, beginning	<u>58,549,183</u>	<u>818,170</u>	<u>176,102</u>	<u>59,543,455</u>
Pooled cash and investments, ending	<u>\$ 40,213,371</u>	<u>\$ 626,356</u>	<u>\$ 307,856</u>	<u>\$ 41,147,583</u>
Pooled cash and investments per statement of net assets:				
Unrestricted	\$ 1,790,046	\$ 137,630	\$ 19,405	\$ 1,947,081
Restricted	<u>38,423,325</u>	<u>488,726</u>	<u>288,451</u>	<u>39,200,502</u>
	<u>\$ 40,213,371</u>	<u>\$ 626,356</u>	<u>\$ 307,856</u>	<u>\$ 41,147,583</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, 2005

	Business-type Activities -			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 851,550	\$ 1,221,170	\$ 455,937	\$ 2,528,657
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,421,084	537,488	89,159	3,047,731
Other income	285,391	1,152	13,425	299,968
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	288,042	117,823	(6,141)	399,724
Inventories	53,171	-	-	53,171
Prepaid costs	(34,231)	(20,692)	(19,028)	(73,951)
Increase (decrease) in:				
Customer deposits	104,975	4,693	-	109,668
Vouchers payable and accrued liabilities	1,320,268	369,733	(2,303)	1,687,698
Due to other funds	(1,937,735)	(228,989)	116,373	(2,050,351)
Due to other governmental units	112,878	432	-	113,310
Total adjustments	<u>2,613,843</u>	<u>781,640</u>	<u>191,485</u>	<u>3,586,968</u>
Net cash provided by operating activities	<u>\$3,465,393</u>	<u>\$2,002,810</u>	<u>\$ 647,422</u>	<u>\$ 6,115,625</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 384,000</u>	<u>\$ 285,000</u>	<u>\$ 285,000</u>	<u>\$ 954,000</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2005

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 199,785
Cash held with trustee	43,453	-
Investments:		
Cash management funds	2,671,286	-
Mutual funds	29,648,497	-
U.S. Government securities	5,276,107	-
Corporate bonds	3,085,975	-
Common stocks	59,670,402	-
Accrued interest and dividends	145,203	-
Due from other funds	54,168	-
Total assets	<u>100,595,091</u>	<u>199,785</u>
<u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	94,504	-
Deposits held in trust	-	199,785
Due to other funds	54,168	-
Total liabilities	<u>148,672</u>	<u>199,785</u>
Net assets held in trust for pension benefits	<u>\$ 100,446,419</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, 2005

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,580,958
Employer	5,033,062
State/County	<u>562,038</u>
Total contributions	<u>8,176,058</u>
Investment income:	
Net appreciation in fair value of investments	6,981,397
Interest and dividends	2,740,851
Investment expenses	<u>(220,653)</u>
Net investment income	<u>9,501,595</u>
Total additions	<u>17,677,653</u>
DEDUCTIONS	
Pension benefits	6,276,997
Refunds of contributions	239,523
Administrative expenses	<u>275,355</u>
Total deductions	<u>6,791,875</u>
Net increase	10,885,778
Net assets held in trust for pension benefits:	
Beginning	<u>89,560,641</u>
Ending	<u>\$ 100,446,419</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

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. 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 Governmental Accounting Standards, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Based upon the applicable 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 customers who purchase, use or directly benefit from goods, services or privileges provided by

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)

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. Revenue for expenditure driven grants are recognized when the qualifying expenditures are incurred. 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 *2003B Surtax Fund*, a capital projects fund, accounts for the construction bond proceeds to be used for transportation-related projects within the City.

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 the nonmajor 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.

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)

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, 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 of Administration Investment Pool and the Florida Municipal Investment Trust.

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".

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)

3. Inventories

Inventories in the general fund and the enterprise funds are stated at average 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).

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 \$1,000 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
Capital lease equipment	5-10

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.

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

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.

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. Due to the immaterial amount of any additional property taxes receivable after the 60 day period, no additional accrual is made in the government-wide financial statements, or in the fund financial statements.

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, 2005 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.1084 mills.

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)

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.

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. Designations of fund balances represent management plans that are subject to change.

NOTE 2. DEPOSITS AND INVESTMENTS

In March 2003, the GASB issued Statement No. 40 *Deposits and Investment Risks Disclosures* (GASB Statement No. 40), which amends GASB No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements* and addresses additional risks to which governments are exposed. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due.

GASB 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

This statement is effective for financial statements for periods beginning after June 15, 2004, and has been adopted for the fiscal year ended September 30, 2005. The adoption of GASB 40 has resulted in changes to the form and content of the deposit and investment notes to the financial statements and did not have an impact on the City's financial position and results of operations. The following disclosure represents the adoption of GASB 40:

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

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.

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities, the State Board of Administration Investment Pool (SBA) and the enhanced cash portfolio of the Florida Municipal Investment Trust (FMIVT). 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 Florida Municipal Investment Trust is an authorized investment under Section 218.415(15), Fla. Stat., for units of local government in Florida. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The Trustees of the Trust are designed as having official custody of funds, which are invested by the purchase of shares of beneficial interest in the Trust. The Trust operates as a fiduciary trust fund under governmental accounting rules that require the Trust to prepare a series of financial statements. 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.

Deposits and Investments Risk Disclosures – GASB 40

Interest Rate Risk

FMIVT enhanced cash portfolio is expected to maintain a dollar weighted average maturity of 90 days or less.

Credit Risk

FMIVT investment guidelines state that each fund will seek to maintain a bond fund credit rating from a nationally recognized statistical rating organization (NRSRO) of AAA.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures – GASB 40 (Continued)

Credit Risk (Continued)

Funds having an AAA bond fund credit rating are composed of a preponderance of assets that carry the highest credit ratings from a NRSRO. Funds having an AA bond fund credit rating are composed of a large percentage of assets that carry the highest credit rating from a NRSRO. The funds may invest in corporate bonds issued by any corporation in the United States with at least an A rating and collateralized mortgage obligations having a rating of AAA.

At September 30, 2005, the portfolio's only investment, the Columbia Strategic Cash Portfolio was rated AAA by Standard & Poor's and Aaa by Moody's.

The City is authorized to invest surplus funds in the Florida State Board of Administration (SBA). The SBA does not have a rating from a NRSRO.

Concentration of Credit Risk

The FMIVT investment guidelines limit the amount that may be invested in corporate securities of an individual issuer to three percent at the time of purchase and five percent based on market value. The guidelines also limit the amount that may be invested in an individual trust of asset-backed securities or non-agency collateralized mortgage obligations to five percent of each portfolio. The trust places no limit on the amount that may be invested in an individual issue of the United States Treasury or of any United States Agency. At September 30, 2005, no individual issue accounted for five percent or more of a portfolio.

Cash Equivalents

<u>Shares or Par Value</u>	<u>Description</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
139	Money market mutual fund	\$ 139	24
193,101,410	Mutual fund	<u>193,101,410</u>	49
	Total cash equivalents	<u>\$ 193,101,549</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures – GASB 40 (Continued)

Concentration of Credit Risk (Continued)

Securities Lending

The Trust's investment policy provides for its participation in a security lending program. The program is administered by the Trust's Custodian and there are no restrictions on the amount of loans that can be made. Securities owned by the Trust are loaned to participating brokers-dealers, who must provide collateral in the form of cash, U.S. Government securities or letters of credit issued by approved banks. Under the terms of the agreement, collateral is initially pledged at 102% of the fair market of the loan securities. Additional collateral must be provided if the value of the collateral falls to 100% of the fair market value of the loaned securities. The Trust cannot pledge or sell securities received as collateral unless the borrower defaults.

At September 30, 2005, the Trust has no credit risk exposure to borrowers because the amounts the Trust owes the borrowers equal or exceed the amounts the borrowers owe the Trust. Furthermore, the contract with the Custodian requires it to indemnify the Trust if the borrowers fail to return the securities or if the cash collateral received is insufficient to replace the securities. There were no losses on security lending transactions during the year ended September 30, 2005 resulting from the default of a borrower.

Securities loans are either open-ended with no fixed expiration date, or for a certain term. However, all securities loans can be terminated on demand by either the Trust or the borrower. Cash collateral received for term loans is invested in individual short-term investments, which at year end had a weighted average maturity of 4 days. Cash collateral received for open-ended loans is invested in the Wells Fargo Enhanced Yield Portfolio, which at year had a weighted average maturity of 3 days. Maturities of individual short-term investments generally match the maturities of a particular loan.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the FMIVT's securities lending policy, \$20,109,026 was held by the counterparty that was acting as the trust's agent in securities lending transactions.

Retirement Plan for General Employees

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Plan has no investments that are subject to interest rate risk.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures – GASB 40 (Continued)

Retirement Plan for General Employees (Continued)

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of Plan net assets at September 30, 2005.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

Retirement Plan for Police Officers and Firefighters

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2005.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures – GASB 40 (Continued)

Retirement Plan for Police Officers and Firefighters (Continued)

Interest Rate Risk (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. treasuries	\$ 1,112,286	\$ 225,888	\$ -	\$ 886,398	\$ -
U.S. agencies	6,167,083	260,128	3,753,662	2,153,292	-
Corporate bonds	<u>1,356,665</u>	<u>-</u>	<u>658,550</u>	<u>698,115</u>	<u>-</u>
	<u>\$8,636,034</u>	<u>\$ 486,016</u>	<u>\$4,412,212</u>	<u>\$3,737,805</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Plan's investment policy utilizes portfolio diversification in order to control this risk. All corporate bonds are rated "A" or better by Standard and Poor's.

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2005.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

Retirement Plan and Trust for General Management Employees

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Plan's investments are all mutual funds not subject to interest rate risk.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures – GASB 40 (Continued)

Retirement Plan and Trust for General Management Employees (Continued)

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2005.

