

Comprehensive Annual Financial Report



City of North Miami Beach
for the **Fiscal Year Ended**
September 30, 2009

CITY OF NORTH MIAMI BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Prepared by:

Department of Financial Services

**CITY OF NORTH MIAMI BEACH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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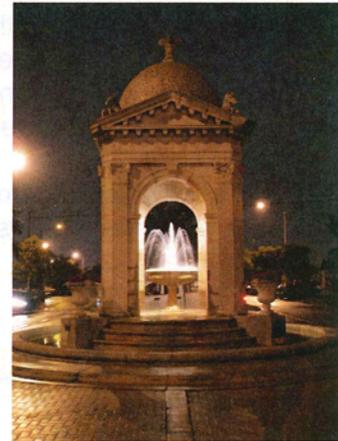
I. INTRODUCTORY SECTION

March 26, 2010

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

Issued herewith is the Comprehensive Annual Financial Report (CAFR) of the City of North Miami Beach for the fiscal year ended September 30, 2009. The CAFR is issued pursuant to the following requirements:

- 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.
- State law requires that within one year of the close of each fiscal year all general purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.



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.

Sharpton, Brunson & Company, P.A., 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, 2009, were free of material misstatement. The independent audit involved examining on 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. Based upon their audit, the independent auditors concluded 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, 2009, 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 Council members. Together they are 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 first-tier suburb 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 *North Miami Beach Community Redevelopment Agency (the CRA)* was created by the Mayor and City Council on December 21, 2004 by adopting a resolution declaring the Mayor and City Council to be the Agency in accordance with Section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969, enacted by Florida Legislature. The CRA's board of directors is the City Council. The CRA's chairman is the City's Mayor and the CRA's administrator is the City Manager. The purpose of the CRA is the elimination and prevention of blight conditions within the designated community redevelopment area. The CRA is a special revenue fund of the City of North Miami Beach and, therefore, has been included as a component unit and integral part of the attached financial statements. Additional information on this component unit can be found in the notes to the financial statements starting on page 35.

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, thereafter, proposes a budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department (e.g., police). No department may legally expend in excess of amounts appropriated for that department within an individual fund. The City Manager may make transfers of appropriations within a department and to a department from his contingency account. Transfers of appropriations between departments, however, require the approval of the City Council. The City Council approves supplemental appropriations; however, the City Manager is granted authority to amend, modify, or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 89-101 as part of the required supplementary information.

Factors Affecting Financial Condition

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

Local economy. The City has a population of more than 40,000. The local economy's difficulties mirror those on the national, state and regional scales. Home prices continued a precipitous drop in FY 2009. Foreclosures also continued a steep rise as the impact of the sub-prime mortgage company failures reached its peak. These two issues continue to directly affect the operations of municipal governments, including the City of North Miami Beach.

In FY 2007 the legislature considered and adopted property tax reform which has significant implications for the future of local government revenues.

Long-term financial planning. As a result of the economic downturn and property tax reform, it became evident during FY 2008 that the City's long term financial plans would require adjustment. The Comprehensive Assessment of Revenues and Expenses (C.A.R.E.) Program, a 10-point city manager initiative was launched to maximize the City's human, capital and natural resources. C.A.R.E. establishes a sound financial management and responsible and cost-effective use of public funds. Prompted by the urgent need to drastically reduce spending, increase revenues and protect the environment, the C.A.R.E. program is designed to encourage city employees, residents and businesses to take an active role in providing suggestions and solutions on how the city conducts business. The program is overseen by ten committees which focus on specific areas such as: capital improvements; workplace efficiency; expenditures; revenues; public/private partnerships; grants; reserves; volunteer programs; energy policy and conservation. Since its inception, the C.A.R.E. program has generated a sense of community, fiscal awareness and responsibility within employee ranks and city wide.



Over the past twelve months, the City of North Miami Beach has enhanced financial accountability with its employee-and-resident-driven Comprehensive Assessment of Revenues and Expenditures (C.A.R.E) program. Since then, over 800 C.A.R.E. suggestions have been submitted by employees and residents. Over 27 percent of all the suggestions

have been implemented resulting in expenditure savings of \$619,874 and potential revenues of \$932,664.

The Florida league of Cities highlighted the C.A.R.E program in a “best practices” publication at the organization’s annual conference. The program was also included in the Florida League of Cities September/October issue of Quality Cities magazine.

The City of North Miami Beach now has a fully operational Community Redevelopment Agency (CRA). The City of North Miami Beach has an overwhelming desire to enhance services being offered to its business owners as much as possible. Consistent with the goal, the City’s CRA completed several projects in fiscal year 2009 which have all been designed with the residents in mind. 1. Hanford Boulevard - Phase IV A (NE 17th Avenue between NE 163rd Street and So. Glade Drive); and Phase IV C (NE 20th Avenue between NE 163rd Street and So. Glade Drive) – This project was completed in December 2008. It included road reconstruction with drainage, on-street parking, decorative street lighting, curbing, sidewalks, streetscapes and landscapes, and dry sewer mains. 2. NE 16th Avenue (between NE 163rd Street and NE 164th Street) – This project was completed in June 2009 and included drainage, re-construction, curbing, sidewalks, crosswalks, decorative street lighting, landscapes and streetscapes. 3. NE 168th Street (between NE 18th Avenue and NE 19th Avenue) – This project was completed August 2009 and included drainage, paving, sidewalks, on-street parking, curbing and landscapes. 4. Amphitheater Awning Replacement – This project was completed in July 2009 and included replacement of the awning and the cables damaged by Hurricane Wilma. For Fiscal Year 2009, the CRA’s increment revenue grew to \$2.1 million and those funds were expended on the projects mentioned above.

Continuing initiatives. With restrictions placed on our traditional water source—the Biscayne Aquifer—the NMB Public Services Department has been proactive in finding alternative water sources, while seeking new ways to reduce potable water usage in the city. The development and installation of a 30,000-gallon rain-harvesting system for the department’s Operations Center landscape irrigation system was completed in 2008. With an annual average rainfall of sixty inches in South Florida, a rain-harvesting system is a perfect conservation method, a natural fit for this City facility, and it offers a considerable water savings per year.

During FY08 the City of North Miami Public Services Department conducted a Fixed Base Automated Meter Reading (AMR) pilot program. Over 300 digital water meters were installed throughout the water-distribution system. A majority of the funding for the pilot program came from a South Florida Water Management District grant.

AMR utilizes digital water meters that use wireless technology to send up-to-the-minute readings to collection units in the water service area, enabling the utility to detect leaks and notify the customers in a timely fashion. Once the entire 33,000 meters in the water service area have been updated, customers can expect more timely water bills and information regarding their water consumption. The utility will be able to monitor large and small water consumers and thus help them to conserve our precious water resources for the future.

Major Initiatives

Census 2010 Campaign. Every year, more than \$300 billion in federal funds is awarded to states and communities based on census data. The “**Participate in the 2010 Census – It’s in our Hands**” campaign is partnering with public, private, schools, churches, organization within the City of North Miami Beach to ensure participation in the upcoming census. Some of our initiatives involved daily broadcasting of Census message on the City channel 77,

meetings with radio personalities, numerous visits to high, middle and elementary schools attending school events, PTA meetings and school conferences, a Census Poster Contest was also conducted, created Census Flyers in Creole, Spanish, and English, developed Census posters in four languages and tri-lingual Census message are printed on utility bills. The emphasis is on participation, because the more accurate the City of North Miami Beach Census count is, the more federal dollars our region will see over the next ten years.

New initiatives.

The City of North Miami Beach currently has the following projects underway;

- NE 172 Street Drainage Improvement;
 - The project includes installing drainage system between NE 23 Avenue and West Dixie Highway to drain excess water.
- Citywide Trees Planting;
 - CRA is planning to plant oak and palm trees in median and right-of-way at various locations to beautify the area.
- Pedestrian Bridge Security Cameras;
 - Four cameras, concrete poles and lighting at Challenger Park Bridge.
- Tennis Center Master Planning;
 - Tournament Hard and Clay courts
 - Improved parking
 - Landscaping
 - Future-Two story retail center with restaurant and locker rooms
- Taylor Park Renovation (Phase I)
 - A new score-board is being developed, along with replacing fencing with decorative type, resurfacing the existing parking lot, and handling construction of pre-fab restrooms and base ball field.
- Mishcon Park
 - Upgrade ball field with synthetic Athletic Play surface
 - Landscaping
 - New fencing
 - Lighting
- Commercial Façade Improvement Program
 - This program seeks to help businesses improve the attractiveness of properties, which will achieve the goal of Community Redevelopment Agency to eliminate conditions that have a negative impact on economic growth.

Relevant financial policies

In general, it is the City's policy to consistently add to the City's reserve each year and Fiscal Year 2009 that policy continued. The commitment against unrestricted net asset balance is intended to be a bottom line for the City and its related governmental and business-type activities. While the City Council and City Administration may have varying commitments against these balances these choices are subject to be revised/changed by the Council.

Awards and Acknowledgements

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, 2008. This was the twenty-first 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.

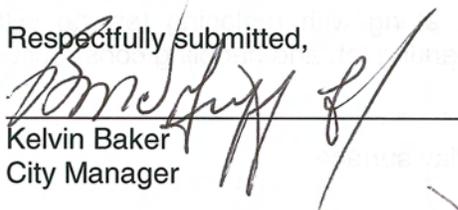
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

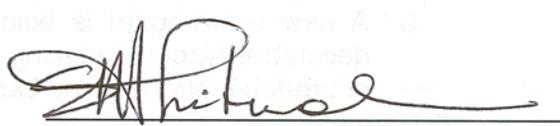
We express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. A special note of thanks and appreciation is also extended to our auditors, Sharpton, Brunson & Company, P.A., for their professional approach and high standards in the conduct 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,



Kelvin Baker
City Manager



Susan Gooding-Liburd
Director of Financial Services



Marcia Fennell
Assistant Finance Director

CITY OF NORTH MIAMI BEACH, FLORIDA
CERTIFICATE OF ACHIEVEMENT
SEPTEMBER 30, 2009

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of North Miami Beach
Florida

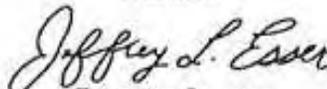
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2008

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.