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

NOTE 3. RECEIVABLES

Receivables as of September 30, 2005 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables:						
Billed	1,167,468	\$ 2,373,667	\$ 547,794	\$ 97,250	\$ -	\$ 4,186,179
Unbilled	1,122,694	1,134,132	427,204	96,864	-	2,780,894
Franchise and utility	579,676	-	-	-	-	579,676
Intergovernmental	498,493	408,555	987,080	391,417	862,885	3,148,430
Grants	-	-	-	-	74,992	74,992
Other	1,170,137	68,400	-	-	439,755	1,678,292
Property taxes	171,923	-	308,941	-	-	480,864
Gross receivables	<u>4,710,391</u>	<u>3,984,754</u>	<u>2,271,019</u>	<u>585,531</u>	<u>1,377,632</u>	<u>12,929,327</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>96,516</u>	<u>-</u>	<u>-</u>	<u>96,516</u>
Net total receivables	<u>\$ 4,710,391</u>	<u>\$ 3,984,754</u>	<u>\$ 2,174,503</u>	<u>\$ 585,531</u>	<u>\$ 1,377,632</u>	<u>\$ 12,832,811</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. RECEIVABLES (Continued)

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>\$ 869,891</u>
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NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2005 was as follows:

	Beginning <u>Balance</u>	Additions	Deletions	Ending <u>Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,168,437	\$ 126,922	\$ -	\$ 4,295,359
Construction in progress	<u>16,243,422</u>	<u>2,946,975</u>	<u>-</u>	<u>19,190,397</u>
Total capital assets, not being depreciated	<u>20,411,859</u>	<u>3,073,897</u>	<u>-</u>	<u>23,485,756</u>
Capital assets, being depreciated:				
Buildings	\$ 29,116,844	\$ 52,194		29,169,038
Improvements other than buildings	10,403,467	406,611	(238)	10,809,840
Furniture, fixtures, machinery and equipment	4,839,989	532,721	-	5,372,710
Infrastructure	1,311,612	1,072,670	-	2,384,282
Capital lease equipment	<u>25,739,359</u>	<u>584,727</u>	<u>(593,100)</u>	<u>25,730,986</u>
Total capital assets being depreciated	<u>71,411,271</u>	<u>2,648,923</u>	<u>(593,339)</u>	<u>73,466,855</u>
Less accumulated depreciation for:				
Buildings	\$ (13,493,221)	\$ (1,282,145)	\$ -	(14,775,366)
Improvements other than buildings	(4,421,751)	(457,790)	91	(4,879,450)
Furniture, fixtures, machinery and equipment	(1,349,958)	(187,038)	-	(1,536,996)
Infrastructure	(177,867)	(260,124)	-	(437,991)
Capital lease equipment	<u>(20,583,951)</u>	<u>(1,351,813)</u>	<u>572,130</u>	<u>(21,363,633)</u>
Total accumulated depreciation	<u>(40,026,748)</u>	<u>(3,538,909)</u>	<u>572,221</u>	<u>(42,993,436)</u>
Total capital assets, being depreciated, net	<u>31,384,523</u>	<u>(889,986)</u>	<u>(21,117)</u>	<u>30,473,420</u>
Governmental activities capital assets, net	<u>\$ 51,796,382</u>	<u>\$ 2,183,911</u>	<u>\$ (21,117)</u>	<u>\$ 53,959,176</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 5,253,595	\$ 158,199	\$ -	\$ 5,411,795
Construction in progress	<u>15,497,053</u>	<u>18,868,927</u>	<u>(2,036,687)</u>	<u>32,329,293</u>
Total capital assets, not being depreciated	<u>20,750,648</u>	<u>19,027,127</u>	<u>(2,036,687)</u>	<u>37,741,088</u>
Capital assets, being depreciated:				
Buildings and utility plant	\$ 96,052,019	\$ 8,707,122	\$ -	\$ 104,759,141
Machinery and equipment	307,973	398,393	-	706,366
Capital lease equipment	<u>11,104,513</u>	<u>127,815</u>	<u>(62,206)</u>	<u>11,170,123</u>
Total capital assets being depreciated	<u>107,464,505</u>	<u>9,233,330</u>	<u>(62,206)</u>	<u>116,635,629</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and utility plant	\$ (36,622,461)	\$ (2,407,922)	\$ -	\$ (39,030,382)
Capital lease equipment	(9,169,575)	(553,785)	58,733	(9,664,630)
Machinery and equipment	<u>(65,552)</u>	<u>(86,024)</u>	<u>-</u>	<u>(151,577)</u>
Total accumulated depreciation	<u>(45,857,588)</u>	<u>(3,047,731)</u>	<u>58,733</u>	<u>(48,846,589)</u>
Total capital assets, being depreciated, net	<u>61,606,917</u>	<u>6,185,599</u>	<u>(3,473)</u>	<u>67,789,042</u>
Business-type activities capital assets, net	<u>\$ 82,357,565</u>	<u>\$25,212,725</u>	<u>\$ (2,040,160)</u>	<u>\$ 105,530,130</u>

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

Governmental activities:

General government	\$2,184,432
Public safety	621,880
Library	156,212
Parks and recreation	103,316
Public works services	<u>473,069</u>
Total depreciation expense – governmental activities	<u>\$3,538,909</u>

Business-type activities:

Water	\$2,421,084
Sewer	537,488
Stormwater	<u>89,159</u>
Total depreciation expense – business-type activities	<u>\$3,047,731</u>

Commitments

In September 2000, the City's voters approved a referendum for up to \$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 95% of the projects completed or well underway at September 30, 2005. The construction schedule calls for this capital program to be completed during the fiscal year ending September 30, 2006. Of the \$1.4 million reserved fund balance, approximately \$1.2 million represents outstanding encumbrances, which leaves \$200,000 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 was completed in February 2004. The concentrate disposal well and raw water transmission main was substantially completed by September 2005. The storage tank and pump station construction commenced in August 2005 with an estimated completion of December 2006. Construction of four Floridian Aquifer wells and five Biscayne Aquifer wells have been completed. Construction of the Norwood Water Treatment Plant Expansion

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

Commitments (Continued)

Project commenced in July 2004, and substantial completion is projected for April 2007. Approximately \$28 million has been spent to date on engineering, design and construction. Outstanding obligations at fiscal year end totaled \$35 million and there is no available balance to be expended. During the current fiscal year, the City capitalized interest in the amount of \$648,000 relating to the above construction project. The inception to date capitalized interest totals \$1,060,000. The inception to date capitalized labor total is \$1,149,000.

In December 2003, various City transportation projects were financed through the issuance of \$7,765,000 of Florida Municipal Loan Council, Series 2003B Bonds. The debt service on these bonds will be paid from the City's share of the newly passed Miami-Dade County Transit Surtax. Of the \$6.8 million reserved fund balance, approximately \$4.8 million represents outstanding encumbrances, which leaves approximately \$2 million to be expended.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	HIDTA Black Market Peso Exchange	\$ 78,009	Provide temporary funding
General	Victims of Crime Act Grant	34,463	Provide temporary funding
General	Bulletproof Vest Grant	23,872	Provide temporary funding
General	FEMA - NMB Hurricane Shutters	15,319	Provide temporary funding
General	SNP Interest Earnings Grant	69,380	Provide temporary funding
General	COPS Homeland Security O/T Program	15,385	Provide temporary funding
General	COPS Universal Hiring Grant	40,817	Provide temporary funding
General	Weed & Seed Program FY05	59,755	Provide temporary funding
General	COPS More Awards	59,503	Provide temporary funding
General	2000B Bonds Debt Service Fund	377,531	Provide temporary funding
General	CIP Proud Neighborhood Bonds	2,840	Provide temporary funding
General	Capital Projects Fund - 2003B Bonds	29,894	Provide temporary funding
General	MDC Building Better Communities GOB Program	10,000	Provide temporary funding
General	Stormwater Improvement Funds	391,414	Provide temporary funding
General	Sewer Improvement Fund	30,000	Provide temporary funding
General	Community Redevelopment Agency	79,915	Provide temporary funding
Total general fund		<u>1,318,097</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
LETf US Treasury Fund	Lets Eliminate Aggressive Driving	93,699	Provide temporary funding
LETf US Treasury Fund	FY2004 LLEBG Block Grant	2,559	Provide temporary funding
LETf US Treasury Fund	Law Enforcement Initiative	5,578	Provide temporary funding
LETf US Treasury Fund	Cops in School Grant	51,459	Provide temporary funding
LETf US Treasury Fund	Solving Cold Cases with DNA	1,950	Provide temporary funding
LETf US Treasury Fund	North Miami Beach Weed & Seed	77,720	Provide temporary funding
LETf US Treasury Fund	GRP Grant - Strengthen Family Programs	3,884	Provide temporary funding
LETf US Treasury Fund	Domestic Violence Grant	<u>11,235</u>	Provide temporary funding
Total LETf fund		248,084	
Bond Debt Service - 1993/97/98	General	<u>56,015</u>	For operating purposes
Total due to/from other funds		<u>\$1,622,196</u>	

Interfund transfers:

	<u>Transfers In</u>			<u>Purpose</u>
	<u>General Fund</u>	Non-Major <u>Governmental Funds</u>	<u>Total</u>	
Transfers out:				
General fund	\$ 634,216	\$ 353,131	\$ 987,347	Grant match funding
Proud Neighborhood	2,692	-	2,692	Supplemental funding
2003 B Surtax	2,532	-	2,532	Supplemental funding
Water utility	3,063,347	-	3,063,347	Contributed and supplemental funding
Sewer utility	988,315	-	988,315	Contributed and supplemental funding
Stormwater utility	121,682	280,000	401,682	Contributed and supplemental funding
Nonmajor govern- mental funds	<u>400,924</u>	<u>839,521</u>	<u>1,240,445</u>	Supplemental and grant match funding
Total transfers out	<u>\$5,213,708</u>	<u>\$ 1,472,652</u>	<u>\$6,686,360</u>	

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, 2005:

Balance, September 30, 2004	\$ 111,390,000
Bonds issued	5,380,000
Bonds retired	<u>(6,325,000)</u>
Balance, September 30, 2005	<u>\$ 110,445,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT

Bonds Payable

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2005 consists of the following individual issues:

Capital Improvements Bonds:

\$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 \$120,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 1,225,000
\$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%.	775,000
\$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%.	69,392
\$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 \$205,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 3.75%.	16,635,000
\$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 \$375,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	11,020,000
\$7,765,000 Florida Municipal Loan Council, 2003 B Series Capital Appreciation and term bonds; secured by pledge of revenue from County Transit System surtax proceeds; due in annual installments of \$390,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	7,370,000
\$225,577 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond; secured by municipal bond insurance; due in annual installments of \$4,193 to \$25,996 from April 1, 2006 to April 1, 2020; interest at 3% to 4.125%.	<u>225,577</u>
Total capital improvement bonds	<u>37,319,969</u>

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%	1,585,608
\$66,385,000 Florida Municipal Loan Council, 2002 B Series Water Utilities Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$215,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	66,385,000
\$5,154,423 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond Secured by municipal bond insurance; due in annual installments of \$95,807 to \$594,004 from April 1, 2006 to April 1, 2020; interest at 3.0% to 4.125%	<u>5,154,423</u>
Total revenue bonds	<u>73,125,031</u>
Total bonds payable	<u>\$ 110,445,000</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

Debt service requirements to maturity for each series of bonds at September 30, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
2006	\$ 120,000	\$ 59,413	\$ 179,413
2007	125,000	53,593	178,593
2008	135,000	47,530	182,530
2009	140,000	40,983	180,983
2010	150,000	34,193	184,193
2011-2012	<u>555,000</u>	<u>46,075</u>	<u>601,075</u>
	<u>\$ 1,225,000</u>	<u>\$ 281,786</u>	<u>\$ 1,506,786</u>
Capital Improvements Bonds:			
1998 Series:			
2006	\$ 50,000	\$ 34,720	\$ 84,720
2007	50,000	32,480	82,480
2008	50,000	30,240	80,240
2009	50,000	28,000	78,000
2010	50,000	25,760	75,760
2011-2013	<u>525,000</u>	<u>63,840</u>	<u>588,840</u>
	<u>\$ 775,000</u>	<u>\$ 215,040</u>	<u>\$ 990,040</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
2006	\$ 300,000	\$ 81,576	\$ 381,576
2007	315,000	67,026	382,026
2008	330,000	51,670	381,670
2009	345,000	35,500	380,500
2010	<u>365,000</u>	<u>18,250</u>	<u>383,250</u>
	<u>\$ 1,655,000</u>	<u>\$ 254,023</u>	<u>\$ 1,909,023</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 League of Cities (Capital):			
2000 B Series:			
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	270,000	846,036	1,116,036
2010	290,000	832,944	1,122,944
2011-2015	1,865,000	3,911,955	5,776,955
2016-2020	2,775,000	3,278,488	6,053,488
2021-2025	3,945,000	2,389,969	6,334,969
2026-2030	5,490,000	1,131,975	6,621,975
2031	<u>1,325,000</u>	<u>35,609</u>	<u>1,360,609</u>
	<u>\$16,635,000</u>	<u>\$15,032,062</u>	<u>\$ 31,667,062</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2006	\$ 375,000	\$ 550,894	\$ 925,894
2007	395,000	532,144	927,144
2008	405,000	516,344	921,344
2009	425,000	500,144	925,144
2010	435,000	483,144	918,144
2011-2015	2,495,000	2,099,819	4,594,819
2016-2020	3,245,000	1,347,100	4,592,100
2021-2024	<u>3,245,000</u>	<u>415,250</u>	<u>3,660,250</u>
	<u>\$11,020,000</u>	<u>\$ 6,444,838</u>	<u>\$ 17,464,838</u>
Florida Municipal Loan Council :			
2003 B Series:			
2006	\$ 390,000	\$ 298,060	\$ 688,060
2007	395,000	290,210	685,210
2008	405,000	281,805	686,805
2009	415,000	272,163	687,163
2010	425,000	261,026	686,026
2011-2015	2,350,000	1,068,675	3,418,675
2016-2020	<u>2,990,000</u>	<u>408,450</u>	<u>3,398,450</u>
	<u>\$ 7,370,000</u>	<u>\$ 2,880,389</u>	<u>\$ 10,250,389</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 (Water):			
2002 B Series:			
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	280,000	3,244,221	3,524,221
2010	505,000	3,234,701	3,739,701
2011-2015	7,835,000	15,497,946	23,332,946
2016-2020	9,970,000	13,406,219	23,376,219
2021-2025	16,395,000	10,233,463	26,628,463
2026-2030	20,945,000	5,727,250	26,672,250
2031	9,930,000	750,750	10,680,750
	<u>\$ 66,385,000</u>	<u>\$ 61,857,843</u>	<u>\$ 128,242,843</u>
Florida Municipal Loan Council (Water & Capital) :			
2005 C Series:			
2006	\$ 100,000	\$ 162,572	\$ 262,572
2007	35,000	222,969	257,969
2008	40,000	221,919	261,919
2009	40,000	220,619	260,619
2010	40,000	219,319	259,319
2011-2015	2,275,000	935,300	3,210,300
2016-2020	2,850,000	371,975	3,221,975
	<u>\$ 5,380,000</u>	<u>\$ 2,354,672</u>	<u>\$ 7,734,672</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.

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)

Governmental Activities

Defeasance of Long-Term Debt

During the fiscal year 2005, the City issued \$225,577 in Revenue Refunding Serial Bonds – Series 2005C with interest rates ranging from 3% to 4.125%. The proceeds were used to advance refund a portion of the Capital Appreciation and Term Bonds – Series 2000A in the amount of \$207,128. The net proceeds of \$228,269 (including premium and other underwriting and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation and Term Bonds – Series 2000A. As a result, a portion of the bonds are considered to be defeased and the liability for those bonds have been removed from the Statement of Net Assets. The advance refunding resulted in an accounting loss of \$28,480. The loss was deemed immaterial and was expensed during the year.

Business-type

Defeasance of Long-Term Debt

During the fiscal year 2005, the City issued \$5,154,423 in Revenue Refunding Serial Bonds – Series 2005C with interest rates ranging from 3% to 4.125%. The proceeds were used to advance refund a portion of the Capital Appreciation and Term Bonds – Series 2000A in the amount of \$4,732,872. The net proceeds of \$5,444,217 (including premium and other underwriting and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation and Term Bonds – Series 2000A. As a result, a portion of the bonds are considered to be defeased and the liability for those bonds have been removed from the Statement of Net Assets. The advance refunding resulted in an accounting loss of \$483,075. This accounting loss is being amortized over the remaining life of the old bond issue in accordance with GASB Statement 23.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Notes Payable

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. In December 2003, the City refinanced the outstanding loan balance of \$625,000 and extended the maturity period by four years.

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate for the month of September 2005 was 2.65745%. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$100,000	\$470,000	\$ 570,000
2007	100,000	1,930,000	2,030,000
2008	250,000	-	250,000
	\$ 450,000	\$ 2,400,000	\$ 2,850,000

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2005. During 2005, new lease purchases totaled \$1,817,600.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Master Leases (Continued)

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	\$ 2,384,282	\$ 706,366	\$3,090,648
Less accumulated depreciation	<u>(437,991)</u>	<u>(151,577)</u>	<u>(589,568)</u>
	<u>\$ 1,946,291</u>	<u>\$ 554,789</u>	<u>\$2,501,079</u>

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, 2005 are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2006	\$ 615,445	\$ 328,648	\$ 944,093
2007	455,681	270,150	725,831
2008	271,880	252,689	524,569
2009	<u>57,208</u>	<u>63,197</u>	<u>120,405</u>
Total minimum lease payments	1,400,214	914,684	2,314,898
Less amount representing interest	<u>(61,472)</u>	<u>(46,980)</u>	<u>(108,452)</u>
Present value of net minimum lease payments	<u>\$ 1,338,742</u>	<u>\$ 867,704</u>	<u>\$2,206,446</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2005 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$38,413,470	\$ 225,577	\$(1,319,078)	\$37,319,969	\$1,156,772
Notes payable	<u>550,000</u>	<u>-</u>	<u>(100,000)</u>	<u>450,000</u>	<u>100,000</u>
Total bonds and notes payable	38,963,470	225,577	(1,419,078)	37,769,969	1,256,772
Master leases	1,294,460	863,600	(757,846)	1,400,214	615,545
Estimated claims	1,661,000	1,106,000	(702,000)	2,065,000	770,000
Compensated absences	<u>3,098,646</u>	<u>3,332,332</u>	<u>(3,017,939)</u>	<u>3,413,039</u>	<u>1,099,169</u>
Governmental activities long-term liabilities	<u>\$45,017,576</u>	<u>\$5,527,509</u>	<u>\$(5,896,863)</u>	<u>\$44,648,222</u>	<u>\$3,741,486</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities (Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type activities:					
Notes payable	\$ 2,500,000	\$ -	\$ (100,000)	\$ 2,400,000	\$ 470,000
Revenue bonds	72,976,530	5,154,423	(5,005,922)	73,125,031	598,228
Premium on revenue bonds	341,793	167,701	(14,186)	495,308	-
Investment premium	16,316	-	(4,830)	11,486	-
Total bonds and notes payable	75,834,639	5,322,124	(5,124,938)	76,031,825	1,068,228
Master leases	327,507	954,000	(366,823)	914,684	328,648
Compensated absences	446,550	717,391	(522,921)	641,020	145,557
Business-type activities long-term liabilities	<u>\$76,608,696</u>	<u>\$6,993,515</u>	<u>\$ (6,014,682)</u>	<u>\$77,587,529</u>	<u>\$1,542,433</u>

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 2005.

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

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of fiscal year	\$ 1,661,000	\$ 1,705,000
Incurred claims (including IBNRs)	1,106,000	569,000
Claim payments	(702,000)	(613,000)
Unpaid claims, end of fiscal year	<u>\$ 2,065,000</u>	<u>\$ 1,661,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. OTHER INFORMATION (Continued)

a. Risk Management (Continued)

Based upon the City Attorney's evaluation of pending cases, the estimated liability to which the City might be exposed ranges from \$750,000 to \$1.2 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$880,000 at September 30, 2005 and all non-self insurance cases would be paid from the City's general fund unreserved fund 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.

c. Post Employment Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. Approximately 44 retirees participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$354-\$774 per month for single coverage, \$766-\$1,522 per month for couple and \$990-\$2,239 per month for family coverage. Seven of the 44 retirees received health insurance paid entirely by the City. Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$17,000 for the fiscal year ended September 30, 2005. The cost of life insurance for approximately 164 retirees is paid for by the City at a rate of .33 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 of \$12 to \$15 of the monthly dental premium for 56 retirees. The City paid the entire dental premium for 29 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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 in fair value of investments includes realized and unrealized gains and losses.

Interest and dividends are reported as investment earnings. As of September 30, 2005, no single investment exceeded 5% of total plan net assets.

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 valuations for the Retirement Plan for the General Employees, the Retirement Plan for the Police Officers and Firefighters and for the Retirement Plan and Trust for General Management Employees are as of October 1, 2004.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	\$ 12,467	\$ 8,137	\$ 2,767
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	186	101	1
Current employees:			
Vested	225	54	18
Non-vested	102	46	16
Total	513	201	35

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

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.

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.

The General Employees Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2005.