President


Executive Director

**CITY OF NORTH MIAMI BEACH, FLORIDA
LIST OF CITY OFFICIALS
SEPTEMBER 30, 2009**

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Myron Rosner, Mayor

Barbara Kramer Frantz Pierre

Philippe Derose Beth Spiegel

John P. Julien Phyllis S. Smith

CITY MANAGER

Kelvin L. Baker

CITY ATTORNEY

Darcee Siegel

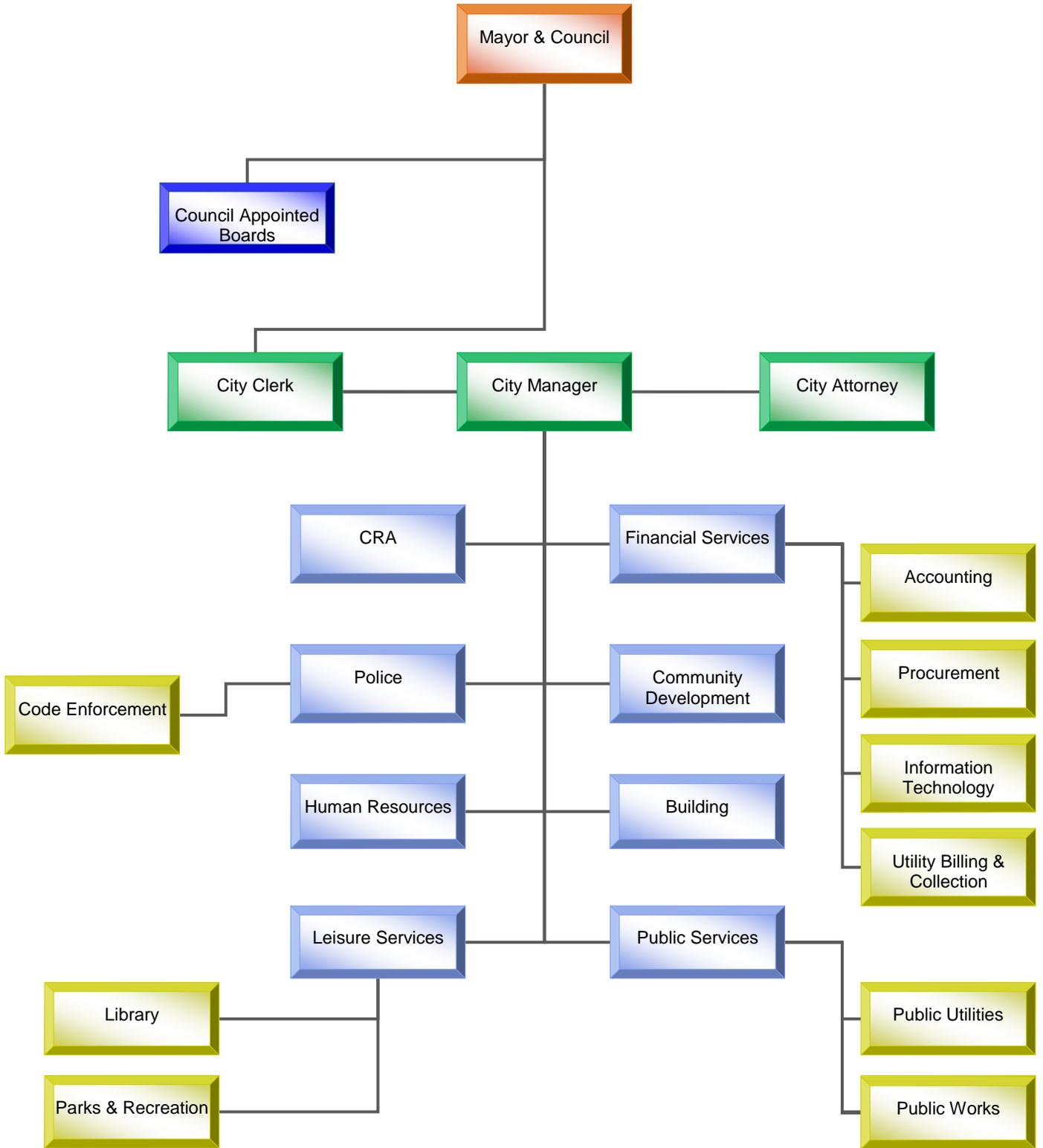
DIRECTOR OF FINANCIAL SERVICES

Susan Gooding-Liburd, CPA, CGFO

CITY AUDITORS

Sharpton Brunson and Company, P.A.

**CITY OF NORTH MIAMI BEACH, FLORIDA
ORGANIZATION CHART
SEPTEMBER 30, 2009**



II. FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



One Southeast Third Avenue
Suite 2100
Miami, Florida 33131
Telephone: (305) 374-1574
Facsimile: (305) 372-8161

110 East Broward Boulevard
Suite 1950
Fort Lauderdale, Florida 33301
Telephone: (954) 467-5490
Facsimile: (954) 467-6184

215 South Monroe Street
Suite 600
Tallahassee, Florida 32301
Telephone: (850) 224-2994
Facsimile: (850) 222-1241

Website: www.sbccpa.com

Independent Auditors' Report

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 (including the Community Redevelopment Agency Special Revenue Fund) of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the General Employees of the City of North Miami Beach and the Retirement Plan for the Police Officers and Firefighters of the City of North Miami Beach, which represent 37% and 40%, respectively, of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Retirement Plan for the General Employees of the City of North Miami Beach and the Retirement Plan for the Police Officers and Firefighters of the City of North Miami Beach, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, based on our audit and the reports of other auditors, 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 of North Miami Beach, Florida, as of September 30, 2009 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 of America.

In accordance with Government Auditing Standards, we have also issued under separate cover our report dated March 26, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis (MD&A) and the required supplementary information, on pages 3 through 23 and 93 through 105, 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 of America. We and the other auditors 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 section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sharpton Brunson & Company, P.A.

March 26, 2010

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

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, 2009. 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 vi of this report.

Financial Highlights

- The City of North Miami Beach experienced an increase in *Total assets* of about \$20.6 million or 7.9% in 2009. *Capital assets* increased by \$4.0 million because of the Norwood Water Plant project, and *Current assets – restricted* decreased by \$.777 million due to a decrease in cash reserve. *Current asset – unrestricted* increased by about \$17.4 million due to larger year-end balance in investments. All of which net to \$20.6 million increase in total assets.
- *Total liabilities* increased by about \$2.0 million, or 1.4%, in 2009. *Current liabilities* decreased by about \$2.0 million in 2009, primarily due to the recognition of capital contributions from the contractors, while *Noncurrent liabilities* increased by about \$4.0 million, primarily due to an additional loan obligation associated with Community Redevelopment Agency (CRA).
- *Net assets* increased by about \$18.5 million, or 15.3%, in 2009, primarily due to capital asset and related debt activity for the Norwood Water Plant project.
- *General revenues* decreased by about \$1.6 million, or 4.3%, in 2009. *Property taxes* decreased by about \$1.6 million. *Utility taxes, Franchise fees and Communication service tax* increased by about \$.5 million combined, due to re-negotiation of agreements which became effective in FY09. *Sales tax, State revenue sharing and miscellaneous revenues* decreased due to the slow economic recovery nationwide.
- *Fines and forfeiture* increased by about \$7.4 million due to Law Enforcement Trust Fund (LETF) receiving a large settlement from the federal government.
- *Operating expenses* decreased by about \$2.0 million, or 3.2%, due to tight restrictions on purchases implemented during the fiscal year.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

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 these components:

- Government-wide financial statements
- Fund financial statements
- Statements of Cash Flows

Also included are notes to the financial statements and other supplementary information that provide more detailed data. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America promulgated by GASB.

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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The government-wide financial statements include not only the City of North Miami Beach itself (known as the *primary government*), but also a legally separate community redevelopment agency for which the City is financially accountable. This *component unit* functions for all practicable purposes as a department and special revenue fund of the City and has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 24-25 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, which is considered to be a major fund. 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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The basic governmental fund financial statements can be found on pages 26 - 28 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 29 through 32 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 33 - 34 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. Note 14 contains information regarding the Community Redevelopment Agency, which is a component unit.

The notes to the basic financial statements can be found on pages 35-92 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 93 - 105 of this report.

The combining statements referred to earlier in connection with non major governmental funds are presented immediately following the required supplementary information. Budgetary comparison schedules are included for non major governmental funds that adopt budgets.

Combining and individual fund statements and schedules can be found on pages 106-125 of this report.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-Wide Financial Analysis

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. The government-wide financial statements include the *Statement of Net Assets* and the *Statement of Activities*.

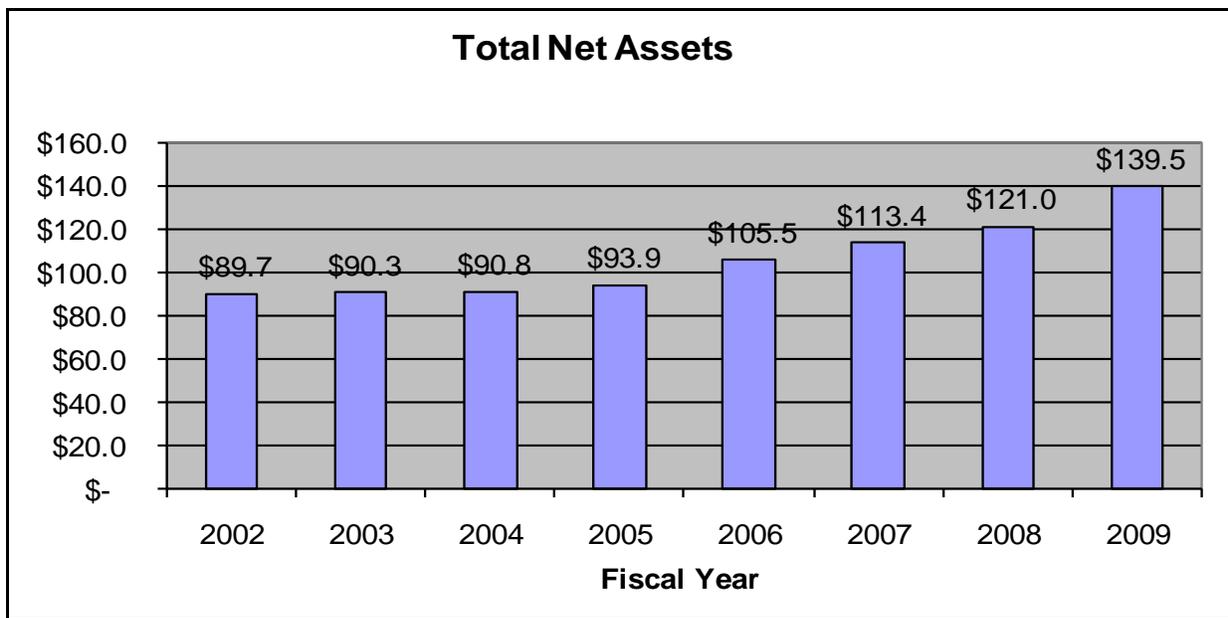
The *Statement of Net Assets* presents information on the assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. It is focused on both the gross and net cost of various programs and activities, which is supported by the City's general taxes and other sources. This is intended to simplify and summarize the user's ability to analyze the cost of the City's governmental activities.