General Employees Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2005

Assets:	
Cash and cash equivalents	\$ 848
Investments	45,174,975
Receivables	60,402
Due from other funds	54,168
Total assets	45,290,393
Liabilities	24,685
Net assets held in trust for pension benefits	<u>\$45,265,708</u>

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

**Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2005**

Additions:	
Contributions	\$ 2,602,501
Investment income, net	<u>4,266,228</u>
Total additions	<u>6,868,729</u>
Deductions:	
Pension benefits	2,291,252
Refunds	142,063
Other	<u>111,722</u>
Total deductions	<u>2,545,037</u>
Change in net assets	4,323,692
Net assets, beginning	<u>40,942,016</u>
Net assets, ending	<u>\$45,265,708</u>

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.

Employee Contributions

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

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 Police Officers and Firefighters

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.

The Police Officers and Firefighters Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2005.

Police Officers and Firefighters Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2005

Assets:	
Cash and cash equivalents	\$ 42,605
Investments	47,911,659
Receivables	<u>84,801</u>
Total assets	48,039,065
Liabilities	<u>123,987</u>
Net assets held in trust for pension benefits	<u>\$47,915,078</u>

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2005

Additions:	
Contributions	\$ 4,555,947
Investment income, net	<u>4,637,074</u>
Total additions	<u>9,193,021</u>
Deductions:	
Pension benefits	3,934,982
Refunds	91,955
Other	<u>154,249</u>
Total deductions	<u>4,181,186</u>
Change in net assets	5,011,835
Net assets, beginning	<u>42,903,243</u>
Net assets, ending	<u>\$47,915,078</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

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.

The General Management Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2005.

General Management Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2005

Assets:	
Cash and cash equivalents	\$ -
Investments	7,265,633
Receivables	-
Total assets	<u>7,265,633</u>
Liabilities	<u>-</u>
Net assets held in trust for pension benefits	<u>\$ 7,265,633</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan and Trust for General Management Employees

**Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2005**

Additions:	
Contributions	\$ 1,017,610
Investment income, net	598,293
Total additions	<u>1,615,903</u>
Deductions:	
Pension benefits	50,763
Refunds	5,505
Other	9,384
Total deductions	<u>65,652</u>
Change in net assets	1,550,251
Net assets, beginning	<u>5,715,382</u>
Net assets, ending	<u>\$ 7,265,633</u>

3. Annual Pension Cost and Net Pension Asset

General Employees

The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$ 1,830,267
Interest on net pension obligation	(27,339)
Adjustment to annual required contribution	19,345
Annual pension cost	<u>1,822,273</u>
Contributions made	<u>1,738,722</u>
Decrease in net pension asset	(83,551)
Net pension asset, beginning of year	<u>321,630</u>
Net pension asset, end of year	<u>\$ 238,079</u>

The annual required contribution for the current year was determined as part of the October 1, 2004 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.

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)

General Employees (Continued)

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>In Thousands</u>		<u>In Thousands</u>
	Annual	Percentage	Net
	Pension	of APC	Pension
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Asset</u>
9/30/2003	\$ 1,550	98%	\$ 289
9/30/2004	1,697	102%	322
9/30/2005	1,822	95%	238

Police and Firefighters

The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$2,691,879
Interest on net pension asset	(43,051)
Adjustment to annual required contribution	<u>30,369</u>
Annual pension cost	2,679,197
Contributions made	<u>2,738,327</u>
Increase in net pension asset	59,130
Net pension asset, beginning of year	<u>538,138</u>
Net pension asset, end of year	<u>\$ 597,268</u>

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% 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 five year smoothed market method.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>In Thousands</u>		<u>In Thousands</u>
	Annual	Percentage	Net
	Pension	of APC	Pension
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Asset</u>
9/30/2003	\$ 1,878	101%	\$ 524
9/30/2004	2,726	101%	538
9/30/2005	2,679	102%	597

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

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.

The Florida Municipal Pension Trust Fund, a division of the Florida League of Cities, administers the Plan.

The annual pension cost and net pension asset for the current year was as follows

Annual required contribution	\$ 614,175
Interest on net pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	614,175
Contributions made	686,745
Increase in net pension asset	72,570
Net pension asset, beginning of year	1,683
Net pension asset, end of year	\$ 74,253

The annual required contribution for the current year was determined as part of the October 1, 2004 actuarial valuation using the frozen entry age normal actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.3% over the next plan year and over the long run. Both (a) and (b) included an inflation component of 3.75%. The assumptions include a post-retirement benefit increase of 2.25% cost of living adjustment. The actuarial value of assets was determined using the market value.

	<u>Three-Year Trend Information</u>		
	<u>In Thousands</u>		<u>In Thousands</u>
	Annual	Percentage	Net
	Pension	of APC	Pension
<u>Fiscal Year Ended</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Asset</u>
9/30/2003	\$ 345	100%	\$ 4
9/30/2004	536	100%	2
9/30/2005	614	112%	74

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2005 were approximately \$84,000 while the employee contributions were approximately \$39,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

NOTE 10. SUBSEQUENT EVENT

On November 8, 2005, the City obtained a \$4,000,000 Bank of America line of credit. The funds can be used for any general operating expense, including hurricane related items. The variable interest rate (interest at 30 day LIBOR rate plus .35%; 4.44% at closing) note matures in 364 days and is secured by a pledge of ad valorem revenues.



REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Property taxes	\$ 11,800,000	\$ 11,800,000	\$ 11,752,889	\$ (47,111)
Franchise fees:				
Florida Power & Light	1,400,000	1,400,000	1,396,019	(3,981)
Towing	9,000	9,000	180	(8,820)
Gas and propane	53,500	53,500	52,550	(950)
Bus shelters	5,000	5,000	5,436	436
Total franchise fees	1,467,500	1,467,500	1,454,185	(13,315)
Utility taxes:				
Florida Power & Light	1,880,000	1,880,000	1,818,397	(61,603)
Gas, propane and oil	91,490	91,490	79,606	(11,884)
N.M.B. Water & Sewer	370,000	370,000	344,991	(25,009)
Total utility taxes	2,341,490	2,341,490	2,242,994	(98,496)
Communication service tax	2,056,751	2,056,751	1,862,748	(194,003)
Other taxes	20,000	20,000	20,791	791
Licenses and permits:				
Occupational licenses	871,500	871,500	955,490	83,990
Building permits and fees	1,517,850	1,517,850	1,245,133	(272,717)
Total licenses and permits	2,389,350	2,389,350	2,200,623	(188,727)
Intergovernmental:				
Sales tax	2,371,360	2,371,360	2,612,036	240,676
Shared revenues	659,489	659,489	785,624	126,135
Local option gas tax	885,844	885,844	894,391	8,547
Beverage licenses	27,000	27,000	34,851	7,851
Other state revenue	25,100	25,100	97,701	72,601
County revenue	99,000	99,000	149,546	50,546
Federal revenue	-	68,763	518,484	449,721
Total intergovernmental	4,067,793	4,136,556	5,092,633	956,077

(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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Charges for services:				
Sanitation fees	\$ 7,715,304	\$ 7,715,304	\$ 7,849,653	\$ 134,349
General services	884,601	884,601	965,705	81,104
Recreation fees	548,050	548,050	548,674	624
County sewer	100,000	100,000	104,214	4,214
Police services	107,100	107,100	154,731	47,631
Recycling and maintenance charges	118,600	118,600	148,068	29,468
Total charges for services	9,473,655	9,473,655	9,771,045	297,390
Fines and forfeitures:				
Traffic and parking	150,000	150,000	215,158	65,158
Local ordinance violations	50,000	53,300	142,501	89,201
Library	25,000	25,000	19,371	(5,629)
Other	8,000	8,000	35,374	27,374
Total fines and forfeitures	233,000	236,300	412,404	176,104
Other:				
Billing surcharge (F.S. 180.191)	4,023,000	4,023,000	3,889,716	(133,284)
Pension contributions	350,000	350,000	273,052	(76,948)
Interest	78,000	78,000	198,451	120,451
Miscellaneous	350,700	545,981	686,078	140,097
Use of surplus	1,300,000	1,330,877	-	(1,330,877)
Total other	6,101,700	6,327,858	5,047,297	(1,280,561)
Total revenues	39,951,239	40,249,460	39,857,609	(391,851)
Current expenditures:				
General government:				
Administrative	1,483,144	1,705,919	1,683,420	22,499
Legislative	471,107	514,367	502,381	11,986
Executive	6,592,050	5,889,607	5,172,493	717,114
Human resources	2,013,698	2,099,198	2,076,167	23,031
Finance	2,559,237	2,590,493	2,557,973	32,520
Total general government	13,119,236	12,799,584	11,992,434	807,150
Police services	15,376,000	15,585,943	16,189,298	(603,355)
Library	918,121	918,121	875,442	42,679
Parks and recreation	4,596,966	4,585,888	4,270,204	315,684
Public services	9,061,593	9,257,340	10,047,288	(789,948)
Total current expenditures	43,071,916	43,146,876	43,374,666	(227,790)

(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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Capital outlay:				
General government:				
Administrative	\$ -	\$ 2,197	\$ 2,197	\$ -
Legislative	-	13,850	13,828	22
Executive	143,600	448,376	394,571	53,805
Human resources	-	-	-	-
Finance	<u>37,000</u>	<u>29,164</u>	<u>25,963</u>	<u>3,201</u>
Total general government	<u>180,600</u>	<u>493,587</u>	<u>436,559</u>	<u>57,028</u>
Police services	547,439	442,739	415,138	27,601
Library	111,000	111,000	109,342	1,658
Parks and recreation	81,500	150,540	137,100	13,440
Public services	<u>462,000</u>	<u>509,896</u>	<u>529,169</u>	<u>(19,273)</u>
Total capital outlay	<u>1,382,539</u>	<u>1,707,762</u>	<u>1,627,308</u>	<u>80,454</u>
Debt service:				
Principal	725,535	702,976	680,303	22,673
Interest	<u>72,643</u>	<u>61,321</u>	<u>49,131</u>	<u>12,190</u>
Total debt service	<u>798,178</u>	<u>764,297</u>	<u>729,434</u>	<u>34,863</u>
Total expenditures	<u>45,252,633</u>	<u>45,618,935</u>	<u>45,731,408</u>	<u>(112,473)</u>
Other financing sources (uses):				
Transfers in	5,439,302	5,499,223	5,213,708	(285,515)
Transfers out	(1,001,508)	(993,348)	(987,347)	6,001
Financing proceeds - master lease	<u>863,600</u>	<u>863,600</u>	<u>863,600</u>	<u>-</u>
Total other financing sources	<u>5,301,394</u>	<u>5,369,475</u>	<u>5,089,961</u>	<u>(279,514)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (783,838)</u>	<u>\$ 783,838</u>

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2005

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for the general fund 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 \$358,142 of supplemental appropriations in the general fund during the year ended September 30, 2005.

NOTE 2. For the fiscal year ended September 30, 2005, expenditures exceeded appropriations in police services by \$603,355, public services by \$789,948 and public services capital outlay by \$19,273. There were significant costs related to hurricane preparation, debris removal, and recovery activities that are not eligible for reimbursement from the 2004 and 2005 hurricane seasons. Additional costs for solid waste tipping fees, fuels and lubricants were spent throughout the year after the hurricanes as residents cleaned and restored their property. As employee workloads increased, more employees requested cash leave payouts in lieu of taking the actual time off. Also this fiscal year, three police employees with 55 years of service between them retired. All were eligible for their accrued leave payouts and the actual expenses were greater than budgeted. These over expenditures were funded by greater than budgeted sales taxes and other intergovernmental shared revenue, sanitation fee revenue and fund balance.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE (Continued)

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 69)	\$ (783,838)
Differences – budget to GAAP:	
Uses/outflows of resources:	
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>(233,738)</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 23)	<u>\$ (1,017,576)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2005

RETIREMENT PLAN FOR GENERAL EMPLOYEES

Fiscal Year Ended <u>September 30,</u>	<u>In Thousands Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 260	221%
2001	576	110%
2002	652	107%
2003	1,550	98%
2004	1,597	102%
2005	1,830	95%

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	10/1/04
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, 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, 2005

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

<u>Fiscal Year</u>	<u>In Thousands Annual Required Contributions</u>	<u>In Thousands Employer Contributions</u>	<u>Percentage Contributed</u>
2000	\$ 1,014	\$ 1,000	99%
2001	1,129	1,129	100%
2002	1,168	1,300	111%
2003	1,892	1,900	100%
2004	2,739	2,740	100%
2005	2,692	2,587	96%

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	10/1/04
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, open
Remaining amortization period	30 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	5.50%- 8.7%
Cost of living adjustments	2.5%

*Includes inflation at 4%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2005

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

Fiscal Year Ended <u>September 30,</u>	In <u>Thousands</u> Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2003	\$ 345	121%
2004	536	100%
2005	614	112%

Note: Prior to 10/1/02, the plan did not exist.

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	10/1/04
Actuarial cost method	Frozen Entry Age Normal
Amortization method	Level Percentage, Closed
Remaining amortization period	28 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.30%
Cost of living adjustments	2.25%

*Includes inflation at 3.75%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2005

RETIREMENT PLAN FOR GENERAL 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)
10/1/1999	\$ 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	46,110	6,238	86.5%	10,842	57.5%
10/1/2003	44,423	50,447	6,024	88.1%	12,035	50.1%
10/1/2004	44,968	54,772	9,804	82.1%	12,467	78.6%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2005

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

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)
10/1/1999	\$ 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	48,495	59,272	10,777	81.8%	6,909	156.0%
10/1/2002	42,552	62,481	19,929	68.1%	7,656	260.3%
10/1/2003	46,360	70,330	23,970	65.9%	7,767	308.6%
10/1/2004	46,762	77,714	30,952	60.2%	8,137	380.4%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2005

RETIREMENT PLAN FOR GENERAL MANAGEMENT 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)
10/1/2003	\$ 4,456	\$ 10,051	\$ 5,595	44.3%	\$ 2,474	226.2%
10/1/2004	5,743	11,448	5,705	50.2%	2,767	206.2%

Note: Dollar amounts in thousands

Note: Prior to 10/1/2002, the plan did not exist.



**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2005

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2004)

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ 3,959,124	\$ 3,307,097
Accounts receivable	4,710,391	4,580,388
Due from other funds	1,318,097	3,098,522
Inventories	163,963	145,922
Prepaid costs	98,228	102,188
Escrow funds held by lessor	373,667	554,704
Other assets	35,100	35,100
Total assets	<u>\$10,658,570</u>	<u>\$11,823,921</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 1,449,122	\$ 1,579,486
Deferred revenues	804,292	828,272
Deposits held in trust	793,712	766,355
Due to other funds	56,015	76,803
Total liabilities	<u>3,103,141</u>	<u>3,250,916</u>
Fund balances:		
Reserved:		
Encumbrances	968,411	1,529,905
Inventories	163,963	145,922
Prepaid costs	98,228	102,188
Liability claims	468,678	400,307
Workers' compensation claims	413,314	560,123
Land acquisition	225,496	279,417
Unreserved:		
Undesignated	<u>5,217,339</u>	<u>5,555,143</u>
Total fund balances	<u>7,555,429</u>	<u>8,573,005</u>
Total liabilities and fund balances	<u>\$10,658,570</u>	<u>\$11,823,921</u>



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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.

Community Redevelopment Agency – This fund is used to account for the City's portion of its costs expended in fiscal year 2005 for the finding and necessity analysis and community redevelopment plan required for the formation of a Community Redevelopment Agency (CRA). These costs are reimbursable to the City once the CRA is formed. The proposed district includes the Hanford Boulevard Mall at the 163rd street area.

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.

164th Street Guardhouse – This fund is used to account for the operations of the guardhouse on 164th Street.

35th Avenue Guardhouse – This fund is used to account for the operations of the guardhouse on 35th 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

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 2000B – This fund is used to account for the debt service of the \$17,305,000 Florida Municipal Loan Council, 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. The bond proceeds were used to defease the Series 1994 bonds originally issued to fund the expansion of the police station and various neighborhood improvements.

Series 1997/1998 – This fund is used to account for the principal and interest payments relating to the \$1,950,000, and \$1,000,000 Capital Improvement Revenue Serial Bonds issued in 1997 and 1998, respectively. The proceeds were used to fund the fiscal year 1997 and 1998 capital improvement projects.

1999 Note – This fund is used to account for the governmental portion of the principal and interest payments relating to the commercial paper loan program of the Florida Local Government Finance Commission. The proceeds have been used to fund various capital improvement projects.

Series 2000A – This fund is used to account for the governmental portion of the principal and interest payments relating to \$300,000 of Florida Municipal Loan Council Capital Appreciation and Term Bonds, Series 2000A. The proceeds were used for bike path and street improvements, including lighting and traffic calming devices.

Series 2003B – This fund is used to account for the principal and interest payments relating to the \$7,765,000 Florida Municipal Loan Council Revenue Bonds, Series 2003B. The proceeds will be used to fund various transit/transportation related projects.

Series 2005C – This fund is used to account for the principal and interest payments relating to the City’s \$225,577 portion of the Florida Municipal Loan Council Revenue Bonds, Series 2005C. The bond proceeds were used to defease the Series 2000A bonds originally issued to fund the bike path and street improvements, including lighting and traffic calming devices.

NONMAJOR GOVERNMENTAL FUNDS

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.

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.

Building Better Communities – To account for funds received from Miami-Dade County’s Building Better Communities Grant Program for activities such as but not limited to the development, rehabilitation and restoration of City properties.

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	Special Revenue										Total
	SNP										
	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	Interest Earning Grant	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures	Treasury U.S.	
Pooled cash and investments	\$ 81,326	\$ 273,098	\$ 56	\$ 1,851	\$ (5,612)	\$ 127,593	\$ 72,452	\$ 20,553	\$ 45,932	\$ 145,018	\$ 762,267
Accounts receivable:											
Intergovernmental	534,441	315,000	-	-	-	56	3,388	-	-	-	852,885
Grants - Safe Neighborhood Program	-	-	-	-	74,992	-	-	-	-	-	74,992
Other receivables	59,755	-	-	-	-	-	-	-	-	-	59,755
Due from other funds	-	-	-	-	-	-	-	-	-	248,084	248,084
Escrow funds held by agent	-	-	-	-	-	-	-	-	-	-	-
Escrow funds held by lessor	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 675,522	\$ 588,098	\$ 56	\$ 1,851	\$ 69,380	\$ 127,649	\$ 75,840	\$ 20,553	\$ 45,932	\$ 393,102	\$ 1,997,983

LIABILITIES AND FUND BALANCES

Liabilities:											
Vouchers payable and accrued liabilities	\$ 26,844	\$ 30,270	\$ 56	\$ -	\$ -	\$ 2,175	\$ 3,140	\$ 338	\$ 33,942	\$ 185,582	\$ 282,347
Due to other funds	575,207	-	79,915	-	69,380	-	-	-	-	-	724,502
Deferred revenue	65,599	-	-	-	-	-	-	-	-	-	65,599
Total liabilities	667,650	30,270	79,971	-	69,380	2,175	3,140	338	33,942	185,582	1,072,448
Fund balances:											
Reserved:											
Grant related	7,872	-	-	-	-	-	-	-	-	-	7,872
Law enforcement	-	-	-	-	-	-	-	20,215	11,990	207,520	239,725
Debt service	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	557,828	(79,915)	1,851	-	125,474	72,700	-	-	-	677,938
Total fund balances	7,872	557,828	(79,915)	1,851	-	125,474	72,700	20,215	11,990	207,520	925,535
Total liabilities and fund balances	\$ 675,522	\$ 588,098	\$ 56	\$ 1,851	\$ 69,380	\$ 127,649	\$ 75,840	\$ 20,553	\$ 45,932	\$ 393,102	\$ 1,997,983

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2005

	Debt Service							Total
	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	Series 2005C	
ASSETS								
Pooled cash and investments	\$ -	\$ 7,142	\$ 143,985	\$ 648	\$ -	\$ 110	\$ -	\$ 151,885
Accounts receivable:								
Intergovernmental	-	-	-	-	-	-	-	-
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-
Other receivables	380,000	-	-	-	-	-	-	380,000
Due from other funds	-	-	56,015	-	-	-	-	56,015
Escrow funds held by agent	-	-	-	-	-	-	-	-
Escrow funds held by lessor	-	-	-	-	-	-	-	-
Total assets	\$ 380,000	\$ 7,142	\$ 200,000	\$ 648	\$ -	\$ 110	\$ -	\$ 587,900

LIABILITIES AND FUND BALANCES

Liabilities:								
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	377,531	-	-	-	-	-	-	377,531
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	377,531	-	-	-	-	-	-	377,531
Fund balances:								
Reserved:								
Grant related	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-
Debt service	2,469	7,142	200,000	648	-	110	-	210,369
Construction	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-	-	-	-
Total fund balances	2,469	7,142	200,000	648	-	110	-	210,369
Total liabilities and fund balances	\$ 380,000	\$ 7,142	\$ 200,000	\$ 648	\$ -	\$ 110	\$ -	\$ 587,900