The government-wide financial statements can be found on pages 24-25 of this report.

The City of North Miami Beach's total net assets exceeded liabilities by \$139.5 million at the close of this fiscal year. This was an increase of approximately fifteen percent compared to last year's net assets of \$121.0 million. The chart below shows a steady and gradual increase over the last eight fiscal years.

City of North Miami Beach's Total Net Assets



**CITY OF NORTH MIAMI BEACH, FLORIDA
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- *Invested in capital assets, net of related debt* - The largest portion of the City's net assets (88%) 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.
- *Restricted net assets* - Some of the City's net assets (5.6%) 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, as well as other post-employment benefit liability.
- *Unrestricted net assets* – this represents resources (6.4%) that may be used to meet the City's ongoing obligations to citizens and creditors.

City of North Miami Beach's Net Assets (in \$ millions) – Government-wide

	2009			2008		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$ 37.1	\$ 12.3	\$ 49.4	\$ 23.2	\$ 8.8	\$ 32
Restricted assets	0.8	0.5	1.3	1.1	1.0	2.1
Capital assets, net	<u>69.0</u>	<u>161.0</u>	<u>230.0</u>	<u>67.5</u>	<u>158.6</u>	<u>226.1</u>
Total assets	<u>106.9</u>	<u>173.8</u>	<u>280.7</u>	<u>91.8</u>	<u>168.4</u>	<u>260.2</u>
Long-term liabilities	44.5	73.1	117.6	44.5	75.1	119.6
Other liabilities	<u>7.8</u>	<u>15.7</u>	<u>23.5</u>	<u>5.4</u>	<u>14.2</u>	<u>19.6</u>
Total liabilities	<u>52.3</u>	<u>88.8</u>	<u>141.1</u>	<u>49.9</u>	<u>89.3</u>	<u>139.2</u>
Net Assets:						
Invested in capital assets, net of related debt	35.3	87.4	122.7	32.5	84.1	116.6
Restricted	7.6	0.2	7.8	2.1	0.1	2.2
Unrestricted	<u>11.6</u>	<u>(2.6)</u>	<u>9.0</u>	<u>7.3</u>	<u>(5.1)</u>	<u>2.2</u>
Total net assets	<u>\$ 54.5</u>	<u>\$ 85.0</u>	<u>\$ 139.5</u>	<u>\$ 41.9</u>	<u>\$ 79.1</u>	<u>\$ 121.0</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
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City of North Miami Beach's Changes in Net Assets (in \$ millions) – Government-wide

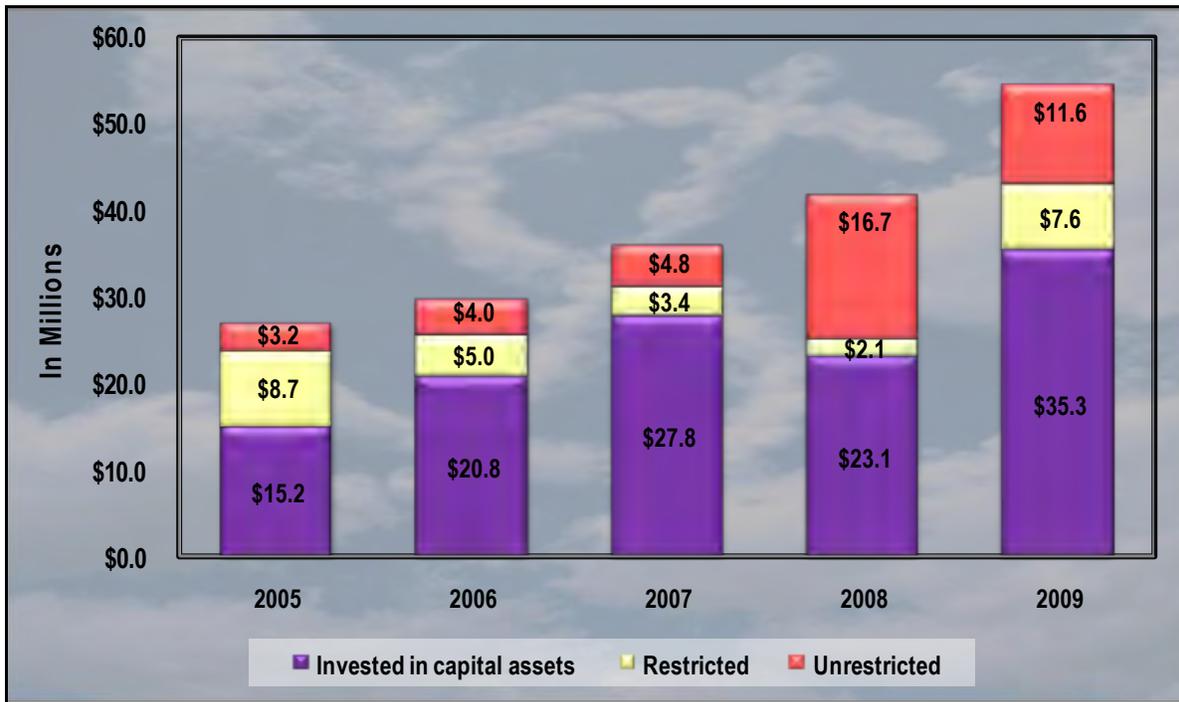
	2009			2008		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 28.6	\$ 35.2	\$ 63.8	\$ 19.9	\$ 30.6	\$ 50.5
Operating grants & contributions	1.2	0.1	1.3	1.8	1.4	3.2
Capital grants & contributions	0.4	4.9	5.3	0.0	1.4	1.5
General Revenues:						
Property taxes	18.1	-	18.1	19.7	-	19.7
Other taxes	7.3	-	7.3	6.8	-	6.8
Intergovernmental (including sales tax)	7.7	-	7.7	8.4	0.7	9.1
Other miscellaneous	<u>1.8</u>	<u>0.7</u>	<u>2.5</u>	<u>1.6</u>	<u>-</u>	<u>1.6</u>
Total revenues	<u>65.1</u>	<u>40.9</u>	<u>106.0</u>	<u>58.2</u>	<u>34.1</u>	<u>92.3</u>
Expenses:						
General government	16.6	-	16.6	14.9	-	14.9
Public safety	22.0	-	22.0	23.3	-	23.3
Library	0.6	-	0.6	1.0	-	1.0
Parks and recreation	4.4	-	4.4	4.9	-	4.9
Public services	13.0	-	13.0	11.6	-	11.6
Interest on long-term debt	1.9	-	1.9	1.9	-	1.9
Water	-	23.3	23.3	-	18.4	18.4
Sewer	-	5.0	5.0	-	4.4	4.4
Stormwater	<u>-</u>	<u>0.8</u>	<u>0.8</u>	<u>-</u>	<u>0.8</u>	<u>0.8</u>
Total Expenses	<u>58.5</u>	<u>29.1</u>	<u>87.6</u>	<u>57.6</u>	<u>23.6</u>	<u>81.2</u>
Increase (decrease) in net assets before transfers	6.6	11.8	18.4	0.6	10.5	11.1
Transfers	<u>6.0</u>	<u>(6.0)</u>	<u>-</u>	<u>5.3</u>	<u>(5.3)</u>	<u>-</u>
Change in net assets	12.6	5.8	18.4	5.9	5.2	11.1
Net assets - beginning	<u>41.9</u>	<u>79.1</u>	<u>121.0</u>	<u>36.0</u>	<u>77.4</u>	<u>113.4</u>
Prior period adjustment					(3.5)	(3.5)
Net assets beginning as restated	<u>41.9</u>	<u>79.1</u>	<u>121.0</u>	<u>36.0</u>	<u>73.9</u>	<u>109.9</u>
Net assets - ending	<u>\$ 54.5</u>	<u>\$ 85.0</u>	<u>\$ 139.5</u>	<u>\$ 41.9</u>	<u>\$ 79.1</u>	<u>\$ 121.0</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
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Governmental activities: Net assets of the City's governmental activities increased by thirty-one percent from \$41.9 million in the last fiscal year compared to \$54.5 million in the current fiscal year. *Property taxes* decreased slightly due mostly to foreclosure in the City, *charges for services* increased by approximately \$8.7 million primarily due to a large fines and forfeiture settlement from the federal government to be used for law enforcement. Although there were small decreases in *Grants and contribution*, overall there was an increase of approximately \$7.0 million in revenues.

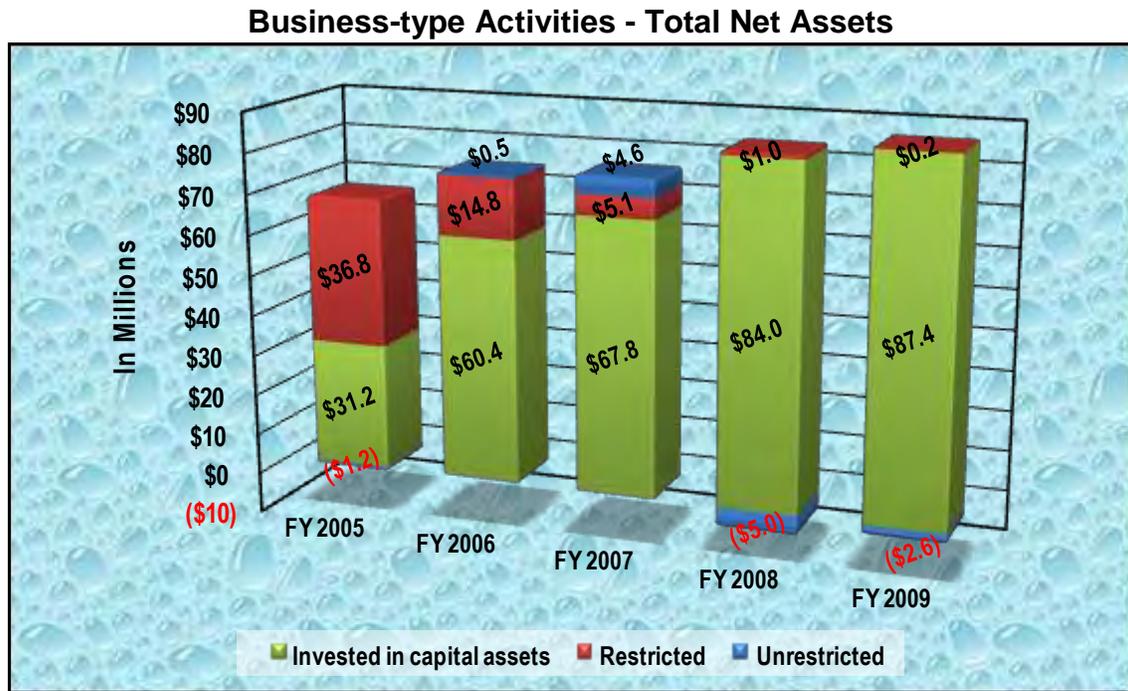
The City reduced its expenditures by over \$1.0 million from general government, police services, Library and Parks and recreation due to the implementation of the City's "Comprehensive Analysis of Revenue and Expenditure" (C.A.R.E) program, by taking a look at the way we do business. Overall the City increased its net assets by approximately \$12.7 million due primarily to inter-fund transfers from the Enterprise funds, and the settlement from the federal government.

Governmental Activities - Total Net Assets



**CITY OF NORTH MIAMI BEACH, FLORIDA
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Business-type activities: The City's net assets of the business-type activities increased by approximately seven percent from \$79.1 million in last fiscal year, compared to \$84.9 million in the current fiscal year. *Charges for service* increased by \$4.6 million, or 15%, due to an increase in the service rate charges for water, sewer and stormwater. Also, there was a \$3.5 million increase in Capital grants and contribution as a result of a capital contribution made to the City from developers. The expenditures increased by approximately \$5.0 million as a result of the Norwood Water Treatment Plant, which began full operation in fiscal year 2009.



The City's Business-type unrestricted net assets increased from prior year, by approximately \$2.5 million. The deficit in the restricted net asset occurred as restricted bond proceeds are spent on the water treatment plant expansion. While the restricted net assets show a deficit, there is a direct relationship in the increase of investment in capital assets. This deficit is anticipated to be eliminated over the next two years.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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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. Traditional users of the governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus of the Fund Financial Statements is on Major Funds, rather than fund types.

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. The Governmental Funds presentation is designed to show the sources and uses of liquid resources. This is the manner in which the budget is typically developed. 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 current financial resources available to spend for City operation.

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (reserved, designated, and undesignated) of \$31.7 million, an increase of approximately \$14.0 million in comparison with the prior year. The increase was due to the City receiving proceeds from credit facilities for the Community Redevelopment Agency of \$4.0 million, needed in the upcoming years for land acquisitions. The City also received a settlement in the amount of \$8.0 million from the federal government to be used for law enforcement activities.

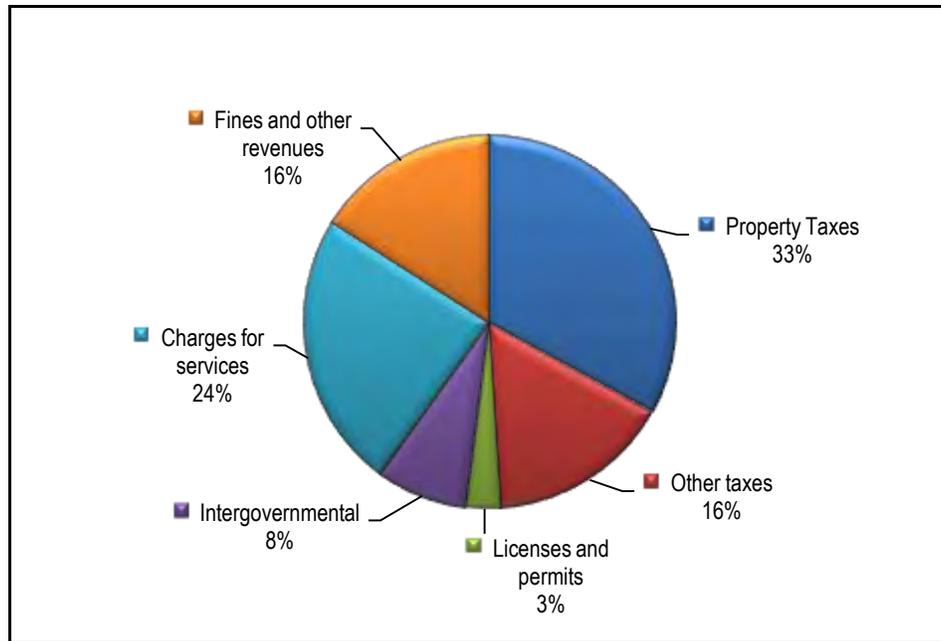
Unreserved fund balance is the portion of what is available for spending at the City's discretion. This year, 66.8 percent of fund balance (\$21.2 million) constitutes unreserved fund balance. Of this amount, the Council has designated approximately \$2.8 million for land acquisition, liability and workers' compensation claims and an additional \$10.2 million has been set aside for special revenue (CRA –land acquisition and Law Enforcement purposes) and approximately \$8.2 million as undesignated. 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 undesignated fund balance of the General Fund was \$8.2 million, unreserved designated fund balance was \$2.8 million and reserved fund balance was \$3.3 million, for a total fund balance of \$14.3 million. Last fiscal year the General Fund's total fund balance was \$10.3 million.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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Total General Fund revenue decreased slightly by \$.3 million compared to the prior fiscal year. Decreases were due mainly to Property taxes, other taxes, licenses and permits, and intergovernmental revenues received from the State. However, Franchise fees, Utility taxes, Communication service tax and Charges for services revenues were able to stabilize the decrease to only a trickle.

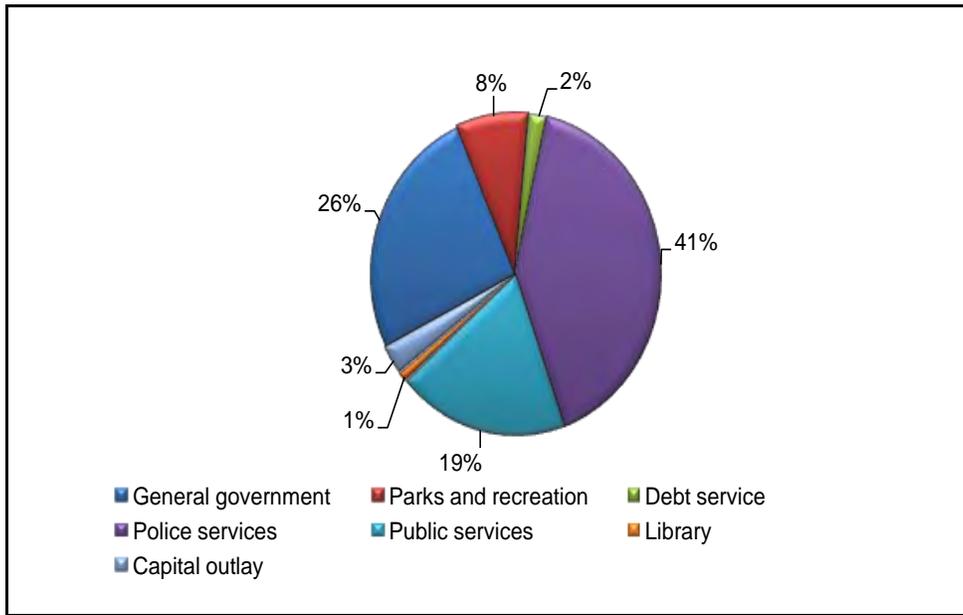
FY 09 General Fund Revenues



Total General Fund expenditures also decreased by \$.4 million as compared to the prior year. *General government* decreased by approximately \$.3 million, which was due to the City's continued effort in streamlining and consolidating departments to operate in a more efficient manner due to the "down-turn" in the economy. *Police services* posted an increase of approximately \$.2 million which was a result of an increase in the pension contribution and a wage increase of the police union contract. *Parks and recreation* showed a slight increase which is related to normal salary and benefit costs.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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Fiscal Year 2009



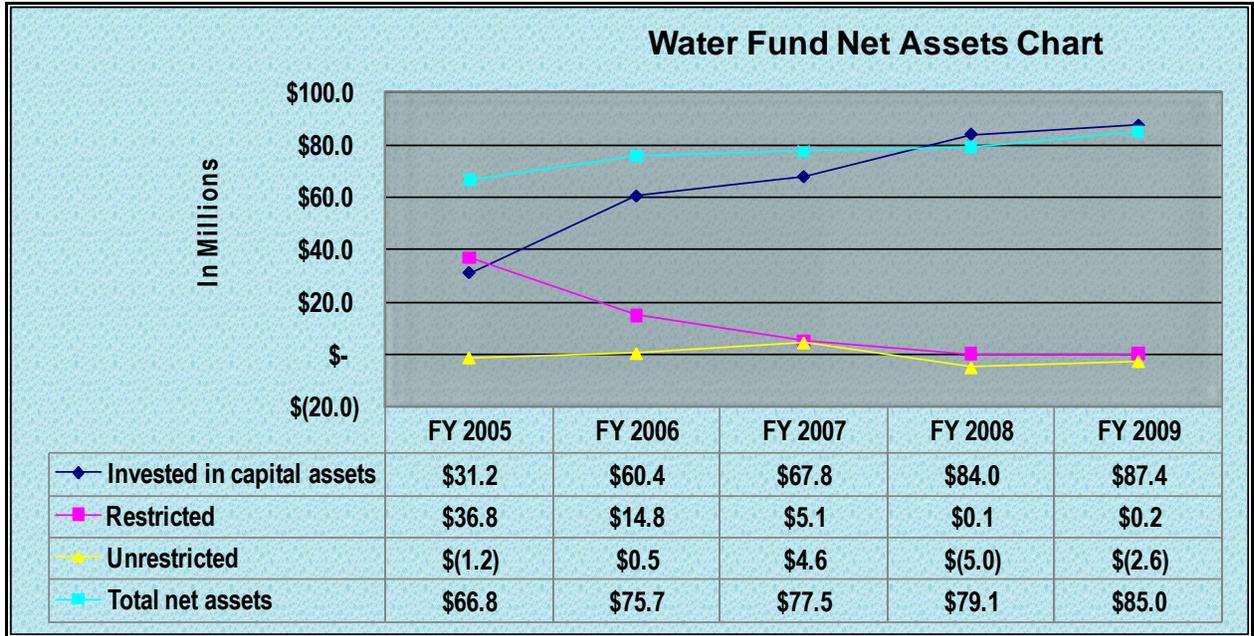
Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds account for services that are generally supported by user fees charges to customers. Proprietary funds are presented on a total economic resources basis. Proprietary fund statements, like government-wide statements, provide both short and long term financial information.