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2005

	Capital Projects		Total
	Alley Restoration Program	2004 BBC Program	
<u>ASSETS</u>			
Pooled cash and investments	\$ 7,623	\$ -	\$ 7,623
Accounts receivable:			
Intergovernmental	-	10,000	10,000
Grants - Safe Neighborhood Program	-	-	-
Other receivables	-	-	-
Due from other funds	-	-	-
Escrow funds held by agent	-	-	-
Escrow funds held by lessor	-	-	-
Total assets	\$ 7,623	\$ 10,000	\$ 17,623
			\$ 2,603,506

LIABILITIES AND FUND BALANCES

Liabilities:			
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	-	10,000	10,000
Deferred revenue	-	-	-
Total liabilities	-	10,000	10,000
Fund balances:			
Reserved:			
Grant related	-	-	-
Law enforcement	-	-	-
Debt service	-	-	-
Construction	7,623	-	7,623
Unreserved, undesignated	-	-	-
Total fund balances	7,623	-	7,623
Total liabilities and fund balances	\$ 7,623	\$ 10,000	\$ 17,623
			\$ 2,603,506

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue											Total
	SNP											
	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	Interest Earning Grant	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	U.S. Treasury		
Revenues:												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	974,488	1,253,830	-	11,994	105,461	111,584	183,419	-	-	-	-	1,560,827
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-	-	-	-	1,079,949
Fines and forfeitures	-	-	-	-	-	-	300	6,714	199,242	595,226	54,342	794,468
Other	12,114	-	-	-	-	-	1,594	923	37,057	54,342	3,955	110,527
Interest	2,095	7,462	-	108	67	2,904	1,594	923	-	-	-	19,108
Total revenues	988,697	1,261,292	-	12,102	105,528	114,488	185,313	7,637	236,299	653,523	-	3,564,879
Expenditures:												
Current:												
General government	217,593	155,906	79,915	10,690	-	-	-	-	-	-	-	464,104
Police services	640,571	-	-	-	-	97,952	172,526	22,044	294,405	520,790	-	1,748,288
Parks	-	158,534	-	-	-	-	-	-	-	-	-	158,534
Public services	3,830	-	-	-	-	-	-	-	-	-	-	3,830
Library	3,935	-	-	-	-	-	-	-	-	-	-	3,935
Capital outlay	268,140	385,518	-	-	211,548	-	-	11,807	9,895	1,765	-	888,673
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,134,069	699,958	79,915	10,690	211,548	97,952	172,526	33,851	304,300	602,897	-	3,347,706
Excess (deficiency) of revenues over expenditures	(145,372)	561,334	(79,915)	1,412	(106,020)	16,536	12,787	(26,214)	(68,001)	50,626	-	217,173
Other financing sources (uses):												
Transfers in	149,139	50,000	-	-	74,880	-	-	-	-	-	-	274,019
Transfers out	(1,086)	(710,920)	-	-	-	-	-	-	-	(132,299)	-	(844,305)
Debt issuance	-	-	-	-	-	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	148,053	(660,920)	-	-	74,880	-	-	-	-	(132,299)	-	(570,286)
Net changes in fund balance	2,681	(99,586)	(79,915)	1,412	(31,140)	16,536	12,787	(26,214)	(68,001)	(81,673)	-	(353,113)
Fund balances, beginning	5,191	657,414	-	439	31,140	108,938	59,913	46,429	79,991	289,193	-	1,278,648
Fund balances, ending	\$ 7,872	\$ 557,828	\$ (79,915)	\$ 1,851	\$ -	\$ 125,474	\$ 72,700	\$ 20,215	\$ 11,990	\$ 207,520	\$ -	\$ 925,535

(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, 2005

	Debt Service							Total
	Series 2000B	Series 2002A	Series 1997-98	Note	Series 2000A	Series 2003B	Series 2005C	
Revenues:								
Property taxes	\$ 1,090,600	\$ 925,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,015,800
Intergovernmental	-	-	642,052	-	-	-	-	642,052
Grants - Safe Neighborhood Program	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Interest	4,907	4,176	5,418	-	81	2,006	-	16,588
Total revenues	1,095,507	929,376	647,470	-	81	2,006	-	2,674,440
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Police services	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	185,000	355,000	165,000	100,000	11,950	395,000	-	1,211,950
Interest and fiscal charges	915,621	580,322	102,830	16,898	9,854	314,121	6,789	1,946,435
Total expenditures	1,100,621	935,322	267,830	116,898	21,804	709,121	6,789	3,158,385
Excess (deficiency) of revenues over expenditures	(5,114)	(5,946)	379,640	(116,898)	(21,723)	(707,115)	(6,789)	(483,945)
Other financing sources (uses):								
Transfers in	-	-	-	117,546	21,723	707,222	2,142	848,633
Transfers out	-	-	(396,140)	-	-	-	-	(396,140)
Debt issuance	-	-	-	-	-	-	225,577	225,577
Premium on debt issuance	-	-	-	-	-	-	7,339	7,339
Payment to escrow agent	-	-	-	-	-	-	(228,269)	(228,269)
Total other financing sources (uses)	-	-	(396,140)	117,546	21,723	707,222	6,789	457,140
Net changes in fund balances	(5,114)	(5,946)	(16,500)	648	-	107	-	(26,805)
Fund balances, beginning	7,583	13,088	216,500	-	-	3	-	237,174
Fund balances, ending	\$ 2,469	\$ 7,142	\$ 200,000	\$ 648	\$ -	\$ 110	\$ -	\$ 210,369

(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, 2005

	Capital Projects			Total Nonmajor Governmental Funds
	Alley Restoration Program	2004 BBC Program	Total	
Revenues:				
Property taxes	\$ -	\$ -	\$ -	2,015,800
Intergovernmental	-	10,000	10,000	2,212,879
Grants - Safe Neighborhood Program	-	-	-	1,079,949
Fines and forfeitures	-	-	-	794,468
Other	-	-	-	110,527
Interest	310	-	310	36,006
Total revenues	310	10,000	10,310	6,249,629
Expenditures:				
Current:				
General government	-	-	-	464,104
Police services	-	-	-	1,748,288
Parks	-	-	-	158,534
Public services	38	-	38	3,868
Library	-	-	-	3,935
Capital outlay	349,601	10,000	359,601	1,248,274
Debt service:				
Principal	-	-	-	1,289,392
Interest and fiscal charges	-	-	-	1,949,335
Total expenditures	349,639	10,000	359,639	6,865,730
Excess (deficiency) of revenues over expenditures	(349,329)	-	(349,329)	(616,101)
Other financing sources (uses):				
Transfers in	350,000	-	350,000	1,472,652
Transfers out	-	-	-	(1,240,445)
Debt issuance	-	-	-	225,577
Premium on debt issuance	-	-	-	7,339
Payment to escrow agent	-	-	-	(228,269)
Total other financing sources (uses)	350,000	-	350,000	236,854
Net changes in fund balances	671	-	671	(379,247)
Fund balances, beginning	6,952	-	6,952	1,522,774
Fund balances, ending	7,623	-	7,623	1,143,527

FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2005

	Pension Trust Funds			<u>Totals</u>
	<u>General Employees</u>	Police Officers and <u>Firefighters</u>	General Management <u>Employees</u>	
<u>ASSETS</u>				
Cash held with trustee	\$ 848	\$ 42,605	\$ -	\$ 43,453
Investments:				
Cash management funds	793,482	1,877,804	-	2,671,286
Mutual funds	11,551,936	10,830,928	7,265,633	29,648,497
U.S. Government securities	-	5,276,107	-	5,276,107
Corporate bonds	-	3,085,975	-	3,085,975
Common stocks	32,829,557	26,840,845	-	59,670,402
Accrued interest and dividends	60,402	84,801	-	145,203
Due from other funds	54,168	-	-	54,168
Total assets	<u>45,290,393</u>	<u>48,039,065</u>	<u>7,265,633</u>	<u>100,595,091</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Vouchers payable and accrued liabilities	24,685	69,819	-	94,504
Due to other funds	-	54,168	-	54,168
Total liabilities	<u>24,685</u>	<u>123,987</u>	<u>-</u>	<u>148,672</u>
 Net assets held in trust for pension benefits	<u>\$45,265,708</u>	<u>\$47,915,078</u>	<u>\$ 7,265,633</u>	<u>\$ 100,446,419</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Pension Trust Funds			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
ADDITIONS				
Contributions:				
Employees	\$ 863,779	\$ 1,407,230	\$ 309,949	\$ 2,580,958
Employer	1,738,722	2,586,679	707,661	5,033,062
State/County ⁽¹⁾	-	562,038	-	562,038
Total contributions	<u>2,602,501</u>	<u>4,555,947</u>	<u>1,017,610</u>	<u>8,176,058</u>
Investment income:				
Net appreciation in fair value of investments	3,307,034	3,674,363	-	6,981,397
Interest and dividends	1,056,268	1,086,290	598,293	2,740,851
Investment expenses	(97,074)	(123,579)	-	(220,653)
Net investment income	<u>4,266,228</u>	<u>4,637,074</u>	<u>598,293</u>	<u>9,501,595</u>
Total additions	<u>6,868,729</u>	<u>9,193,021</u>	<u>1,615,903</u>	<u>17,677,653</u>
DEDUCTIONS				
Pension benefits	2,291,252	3,934,982	50,763	6,276,997
Refunds of contributions	142,063	91,955	5,505	239,523
Administrative expenses	111,722	154,249	9,384	275,355
Total deductions	<u>2,545,037</u>	<u>4,181,186</u>	<u>65,652</u>	<u>6,791,875</u>
Change in net assets	4,323,692	5,011,835	1,550,251	10,885,778
Net assets held in trust for pension benefits:				
Beginning	<u>40,942,016</u>	<u>42,903,243</u>	<u>5,715,382</u>	<u>89,560,641</u>
Ending	<u>\$ 45,265,708</u>	<u>\$ 47,915,078</u>	<u>\$ 7,265,633</u>	<u>\$ 100,446,419</u>

⁽¹⁾This amount is passed through from the State/County as follows:

Police (through general fund)	\$ 273,052
Fire (directly transferred since the City no longer has firefighters)	288,986
	<u>\$ 562,038</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2005</u>
<u>ASSETS</u>				
Cash	\$ <u>154,311</u>	<u>\$ 314,183</u>	<u>\$ 268,709</u>	\$ <u>199,785</u>
<u>LIABILITIES</u>				
Deposits held in trust	\$ <u>154,311</u>	<u>\$ 314,183</u>	<u>\$ 268,709</u>	\$ <u>199,785</u>



STATISTICAL SECTION

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	Franchise Fees	State Revenue Sharing and Other Inter-governmental	Unrestricted Investment Earnings	Billing Surcharge	Sale of City Property	Sales and Other Taxes	Communications Services Taxes	Miscellaneous	Total
2001	\$ 32,330,717	\$ 4,084,051	\$ 3,495,988	\$ 11,544,458	\$ 1,771,684	\$ 1,848,254	\$ 1,950,089	\$ 22,924	\$ -	\$ 1,807,508	\$ 1,807,508	\$ 65,552,912
2002	33,603,242	395,806	3,719,758	13,128,919	1,417,597	1,508,616	2,128,004	46,473	-	1,900,963	1,275,054	63,489,026
2003	34,158,298	1,802,799	6,170,274	14,235,524	1,442,511	1,948,922	2,204,171	568	2,418,290	1,785,296	1,006,599	70,009,865
2004	35,456,842	2,466,798	2,116,889	14,989,261	1,591,323	1,499,747	3,915,393	-	2,559,304	1,989,776	1,328,063	71,479,573
2005	36,321,438	5,278,558	4,513,053	13,768,689	1,454,185	1,838,186	3,889,716	-	2,632,827	1,862,748	1,340,274	77,064,085

Information for fiscal years ended September 30, 1996 to 2000 are unavailable.

CITY OF NORTH MIAMI BEACH, FLORIDA

GOVERNMENT-WIDE EXPENSES

LAST TEN FISCAL YEARS

Fiscal Year	<u>General Government</u>	<u>Public Safety</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Interest on Long-Term Debt</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm- water</u>	<u>Total</u>
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
2004	14,031,794	17,654,564	1,089,056	4,455,925	10,173,653	1,979,807	18,470,596	3,422,657	690,011	71,968,063
2005	14,983,197	18,678,011	1,036,733	4,676,255	11,147,196	1,998,466	19,381,274	3,641,845	662,847	76,205,824

Information for fiscal years ended September 30, 1996 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>
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
2004	11,430,084	14,960,798	894,305	4,179,631	9,437,146	1,069,009	725,284	42,696,257
2005	11,992,434	16,219,210	875,442	4,417,536	9,826,517	1,620,782	715,657	45,667,578

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
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
2004	10,658,972	1,795,305	4,660,358	4,339,327	1,591,323	308,967	4,823,201	9,045,927	92,451	37,315,831
2005	11,752,889	2,200,623	5,092,633	4,105,742	1,454,185	412,404	4,869,637	9,771,045	198,451	39,857,609

(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

<u>Fiscal Year</u>	<u>Total Assessed Valuation</u>	<u>Taxable Assessed Levy</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	Percentage of Total Tax Collections to Tax Levy
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%
2004	1,656,205,596	1,641,380,742	11,203,660	10,658,972	95%
2005	1,935,960,125	1,895,672,643	12,421,542	11,752,889	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
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
2004	1,533,036,874	122,125,888	1,042,834	1,656,205,596	14,824,854	1,641,380,742
2005	1,812,634,917	122,216,045	1,109,163	1,935,960,125	40,287,482	1,895,672,643

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>
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
2004	8.781	8.687	0.100	0.636	9.325	27.529
2005	8.609	8.438	0.100	0.636	9.209	26.992

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

<u>Fiscal Year</u>	<u>Total Permits Issued</u>	<u>Miscellaneous</u>		<u>Residential</u>		<u>Commercial</u>		<u>Total of Construction</u>	<u>Bank Deposits (1) (000s Omitted)</u>
		<u>Permits Issued</u>	<u>Valuation</u>	<u>Number of Units</u>	<u>Valuation</u>	<u>Permits Issued</u>	<u>Valuation</u>		
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
2004	2,376	111	252,831	188	6,508,527	89	21,938,812	28,700,170	21,661,362
2005	3,199	141	317,583	86	3,126,536	107	12,220,002	15,664,121	24,449,346

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>
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 (1)	318,990	85,695	-	-	4,197,998
2003	1,955,123	-	1,785,296	326,801	95,251	-	-	4,162,471
2004	1,916,443	-	1,989,776	342,503	90,605	-	-	4,339,327
2005	1,818,397	-	1,862,748	344,991	79,606	-	-	4,105,742

- (1) 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>
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
2004	1,515,935	-	60,140	-	8,093	7,155	1,591,323
2005	1,396,019	-	52,550	-	5,436	180	1,454,185

(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>
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
2004	92,451	16,870	442,145	3,259	-	965,153	1,519,878
2005	198,023	19,607	307,499	16,588	-	1,243,248	1,784,965

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
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
2004	17,374,524	12,445,671	609,143	5,537,996	3,504,852	(4)	3,504,852	2,033,144
2005	17,251,240	13,978,606	982,125	4,254,759	2,981,584	(4)	2,981,584	1,273,175
Average excess coverage								<u>\$1,757,342</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)

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	Total Governmental Expenditures (1)	Ratio of Debt Service to Governmental <u>Expenditures</u>
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	1,654	2,439	47,308	5.16%
2004	682	1,741	2,423	51,176	4.73%
2005	1,112	1,875	2,987	52,272	5.71%

(1) Includes General, Proud Neighborhood, 2003B Surtax, Capital Projects, and Debt Service Funds.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT SEPTEMBER 30, 2005 (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>\$ 37,320</u>	<u>100.00%</u>	<u>\$ 37,320</u>
Overlapping:			
Miami-Dade County	\$ 519,126	<u>1.09%</u>	\$ 5,659
School Board	<u>557,545</u>	<u>1.09%</u>	<u>6,077</u>
	<u>\$ 1,076,671</u>		<u>\$ 11,736</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>
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
2004	42	1,641,380	30,648	-	30,648	1.87%	730
2005	42	1,895,673	37,320	-	37,320	1.97%	889

(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, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
RHC Parkway, Inc.	Hospital	\$ 63,115,775	3.26%
Florida Power & Light Co.	Utility	26,210,833	1.35%
Biscayne Commons	Office Building	17,355,534	0.90%
Intracoastal Pacific, Ltd.	Office Building	16,900,000	0.87%
Klein Motors	Retail	15,069,848	0.78%
Costco Wholesaler	Retail	14,022,103	0.72%
NMB Commerce Center	Office Building	13,539,087	0.70%
Sonic Ward, Inc. (K - Mart)	Retail	12,700,000	0.66%
Dayton Hudson Corp. (Target)	Retail	11,200,000	0.58%
Bell South	Utility	<u>10,462,638</u>	0.54%
 Total taxpayers		 <u>\$ 200,575,818</u>	 10.36%
 Total assessed valuation		 <u>\$ 1,935,960,125</u>	

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		Non-Hispanic		<u>Totals</u>
	<u>Any Race</u>	<u>White</u>	<u>Afro-American</u>	<u>All Other Races</u>	<u>Any Race</u>	<u>Subtotal</u>	<u>Any Race</u>	<u>White</u>	<u>Afro-American</u>	<u>All Other Races</u>	<u>Subtotal</u>		
1980	3,489	N/A	N/A	N/A	3,489	3,489	32,842	N/A	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	N/A	27,542	35,359	
2000	-	8,936	622	2,687	12,245	12,245	-	10,104	15,273	3,164	28,541	40,786	

Population by Ethnic Origin

	Afro-American		American Indian/ Eskimo		<u>Total</u>
	<u>White</u>	<u>American</u>	<u>Asian</u>	<u>Other</u>	
1980	33,601	2,067	632	-	31
1990	25,308	7,707	1,207	1,082	55
2000	19,040	15,895	1,615	4,170	66

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, 2005

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	110
Number of Support Staff (Non-Sworn)	23 full-time, 12 part-time
Hospitals	1
	<u>Elementary</u>
Education:	
Attendance Centers	2
Number of Students	2,431
Number of Teachers	174
Municipal Water Department:	
Number of Customers	34,412
Average Daily Consumption	24.5 Million Gallons
Miles of Water Mains	515
Fire Hydrants	2,200
Valves	8,160
Sewers:	
Number of Customers	7,065
Number of Lift Stations	29
Miles of Sewer Mains	90
Building Permits Issued	3,199
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 Amphitheaters	1
Employees:	
Full Time	526

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 minibuses and the countywide Metro Bus System service North Miami Beach. A Greyhound Bus station is located adjacent to the 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 Dolphin 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 (2005):	
Single Family	\$90,000 - \$3,400,000
Condominiums	\$60,000 - \$900,000
Apartment Rents (Median)	
One Bedroom	\$750
Two Bedroom	\$900
Three Bedroom	\$1,100
Housing within the City Limits (2004)	
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>2006 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