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 financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Unrestricted net assets for the enterprise funds at the end of the year were a negative \$2.7 million. This negative balance was comprised of the following: Water Fund negative balance of \$3.7 million, Sewer Fund positive balance of \$.6 million, and Stormwater Fund positive balance of \$.4 million. This remaining deficit amount is expected to be eliminated in two years, as the Water Fund investment in capital asset increases.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Water Fund's unrestricted net assets increased by \$2.3 million. The City's unrestricted net assets reflect 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 statements* focus 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. As the chart indicates, as more of the water treatment plant construction phases are completed, the various capital and capital-related financing activities have been changing. The restricted assets that fund the capital construction are decreasing as the City's investment in these capital assets is increasing. The City made a diligent effort to keep operating income sufficient to cover its operating activities. This trend will continue to be monitored and adjustments may still need to be made in future budget years.



Water Fund capital contributions revenue increased by approximately \$3.5 million compared to last year. This, in turn, increased unrestricted net assets in the Water Fund. Overall, the Water Fund reflected approximately a \$5.7 million increase in its net asset as compared to prior year.

In the Sewer Fund, net assets experienced an incremental increase, and in the Stormwater Fund, net assets increased by \$.2 million.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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Selected data (in \$ millions) from the City's Proprietary Funds are shown below:

	2009				2008			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Stormwater Utility</u>	<u>Total</u>
Revenues:								
Operating Revenues	\$ 27.6	\$ 6.4	\$ 1.3	\$ 35.3	\$ 23.4	\$ 5.9	\$ 1.3	\$ 30.6
Expenses:								
Operating Expenses	15.0	4.2	0.5	19.7	11.7	3.8	0.5	16.0
Depreciation	<u>4.7</u>	<u>0.8</u>	<u>0.2</u>	<u>5.7</u>	<u>3.3</u>	<u>0.7</u>	<u>0.1</u>	<u>4.1</u>
Total Expenses	<u>19.7</u>	<u>5.0</u>	<u>0.7</u>	<u>25.4</u>	<u>15.0</u>	<u>4.5</u>	<u>0.6</u>	<u>20.1</u>
Operating Income	7.9	1.4	0.6	9.9	8.4	1.4	0.7	10.5
Non-operating revenue (expense)	(2.9)	0.1	-	(2.8)	(2.5)	1.0	-	(1.5)
Capital contributions	4.4	0.1	-	4.5	1.3	0.1	-	1.4
Transfers	<u>(4.1)</u>	<u>(1.5)</u>	<u>(0.4)</u>	<u>(6.0)</u>	<u>(3.6)</u>	<u>(1.3)</u>	<u>(0.1)</u>	<u>(5.0)</u>
Changes in net assets	5.7		0.2	5.9	3.7	1.3	0.2	5.2
Net assets - beginning	54.9	21.3	2.9	79.1	54.7	20.0	2.7	77.4
Prior period adjustment	-	-	-	-	(3.5)	-	-	(3.5)
Net asset, beginning as restated	<u>54.9</u>	<u>21.3</u>	<u>2.9</u>	<u>79.1</u>	<u>51.2</u>	<u>20.0</u>	<u>2.7</u>	<u>73.9</u>
Net assets - ending	<u>\$ 60.6</u>	<u>\$ 21.3</u>	<u>\$ 3.1</u>	<u>\$ 85.0</u>	<u>\$ 54.9</u>	<u>\$ 21.3</u>	<u>\$ 2.9</u>	<u>\$ 79.1</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 93-95 of this report.

Differences between the *original budget* and the *final amended budget* amounted to \$137,000 this year and can be briefly summarized as follows:

- Purchase and installation of an air conditioner chiller unit for the Police building increased expenditures by \$65,200.
- Revenue received from rental of the tennis center in the amount of \$25,300 allowed for additional improvements to the tennis center.
- An increase of \$46,500 in expenses for imaging and microfilming of the building department permits and plans from reserved fund balance, sale of surplus equipment, and donations received from other governmental agencies.

**CITY OF NORTH MIAMI BEACH, FLORIDA
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The differences in the *actual* revenues and expenditures as *compared* to the *final amended budget* are summarized as follows:

- For the third consecutive year, the City's housing market was the victim of a depressed economy. As a result, the City experienced a negative variance of \$550,000 in Ad Valorem (Property) Taxes, thereby creating an unusual foreclosure rate on properties within City limits.
- The franchise fee and utility tax revenues received from Florida Power & Light Company (FPL) were slightly higher than budgeted. The combined revenue received was \$109,000 more than expected. This was due in part to higher fuel costs passed on to customers by FPL and a surcharge to provide for future hurricane preparedness.
- In fiscal year 2002, the Florida Communication Service Tax (CST) replaced the City's franchise fees and utility taxes for cable TV and telecommunications. The amount of CST revenues received was \$462,000 less than budgeted this fiscal year. The decrease in revenues is due primarily to the deteriorating economy.
- As a result of a lackluster economy, building permits and fees were \$266,000 less than expected.
- As per City policy, use of unreserved surplus is included in the revenue budget. For statement purposes, it is shown in Other Revenue.
- Due to efficiencies of operation and tighter budget constraints, the Executive, Human Resources and Parks and Recreation (Leisure Services) Departments exhibited positive variances of \$291,000, \$610,000 and \$341,000 respectively.
- Overall, departments' current expenditures were in line with budgeted expenditures. However, the Police Department had a negative variance of \$367,000 due primarily to overtime incurred as a result of various investigations.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

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, 2009 amounts to \$229.8 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 1.6 percent.

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

	<u>2009</u>			<u>2008</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Land	\$ 4.3	\$ 5.9	\$ 10.2	\$ 4.3	\$ 5.9	\$ 10.2
Buildings and plant	9.3	147.3	156.6	10.5	137.2	147.7
Improvements other than buildings	20.3	-	20.3	7.8	-	7.8
Furniture, fixtures, machinery and equipment	6.9	2.9	9.8	6.8	2.3	9.1
Infrastructure	3.2	-	3.2	3.4	-	3.4
Construction in progress	<u>24.9</u>	<u>4.8</u>	<u>29.7</u>	<u>34.8</u>	<u>13.1</u>	<u>47.9</u>
Total capital assets	<u>\$ 68.9</u>	<u>\$ 160.9</u>	<u>\$ 229.8</u>	<u>\$ 67.6</u>	<u>\$ 158.5</u>	<u>\$ 226.1</u>

Capital assets within the governmental activities had an additional \$4.9 million before depreciation and include the following items:

- Various construction-in-progress citywide totaled \$2.9 million. It included the various types of project improvements such as the restorations of numerous alleyways citywide, the continuation of the Hanford Boulevard renovation project and various road surfacing projects.
- Equipment purchases of \$1 million to include the purchase of heavy service vehicles and equipment, several police cars, and upgrading of the telephone system.
- Purchase and installation of the air conditioner chiller unit for the City Hall building at total cost of \$500,000.
- Completion of the Amphitheater restorations due to hurricane damages at a cost of \$500,000.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

Additions to capital assets before depreciation for business type activities amounted to \$8 million. The majority of the increase is attributed to the installation of water mains installed by commercial entities and other major developers that were donated and released to the City for maintenance.

- Installation of water mains installed by commercial entities, such as, Murrays Speed and Custom, Trump Tower, Trump Royale and other major developers were donated and released to the City for maintenance, at cost of \$4 million.
- Construction-in-progress totaled \$2.5 million for various projects, such as the VOC (Volatile Organic Compound) project, various water main infrastructure improvements, the Operation Center storage tank project and the continuation of the water treatment plant expansion.
- The installation of two standby power generators at the Norwood Water Treatment Plant at a cost of \$816,000.
- Sewer projects totaled \$700,000. The majority of the projects include the rehabilitation of lift stations, wastewater flow analysis and various infrastructure improvements.

Additional information on the City's capital assets can be found in Note 5, starting on page 52 of this report.

Long-term Debt

In 2007, the City received an updated credit report and rating letter which indicated that Standard and Poor's Rating Services affirmed its "A" underlying rating (SPUR), with a stable outlook on the City's water revenue bonds.

In August, 2008 and again in January, 2009 the NMB CRA drew down its two lines of credit (\$3 million for infrastructure improvements and \$5 million to acquire land). The CRA will use these funds to improve blighted neighborhoods within the CRA area.

At the end of the current fiscal year, the City had total bonded debt outstanding of \$103.2 million. Of this amount, \$25.1 million in debt was approved by referendum by the City's voters. The guaranteed portion of State Revenue Sharing was pledged to secure a net outstanding balance of \$1.2 million in debt. The remainder of the City's debt (\$76.9) represents bonds secured solely by specified revenue sources, such as water utility revenue bonds and transit surtaxes. Additionally, no new bond issues or refinancing occurred and normal debt service repayments resulted in an overall \$1.9 million decrease in outstanding bonded debt.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

**City of North Miami Beach's Outstanding Debt
General Obligation and Revenue Bonds
(In millions)**

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 32.39	\$ 33.70	\$ -	\$ -	\$ 32.39	\$ 33.70
Revenue bonds	-	-	70.88	71.53	70.88	71.53
Total	<u>\$ 32.39</u>	<u>\$ 33.70</u>	<u>\$ 70.88</u>	<u>\$ 71.53</u>	<u>\$ 103.27</u>	<u>\$ 105.23</u>

Additional information on the City's long term debt can be found in Note 9, starting on page 57 of this report.

Economic Factors and Next Year's Budgets and Rates

While the national and local economies have been weak over the last few years, the City of North Miami Beach was not immune from its effect as our property tax base declined, primarily due to an increased number of foreclosures. Many of our retail and commercial businesses have felt the effects of the current economic issues. The occupancy rates of the City's retail establishments and office structures are 85% and 77%, respectively.

Per the U. S. Department of Labor, the unemployment rate for South Florida is currently 11.4 percent, up from 6.7 percent a year ago. South Florida has been hit especially hard from the failure of the housing market; foreclosure in the City of North Miami Beach has reached over 1,200 homes. But it is not all doom and gloom. The City of North Miami Beach has received some Stimulus funds, and is primed to also receive a Neighborhood Stabilization Grant. The City has launched their "**Census 2010 Campaign**" with an emphasis on participation. The more accurate our census count, the more federal dollars our region will see over the next ten years.

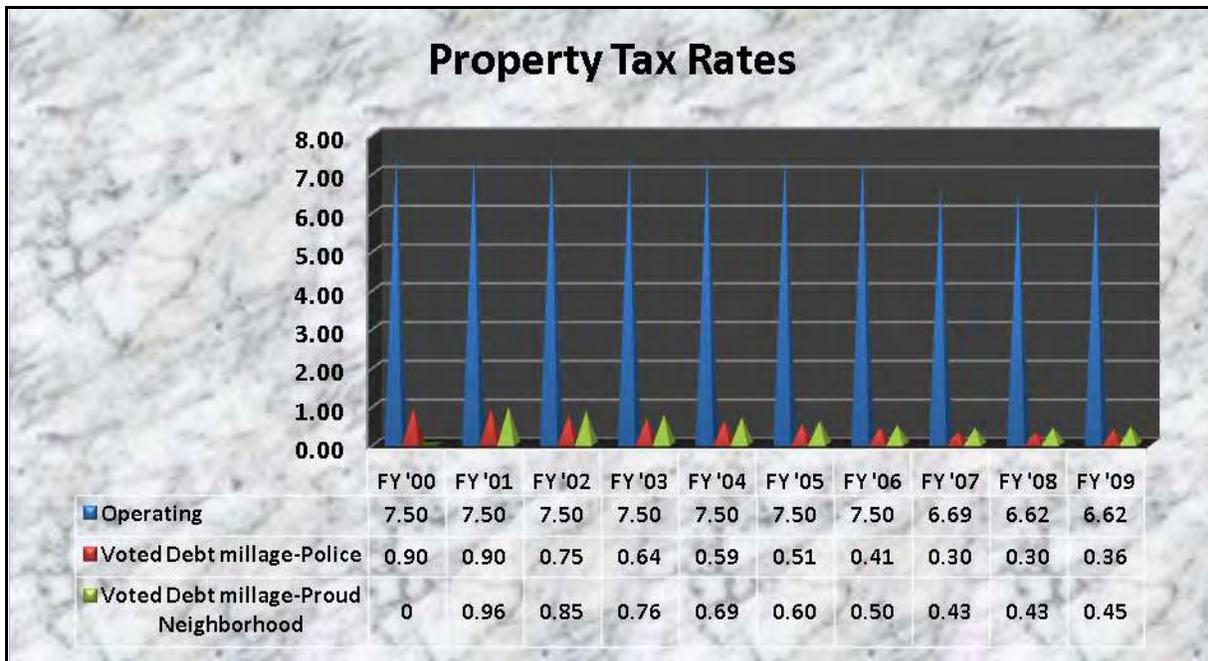
During the current fiscal year, unreserved undesignated fund balance in the General Fund increased by \$1.7 million. Fiscal prudence influenced the City's decision to build up its fund balance; therefore, no unreserved fund balance was appropriated for use in the 2009 fiscal year budget.

Each year, the City renews a short-term line of credit to be used for unanticipated emergencies, such as hurricane expenses, as well as any cash flow issues that may arise. Of the \$3.5 million available in the line of credit, the City did not utilize the line of credit in fiscal year 2009.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

In 1995, the State of Florida limited all local governments' ability to raise property assessments of homesteaded property in any given year to 3 percent or cost of living, whichever is lower. Statutory changes to the state's tax laws were passed by the Florida Legislature on June 14, 2007 and signed into law on June 21, 2007. Implementation of a key provision of the law started for budgets beginning in fiscal year 2008 and provided maximum millage rates for all local governments including counties, municipalities and special taxing districts. The maximum millage allowed is based on each government's compound annual growth in per capita property taxes levied from fiscal year 2002 to 2007. In effect, the State required all governments to decrease property taxes by rolling back the operating millage rate to fiscal year 2002 values. The City lowered its millage rate by 11% changing the rate from 7.50 to 6.6905 in fiscal year 2007, and another 1% decrease was done in fiscal year 2008 changing from 6.6905 to 6.6236. There was no change to the City's operating millage rate for fiscal year 2009.

The City's operating millage (property tax rate) has been reduced or has remained steady over the last ten years with the exception of 2007. The new tax laws dramatically changed the 2007 millage rate. While these mandates have limited the City's available property tax revenue, the City's operational expenditures, such as salaries, health insurance, and pension contributions, continue to increase. The City negotiated a three-year contract with the general employee's union, which will expire on September 30, 2010. The police employee's union contract expired September 30, 2009.



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 cost of service requests from taxpayers continue to rise.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

Besides property taxes, the City's other major revenue source is water utility revenue. For water and sewer rates, an automatic annual rate indexing adjustment is in effect in accordance with the Florida Public Service Commission deflator index. For the fiscal year 2009 budget, the adjustment increased the rates charged for water and sewer consumption by 2.50 percent. Additionally, rate structure changes were approved starting in the fiscal year 2007 budget, as well as water conservation block modifications. The rate charged will also be based on the meter size. The bulk of the changes impacted the multi-family 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 into both the Biscayne and Floridian aquifers. The water treatment plant expansion will improve treatment levels and water quality as well as provide future water availability. By allowing itself 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 new Norwood Water Treatment Plant production capacity will almost double, producing up to 32 million gallons per day. Because of the expansion, the City of North Miami Beach is the first water supplier in Miami-Dade County to utilize an alternative water supply and new membrane filtration technology. Since September 2007, the new membrane system has been producing 8 million gallons of water per day. The City will continue to purchase water from the County on a wholesale basis to offset the difference between demand and production; over time the amount of water purchase will decrease. This decline began in September 2008.

The City's Norwood Water Treatment Plant production has increased, while the amount of water purchased from Miami-Dade County has been steadily decreasing. Once the City's Norwood Plant is fully operational, this trend should continue to reflect the decrease in the City's dependence on Miami-Dade County to supply water for its customers.

During fiscal year 2006, a consultant was engaged to perform a rate structure study. The consultant recommended changes that are compatible with customers' actual consumption and prevailing trends in rate design. As a result, a new rate structure was approved which modified the minimum gallon set points and the underlying conservation blocks starting in fiscal year 2007. The City's existing rates were then applied to this new rate structure. As the conservation usage blocks were lowered, most users received an increase in their utility bills, with the multi-family users receiving the highest increase, as their blocks were substantially modified.

**CITY OF NORTH MIAMI BEACH, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

In order to set rates to provide sufficient revenue and to accommodate future growth needs, a second, multi-phased rate study was performed in fiscal year 2007. This rate study modified the price per gallon charged for both water and sewer service. The City Council chose to commit to rate increases over the next five years in order to provide a stable base for future growth needs and to enable the utility to meet all anticipated federal and state regulatory health, safety, and water quality mandates. Thus, rates will increase 10% plus the deflator over the next five years. The additional amount received due to the increase can be set aside for future expansion and growth of the water system.

Again, as we prepare our next year budget, our focus will be on revenue enhancements and expenditure containment throughout the City. The correction in the housing market is now entering its third year. During this period, both commercial construction and residential construction declines were felt in the City's budget, as building permit revenue has decreased and impact fees that affect the water and general funds have leveled off. 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:

Susan A. Gooding-Liburd
Director of Financial Services
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, 2009