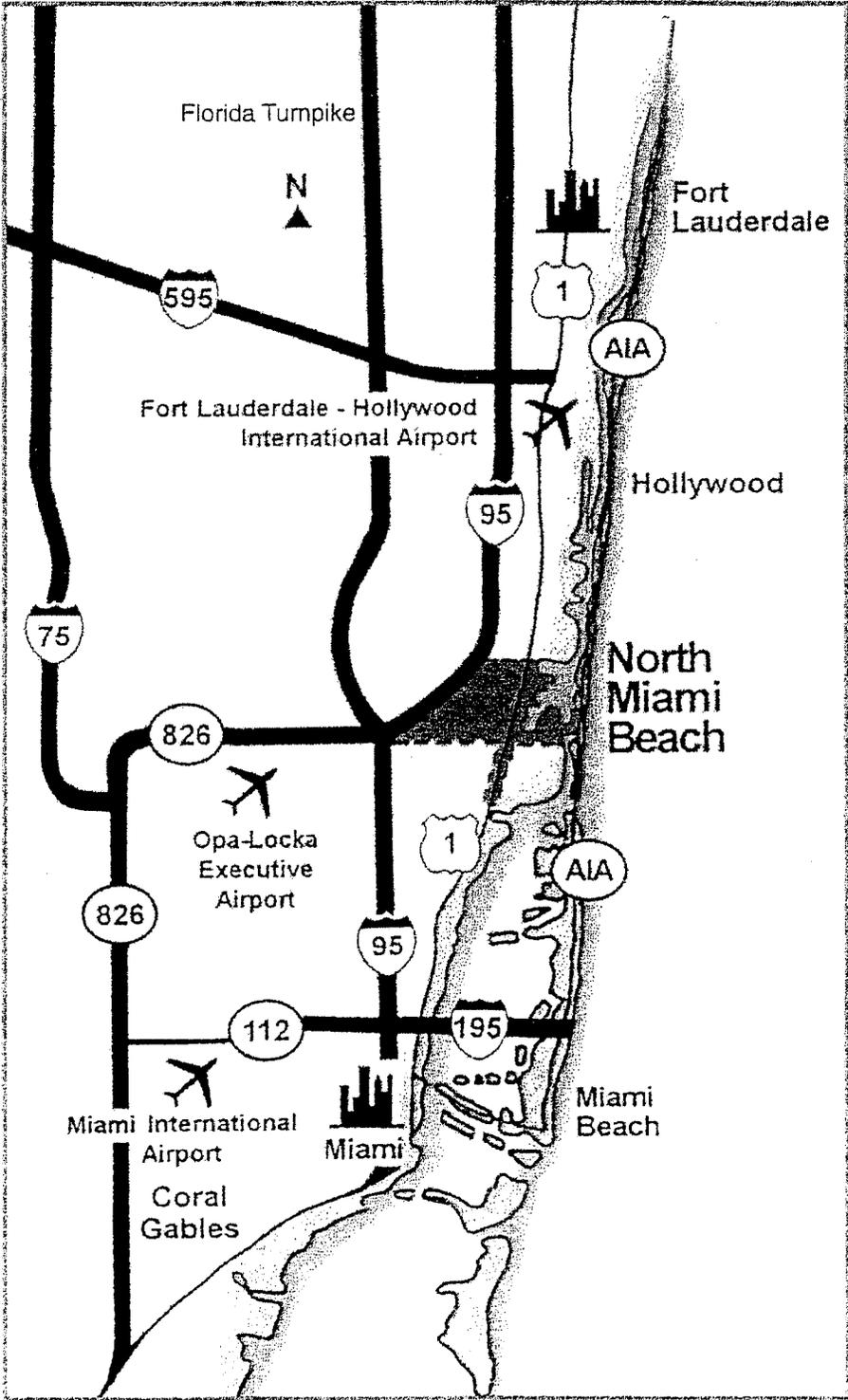
	<u>1990 Census</u>	<u>2000 Census</u>	<u>2006 Estimates</u>
Age 19 & under	24%	30%	30%
Age 20 to 44	37%	37%	38%
Age 45 to 64	19%	21%	21%
Age 65+	20%	12%	11%

North Miami Beach at a Glance

Land Area:	5.1 square miles
Form of Government:	Council/Manager
Annual Budget (FY2006):	\$51 million
Number of Residents (2006):	42,000
Median Age (2006):	34.4
# of Businesses:	1,800
Major Economic Base:	Health Care, Retail
% Residential:	50%
% Commercial:	20%
% Recreational:	10%
% Other:	20%
Average Household Income (2006):	\$42,442
# of Housing Units (2006):	15,350
Zip Codes:	33179, 33160, 33162, 33169, 33181

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION (Continued)





COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on Internal over
Financial Reporting and on Compliance and Other Matters 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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 reportable 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 caused by error or fraud 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 accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the Mayor, City Council, management, and regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 23, 2006

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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 23, 2006.

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 Organization*; and Chapter 10.550, Rules of the Auditor General. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 23, 2006, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the City for the fiscal year ended September 30, 2005, 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)(h):

1. Recommendations made in the preceding financial audit report have been implemented except as reported in the summary schedule of prior audit findings.
2. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. Recommendations to improve the City's present financial management and accounting procedures are accompanying this report in the schedule of findings.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the City:

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- a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - c. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
5. The City was incorporated pursuant to Chapter 15824, Laws of Florida, Acts of 1931.
6. a. The City, during fiscal year 2005, did not meet any of the conditions described in Florida Statutes 218.503(1)(e).
- b. The annual financial report for the fiscal year ended September 30, 2005 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2005.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.556(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 that identified 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
February 23, 2006

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant or Identifying Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Miami-Dade County:			
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2004	\$ 262.025
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2005	<u>13.000</u>
			<u>275.025</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	N/A	N/A	33.851
Forfeiture Fund - U.S. Treasury Equitable Sharing	N/A	N/A	735.196
Solving Cold Cases with DNA	16.564	2005-DN-BX-K023	1.950
School Resource Officer Project/Byrne Grant	16.579	2004-CJ-J3-11-23-01-224	2.114
Domestic Violence Grant	16.579	2005-CJ-K3-11-23-01-051	11,868
FY 2004 BJA Congressionally Mandated Awards	16.580	2004-DD-BX-1228	98.948
FY 2003 Weed & Seed Program	16.595	2004-WS-Q4-0078	125.506
FY 2004 Weed & Seed Program	16.595	2005-WS-Q5-0042	59.755
C.O.P.S. Universal Hiring Award	16.710	2003-UM-WX-0025	94.171
C.O.P.S. More Awards	16.710	2000-CM-WX-0066	78.143
C.O.P.S. Homeland Security O/T Program	16.710	2003OMWX0199	61.540
C.O.P.S In School Award	16.710	FL01310-2004SHWX0157	52.732
Local Law Enforcement Block Grant - 2003	16.592	2003-LB-BX-2097	55.125
Local Law Enforcement Block Grant - 2004	16.592	2004-LB-BX-0212	27.003
Bulletproof Vest	16.607	N/A	<u>17.142</u>
Subtotal - direct awards			1,455,044
Passed through the Office of the Attorney General - State of Florida:			
2004-2005 Victims of Crime Act Agreement	16.575	V4280	<u>70.000</u>
Total U.S. Department of Justice			<u>1,525,044</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation:			
Lets Eliminate Aggressive Driving	20.600	SC-05-13-08	<u>95.427</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Special Water Infrastructure Award	66.606	XP-97428601-2	<u>1,745.539</u>
U.S. DEPARTMENT OF INTERIOR			
National Park Service			
Urban Park and Recreation Recovery Program Grant			
Washington Park Pool Restrooms Rehabilitation	15.919	12-CTY-2230-0101	<u>143</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Florida Department of Community Affairs:			
FEMA-1345-DR-FL (Disaster Relief - South Florida Floods of 2000)	83.544	OIRM-L5-11-23-02-064	3.830
FEMA-1602-DR (Disaster Relief - Hurricane Katrina)	97.036	086-49475-00	472.273
FEMA-3259-EM-FL (Emergency Protective Measures - Tropical Storm Rita)	97.036	086-49475-00	22.372
North Miami Beach Hurricane Shutters/FEMA Project 1345-0030	97.039	04HM-M5-11-23-02-004	<u>61.275</u>
Total Federal Emergency Management Agency			559.750
Total of Expenditures of Federal Awards			<u>\$ 4,200.928</u>

N/A - Not available.

(Continued)

See Note to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>State Agency/Pass-Through Grantor/Program Title</u>	<u>State CFSA Number</u>	<u>State Grant Number</u>	<u>Expenditures</u>
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Highland Village Surface Water System Improvement Project	37.039	WAP039	\$ 354,812
NMB Highland Village Wastewater System Improvements	37.039	SP745050	733,802
Highland Village Wastewater and Stormwater Improvements	37.039	LP6039	<u>94,370</u>
Total Florida Department of Environmental Protection			<u>1,182,984</u>
FLORIDA DEPARTMENT OF STATE - DIVISION OF LIBRARY AND INFORMATION			
State Aid to Libraries Grant Program	45.030	04-ST-36	40,052
NMB Technology Assessment Grant	N/A	Gates T.A.-04	<u>8,500</u>
Total Florida Department of State			<u>48,552</u>
FLORIDA DEPARTMENT OF JUVENILE JUSTICE			
GRP Grant - Strengthening Family Program	N/A	PanZou Project	<u>3,884</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,235,420</u>

N/A - Not available.

See Note to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance projects includes the federal and state 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* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Honorable Mayor, 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*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and its state financial assistance projects for the fiscal year ended September 30, 2005. The City's major federal programs and state financial assistance projects 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 and its state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and its state financial assistance projects for the fiscal year ended September 30, 2005.

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

Internal Control over Compliance

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

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 reportable 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal awards program or state financial assistance projects 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 specific legislative or regulatory bodies 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
February 23, 2006

CITY OF NORTH MIAMI BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2004 schedule of findings and questioned costs:

Matters that are repeated in the accompanying schedule of findings and questioned costs.

- Capital Assets (see Item 05-01)

Matters that are not repeated in the accompanying schedule of findings and questioned costs.

- Physical inventory of fixed assets (see Item 04-02)
- Pension plan census data (see Item 04-03)
- Actuarial reports (see Item 04-04)
- Pension funds accounting (see Item 04-05)
- Inventory valuation (see Item 04-06)
- IT Systems (see Item 04-07)

Federal Award and State Financial Assistance Findings and Questioned Costs

There were no federal award or state financial assistance findings and questioned costs reported in the fiscal year ended September 30, 2004 schedule of findings and questioned costs.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Unqualified Opinion

Type of auditor’s report issued:

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 Programs and State Financial Assistance Projects

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

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 federal awards programs and state financial assistance projects:

Unqualified Opinion

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

_____ Yes X No

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

Federal Awards Programs

Federal CFDA No.

Special Water Infrastructure Project – EPA 66.606

State Assistance Projects

Highland Village Improvements 37.039

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

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

Auditee qualified as low-risk auditee?

X Yes _____ no

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Other Matters

05-01. 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. This comment was also reported in the prior year.

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 Information Technologies Department is aware of the programming need and has placed this item on its "to-do" list. This is a major modification of the programs. As has been stated, the dollar amount has not been material thus it has a low priority. Additionally, the Finance Department does a manual reconciliation at the end of each fiscal year. Staff involved with these transactions have been made aware of the prior problems and have actively double checked their work each day. The two systems have not been out of balance by a significant amount and there is considerable amount of programming effort needed to modify the programs. Thus, management does not consider this issue to be a problem.

05-02. Inventory Documentation

We noted during our price testing of the City's inventory that the City did not have appropriate documentation that supported the price per unit that were in the inventory system. If the prices that are inputted into the system are not the most current it is possible that the value of the inventory could be overstated or understated.

Recommendation

We recommend that the City maintain better documentation that support the amounts assigned to the inventory items.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Management Response

For the fiscal year beginning October 1, 2005, the DataStream software program has been installed and is tracking each inventory item by vendor, date, invoice number, unit price paid, last purchase price, and number of transactions per item. The program also records and values inventory “at cost” and “average cost”.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.