	Governmental Activities	Business- type Activities	Total
ASSETS			
Pooled cash and investments	\$ 24,666,858	\$ 2,355,846	\$ 27,022,704
Receivables	10,243,835	8,015,188	18,259,023
Inventories	195,099	735,617	930,716
Prepaid costs	8,517		8,517
Deferred charges	-	1,198,492	1,198,492
Other assets	45,100	-	45,100
Net pension asset	1,927,821	-	1,927,821
Restricted assets:			
Pooled cash and investments	-	514,072	514,072
Escrow funds held by agent	551,034	3,279	554,312
Escrow funds held by lessor	245,596	1,407	247,004
Capital assets, not being depreciated	29,266,029	10,711,517	39,977,546
Capital assets, net of accumulated depreciation	<u>39,709,772</u>	<u>150,252,908</u>	<u>189,962,680</u>
Total Assets	<u>106,859,662</u>	<u>173,788,325</u>	<u>280,647,987</u>
LIABILITIES			
Vouchers payable and accrued liabilities	2,849,611	6,654,862	9,504,473
Due to other governmental units	-	4,020,920	4,020,920
Customer deposits	-	3,758,343	3,758,343
Unearned revenue	777,596	82,379	859,975
Deposits held in trust	792,634	-	792,634
Net pension obligation (OPEB)	452,000	-	452,000
Non-current liabilities:			
Due within one year	3,491,098	1,141,274	4,632,372
Due in more than one year	<u>43,963,975</u>	<u>73,143,645</u>	<u>117,107,620</u>
Total Liabilities	<u>52,326,914</u>	<u>88,801,424</u>	<u>141,128,338</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,288,496	87,439,522	122,728,019
Restricted for:			
Inplant	-	203,686	203,686
Capital projects	38,147	-	38,147
Debt service	223,911	-	223,911
Law enforcement	6,289,509	-	6,289,509
Grant related	627,699	-	627,699
Restricted for OPEB	500,000	-	500,000
Unrestricted (deficit)	<u>11,564,985</u>	<u>(2,656,307)</u>	<u>8,908,678</u>
Total Net Assets	<u>\$ 54,532,748</u>	<u>\$ 84,986,901</u>	<u>\$ 139,519,649</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 16,555,521	\$ 10,020,948	\$ 115,091	\$ -	\$ (6,419,482)	\$ -	\$ (6,419,482)
Public safety	22,042,410	8,995,688	717,277	-	(12,329,445)	-	(12,329,445)
Library	627,375	25,262	-	-	(602,113)	-	(602,113)
Parks and recreation	4,394,209	614,211	57,338	44,142	(3,678,519)	-	(3,678,519)
Public works	12,966,093	8,990,675	325,632	334,915	(3,314,871)	-	(3,314,871)
Interest on long-term debt	<u>1,951,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,951,948)</u>	<u>-</u>	<u>(1,951,948)</u>
Total governmental activities	<u>58,537,556</u>	<u>28,646,784</u>	<u>1,215,338</u>	<u>379,057</u>	<u>(28,296,378)</u>	<u>-</u>	<u>(28,296,378)</u>
Business-type activities:							
Water	23,343,860	27,598,685	14,425	4,856,926	-	9,126,694	9,126,694
Sewer	5,007,069	6,359,541	41,215	59,676	-	1,453,363	1,453,363
Stormwater	<u>762,144</u>	<u>1,280,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,337</u>	<u>518,337</u>
Total business-type activities	<u>29,113,073</u>	<u>35,238,707</u>	<u>55,640</u>	<u>4,916,602</u>	<u>-</u>	<u>11,098,393</u>	<u>11,098,393</u>
Total	<u>\$ 87,650,629</u>	<u>\$ 63,885,491</u>	<u>\$ 1,270,978</u>	<u>\$ 5,295,658</u>	<u>(28,296,378)</u>	<u>11,098,393</u>	<u>(17,197,985)</u>
General Revenues:							
Property taxes					18,150,945	-	18,150,945
Utility taxes					2,515,573	-	2,515,573
Franchise fees on gross receipts					2,291,515	-	2,291,515
Communication service tax					2,491,209	-	2,491,209
Sales taxes					2,329,356	-	2,329,356
State revenue sharing and other unrestricted intergovernmental					5,429,364	-	5,429,364
Unrestricted interest earnings					338,832	191,976	530,808
Miscellaneous					1,439,008	519,450	1,958,457
Proceeds from credit facilities					-	27,418	27,418
Transfers					<u>5,973,419</u>	<u>(5,973,419)</u>	<u>-</u>
Total general revenues and transfers					<u>40,959,221</u>	<u>(5,234,577)</u>	<u>35,724,644</u>
Change in net assets					12,662,843	5,863,816	18,526,659
Net assets beginning					<u>41,869,905</u>	<u>79,123,085</u>	<u>120,992,990</u>
Net assets - ending					<u>\$ 54,532,748</u>	<u>\$ 84,986,901</u>	<u>\$ 139,519,649</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NORTH MIAMI BEACH, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Pooled cash and investments	\$ 7,233,211	\$ 17,433,648	\$ 24,666,858
Accounts receivables	6,466,778	3,777,057	10,243,835
Due from other funds	3,535,638	121,287	3,656,925
Inventories	195,099	-	195,099
Prepaid costs	484	8,033	8,517
Escrow funds held by agent	-	551,034	551,034
Escrow funds held by lessor	245,596	-	245,596
Other assets	45,100	-	45,100
Total Assets	<u>\$ 17,721,906</u>	<u>\$ 21,891,058</u>	<u>\$ 39,612,964</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 1,733,577	\$ 475,833	\$ 2,209,410
Deposits held in trust	792,634	-	792,634
Due to other funds	-	3,656,925	3,656,925
Deferred revenue	941,375	329,045	1,270,420
Total liabilities	<u>3,467,585</u>	<u>4,461,803</u>	<u>7,929,389</u>
Fund balances:			
Reserved:			
Encumbrances	3,092,506	-	3,092,506
Grant related	-	627,699	627,699
Law enforcement	-	6,289,509	6,289,509
Inventories	195,099	-	195,099
Prepaid costs	484	-	484
Impact fees	7,759	-	7,759
Debt service	-	223,911	223,911
Construction	-	38,147	38,147
Unreserved reported in:			
General fund:			
Designated for liability claims	1,378,777	-	1,378,777
Designated for workers' compensation claims	1,070,337	-	1,070,337
Designated for land acquisition	115,996	-	115,996
Designated for parks	189,558	-	189,558
Undesignated	8,203,805	-	8,203,805
Special revenue funds	-	10,249,989	10,249,989
Total fund balances	<u>14,254,321</u>	<u>17,429,255</u>	<u>31,683,576</u>
Total Liabilities and Fund Balances	<u>\$ 17,721,906</u>	<u>\$ 21,891,058</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.	68,975,801
Net pension asset	1,927,821
Accrued interest on long term debt	(599,377)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(47,455,073)</u>
Net assets of governmental activities	<u>\$ 54,532,748</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Property taxes	\$ 16,103,742	\$ 2,047,203	\$ 18,150,945
Franchise fees	2,291,515	-	2,291,515
Utility taxes	2,515,573	-	2,515,573
Communication service tax	2,491,209	-	2,491,209
Other taxes	558,403	-	558,403
Licenses and permits	1,759,531	-	1,759,531
Intergovernmental	3,885,272	3,315,045	7,200,317
Charges for services	11,662,468	-	11,662,468
Fines and forfeitures	529,917	8,428,122	8,958,039
Grants	-	1,673,355	1,673,355
Other	7,289,220	337,575	7,626,794
Interest	<u>127,250</u>	<u>211,582</u>	<u>338,832</u>
Total Revenues	<u>49,214,100</u>	<u>16,012,881</u>	<u>65,226,982</u>
EXPENDITURES:			
Current:			
General government	13,160,144	1,237,786	14,397,930
Police services	20,793,807	1,723,183	22,516,990
Library	703,809	1,700	705,509
Parks and recreation	4,062,290	728,426	4,790,717
Public services	9,768,058	28,428	9,796,486
Capital outlay	1,625,279	3,462,683	5,087,962
Debt service:			
Principal	895,458	1,538,364	2,433,822
Interest and other fiscal charges	<u>86,210</u>	<u>1,890,579</u>	<u>1,976,789</u>
Total Expenditures	<u>51,095,056</u>	<u>10,611,150</u>	<u>61,706,206</u>
(Deficiency) excess of revenues over expenditures	<u>(1,880,956)</u>	<u>5,401,732</u>	<u>3,520,776</u>
Other financing sources (uses):			
Proceeds from credit facilities	788,000	4,000,000	4,788,000
Transfers in	6,338,951	2,673,011	9,011,962
Transfers out	<u>(1,293,151)</u>	<u>(1,761,069)</u>	<u>(3,054,220)</u>
Total other financing sources (uses)	<u>5,833,800</u>	<u>4,911,942</u>	<u>10,745,742</u>
Net change in fund balances	3,952,845	10,313,672	14,266,517
Fund balances - beginning	<u>10,301,476</u>	<u>7,115,583</u>	<u>17,417,059</u>
Fund balances - ending	<u>\$ 14,254,321</u>	<u>\$ 17,429,255</u>	<u>\$ 31,683,576</u>

The accompanying notes are an integral part of these 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, 2009**

Amounts reported for governmental activities in the statement of activities (Page 25) are different because:

Net change in fund balances - total governmental funds (Page 27) \$ 14,266,517

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	\$ 5,087,962	
Depreciation expense	<u>(3,388,201)</u>	
Net adjustment		1,699,761

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:

Proceeds from credit facilities	<u>4,788,000</u>	
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Principal payments:

General obligation and capital improvement bonds	1,316,142	
Notes payable	222,222	
Master leases	<u>895,458</u>	
	<u>2,433,822</u>	

Net adjustment		(2,354,178)
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Amortization of net pension asset		481,955
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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		(487,584)
Accrued interest		24,841
Estimated claims		(119,000)
Net pension obligation (OPEB)		(452,000)
Other accruals		<u>(397,469)</u>
Change in net assets of governmental activities (Page 25)		<u>\$ 12,662,843</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			Totals
	Water Utility System	Sewer Utility System	Stormwater Utility System	
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,925,969	\$ 289,005	\$ 140,872	\$ 2,355,846
Accounts receivable, net	6,073,760	1,628,425	313,003	8,015,188
Inventories	735,617	-	-	735,617
Restricted assets:				
Pooled cash and investments - fireflow	115,735	-	-	115,735
Pooled cash and investments - inplant	194,652	203,686	-	398,337
Escrow funds held by agent	873	-	2,406	3,279
Escrow funds held by lessor	-	-	1,407	1,407
Total current assets	<u>9,046,605</u>	<u>2,121,116</u>	<u>457,688</u>	<u>11,625,408</u>
Non-current assets:				
Deferred charges - unamortized issuance costs	1,198,492	-	-	1,198,492
Capital assets, net of accumulated depreciation	<u>135,614,946</u>	<u>20,547,389</u>	<u>4,802,092</u>	<u>160,964,427</u>
Total non-current assets	<u>136,813,438</u>	<u>20,547,389</u>	<u>4,802,092</u>	<u>162,162,919</u>
Total Assets	<u>145,860,043</u>	<u>22,668,505</u>	<u>5,259,780</u>	<u>173,788,328</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Vouchers payable and accrued liabilities	5,868,708	195,328	5,941	6,069,976
Due to other governmental units	3,458,698	562,222	-	4,020,920
Customer deposits	3,388,746	369,598	-	3,758,343
Current portion of compensated absences	15,194	2,557	1,470	19,221
Current portion of revenue bonds payable	893,019	-	-	893,019
Current portion of notes payable	-	-	104,000	104,000
Current portion of master lease payable	42,034	30,932	52,068	125,034
Current liabilities payable from restricted assets:				
Vouchers payable and accrued liabilities - fireflow	556,957	-	-	556,957
Vouchers payable and accrued liabilities - inplant	27,930	-	-	27,930
Deferred revenue	-	82,379	-	82,379
Total current liabilities	<u>14,251,285</u>	<u>1,243,015</u>	<u>163,479</u>	<u>15,657,779</u>
Non-current liabilities:				
Compensated absences	650,133	60,290	30,370	740,793
Notes payable	-	-	1,886,000	1,886,000
Master lease payable	12,799	10,663	107,823	131,285
Revenue bonds payable	69,985,115	-	-	69,985,115
Unamortized bond premium	<u>400,452</u>	-	-	<u>400,452</u>
Total non-current liabilities	<u>71,048,500</u>	<u>70,953</u>	<u>2,024,193</u>	<u>73,143,645</u>
Total liabilities	<u>85,299,784</u>	<u>1,313,968</u>	<u>2,187,672</u>	<u>88,801,424</u>
Net assets:				
Invested in capital assets, net of related debt	64,281,527	20,505,794	2,652,201	87,439,522
Restricted for inplant	-	203,686	-	203,686
Unrestricted (deficit)	<u>(3,721,269)</u>	<u>645,057</u>	<u>419,907</u>	<u>(2,656,304)</u>
Total net assets	<u>\$ 60,560,258</u>	<u>\$ 21,354,536</u>	<u>\$ 3,072,108</u>	<u>\$ 84,986,903</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Operating revenues:				
Service revenues	<u>\$ 27,599,203</u>	<u>\$ 6,359,541</u>	<u>\$ 1,280,481</u>	<u>\$ 35,239,225</u>
Operating expenses:				
Operating, administrative and maintenance	15,049,562	4,212,978	546,036	19,808,576
Depreciation	<u>4,679,177</u>	<u>787,296</u>	<u>167,139</u>	<u>5,633,612</u>
Total operating expenses	<u>19,728,738</u>	<u>5,000,274</u>	<u>713,175</u>	<u>25,442,188</u>
Operating income	<u>7,870,464</u>	<u>1,359,267</u>	<u>567,305</u>	<u>9,797,036</u>
Non-operating revenue (expense):				
Intergovernmental	14,425	41,215	-	55,640
Interest income	174,870	16,942	164	191,976
Interest expense	(3,615,122)	(6,795)	(48,968)	(3,670,885)
Other income	<u>478,021</u>	<u>3,693</u>	<u>37,735</u>	<u>519,450</u>
Total non-operating revenue (expense)	<u>(2,947,805)</u>	<u>55,055</u>	<u>(11,069)</u>	<u>(2,903,819)</u>
Income before contributions and transfers	<u>4,922,141</u>	<u>1,414,322</u>	<u>556,236</u>	<u>6,892,700</u>
Capital contributions	4,397,209	-	-	4,397,209
Impact fees	459,717	59,676	-	519,393
Proceeds from credit facilities	-	27,418	-	27,418
Transfers out	<u>(4,091,988)</u>	<u>(1,491,949)</u>	<u>(389,482)</u>	<u>(5,973,419)</u>
	<u>764,938</u>	<u>(1,404,855)</u>	<u>(389,482)</u>	<u>(1,029,399)</u>
Change in net assets	5,687,597	9,466	166,754	5,863,818
Net assets, beginning	<u>54,872,661</u>	<u>21,345,070</u>	<u>2,905,354</u>	<u>79,123,085</u>
Net assets, ending	<u>\$ 60,560,258</u>	<u>\$ 21,354,536</u>	<u>\$ 3,072,108</u>	<u>\$ 84,986,903</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			Totals
	Water Utility System	Sewer Utility System	Stormwater Utility System	
Cash flows from operating activities:				
Cash received from customers	\$ 24,557,364	\$ 5,744,196	\$ 1,160,834	\$ 31,462,394
Cash payments to suppliers	(4,776,840)	(1,475,190)	(129,076)	(6,381,106)
Cash payments to employees	(4,968,490)	(672,911)	(273,958)	(5,915,360)
Net cash provided by operating activities	<u>14,812,034</u>	<u>3,596,095</u>	<u>757,800</u>	<u>19,165,928</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	<u>(4,091,988)</u>	<u>(1,491,949)</u>	<u>(389,482)</u>	<u>(5,973,419)</u>
Cash flows from capital and related financing activities:				
Capital contributions	4,397,209	-	-	4,397,209
Impact fees	459,717	59,676	-	519,393
Intergovernmental revenue	14,425	41,215	-	55,640
Acquisition and construction of capital assets	(15,520,556)	(1,837,213)	(358,187)	(17,715,956)
Interest paid	(3,615,122)	(6,795)	(48,968)	(3,670,885)
Payments on master lease payable	79,754	114,720	79,359	273,833
Payments on bonds payable	648,858	-	-	648,858
Payments on notes payable	-	-	104,000	104,000
Net cash used in capital and related financing activities	<u>(13,535,715)</u>	<u>(1,628,397)</u>	<u>(223,796)</u>	<u>(15,387,908)</u>
Cash flows from investing activities:				
Interest income	<u>174,870</u>	<u>16,942</u>	<u>164</u>	<u>191,976</u>
Net (decrease) increase in pooled cash and investments	(2,640,798)	492,691	144,685	(2,003,423)
Pooled cash and investments, beginning	<u>4,878,026</u>	<u>-</u>	<u>-</u>	<u>4,878,026</u>
Pooled cash and investments, ending	<u>\$ 2,237,228</u>	<u>\$ 492,691</u>	<u>\$ 144,685</u>	<u>\$ 2,874,603</u>
Pooled cash and investments per statement of net assets:				
Unrestricted	\$ 1,925,969	\$ 289,005	\$ 140,872	\$ 2,355,846
Restricted	<u>311,259</u>	<u>203,686</u>	<u>3,813</u>	<u>518,758</u>
	<u>\$ 2,237,228</u>	<u>\$ 492,691</u>	<u>\$ 144,685</u>	<u>\$ 2,874,604</u>

Note: The ending pool cash and investment agrees to page 29 (Pool cash and investment, restricted pool cash and investment, and the escrow amounts).

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Business-type Activities - Enterprise Funds			<u>Totals</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	\$ 7,870,464	\$ 1,359,267	\$ 567,305	\$ 9,797,036
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	4,679,177	787,296	167,139	5,633,612
Other income	478,021	3,693	37,735	519,450
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	291,231	850,743	(40,819)	1,101,155
Due from other funds	8,673	-	-	8,673
Inventories	(118,546)	-	-	(118,546)
Prepaid costs	26,138	19,028	19,028	64,194
Increase (decrease) in:				
Customer deposits	(22,815)	(5,120)	-	(27,934)
Vouchers payable and accrued liabilities	2,235,635	527,737	(1,263)	2,762,110
Due to other funds	2,045,287	615,672	8,673	2,669,632
Due to other governmental units	(2,681,232)	(562,222)	-	(3,243,454)
Total adjustments	<u>6,941,570</u>	<u>2,236,828</u>	<u>190,494</u>	<u>9,368,891</u>
Net cash provided by operating activities	<u>\$ 14,812,034</u>	<u>\$ 3,596,095</u>	<u>\$ 757,800</u>	<u>\$ 19,165,928</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
ASSETS		
Cash	\$ -	\$ 18,096
Cash held with trustee	688,327	-
Investments:	-	-
Cash management funds	905,559	-
Mutual funds	11,337,781	-
U.S. Government securities	18,865,095	-
Corporate bonds	20,543,112	-
Common stocks	61,397,171	-
Accrued interest and dividends	237,292	-
Other receivables	<u>418,288</u>	<u>-</u>
Total Assets	<u>114,392,625</u>	<u>18,096</u>
 LIABILITIES AND NET ASSETS		
Vouchers payable and accrued liabilities	339,240	-
Deposits held in trust	<u>-</u>	<u>18,096</u>
Total liabilities	<u>339,240</u>	<u>18,096</u>
 Net assets held in trust for pension benefits	 <u>\$ 114,053,385</u>	 <u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,378,702
Employer	8,037,421
State/County	<u>536,174</u>
Total contributions	<u>10,952,297</u>
Investment income:	
Net depreciation in fair value of investments	975,632
Interest and dividends	1,926,854
Investment expenses	<u>(206,192)</u>
Net investment loss	<u>2,696,294</u>
Total Additions	<u>13,648,591</u>
DEDUCTIONS	
Pension benefits	9,470,356
Refunds of contributions	223,968
Administrative expenses	<u>715,249</u>
Total Deductions	<u>10,409,573</u>
Net decrease	3,239,018
Net assets held in trust for pension benefits - beginning	<u>110,814,367</u>
Net assets held in trust for pension benefits - ending	<u><u>\$ 114,053,385</u></u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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. The more significant of the City's accounting policies are described below.

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.

Component units are included in the reporting entity as blended or as discretely presented. Although legally separate entities, blended component units are, in substance, part of the City's operations. Accordingly, data from these component units are combined with data of the primary government.

Based upon the application of the criteria described above, the financial activity of the blended component unit listed below has been included in the City's financial reporting entity.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

Financial Reporting Entity (cont'd)

The North Miami Beach Community Redevelopment Agency (the CRA or Agency) was created by the Mayor and City Council on December 21, 2004 by adopting a resolution declaring the Mayor and City Council to be the Agency in accordance with Section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969, enacted by the Florida Legislature. The CRA's board of directors is the City Council. The CRA's chairman is the City's Mayor. The CRA has a September 30th year-end. The Community Redevelopment Agency (CRA) provides services that exclusively benefit the City. The purpose of the CRA is the elimination and prevention of blight conditions within the designated Community Redevelopment Area.

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 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. All remaining non-major governmental funds are aggregated and reported as other governmental funds.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

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 fund:

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 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont'd)

Additionally, the City reports the following fund types:

The *Other Governmental Funds* are used to account for the various non-major 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 accumulate 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 awaiting adjudication.

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

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

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

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'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, include 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

Activities 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" or "advances 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".

Advances between funds are offset by a fund balance reserve account in the applicable governmental funds as reported in the fund financial statements. This is done to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

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).

Prepaid items are payments to vendors that reflect costs applicable to future accounting periods and are reported in both government-wide and fund financial statements.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

Assets, Liabilities and Net Assets or Equity (cont'd)

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 in excess 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 do 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. Restricted Assets

Restricted assets include resources subject to externally imposed restrictions such as creditors, grantors, laws and regulations. Restricted assets are also set aside to make debt service payments on capital related debt. Generally, when the City enters into loan agreements to finance the cost of capital improvement projects, the loan proceeds are classified as restricted assets on the statement of net assets. In the City's enterprise funds, revenue bond proceeds and certain resources that have been set aside for their repayment are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Escrow funds held by agent are used to report the proceeds of revenue bond issuances that are restricted for use in construction.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

Assets, Liabilities and Net Assets or Equity (cont'd)

5. Restricted Assets (cont'd)

Escrow funds held by lessor are used to report the proceeds to capital lease agreements that are restricted for use in the acquisition of capital equipment. Governmental and proprietary funds have impact fees as imposed under local ordinances 2005-16, 2005-17 and 2006-20. The intent of these ordinances is to assist in the implementation of the City's state-required comprehensive plan and to regulate the use and development of land so as to assure that new development bears a proportionate share of the cost of capital expenditures necessary to provide improvements to parks and public safety, as well as the City's water and sewer infrastructure for fireflow activities and plant expansion improvements.

6. 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.

7. 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

Assets, Liabilities and Net Assets or Equity (cont'd)

8. 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 Florida Legislature passed House Bill 1B on Thursday, June 14, 2007. This legislation includes substantial requirements affecting our millage and budget adoption process over which the Department of Revenue has been given oversight responsibilities. The millage rate to finance general governmental services for the year ended September 30, was 6.6236 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 0.8139 mills.

9. 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 collectability of accounts receivable, the use and recoverability of inventory, the pension and post-retirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 1 - Summary of Significant Accounting Policies (cont'd)

Assets, Liabilities and Net Assets or Equity (cont'd)

10. 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 - Stewardship, Compliance and Accountability

Fund Deficit

At September 30, 2009, the City had a deficiency in its unrestricted net assets of the Water Utility Fund in the amount of approximately \$3.7 million. This deficiency is anticipated to be eliminated over the ensuing three years of operations.

Note 3 - Deposits and Investments

GASB Statement No. 40 *Deposit and Investment Risk Disclosure* (GASB Statement No. 40) amends GASB No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements* and 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 Statement No. 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.

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2009:

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all 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 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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

Investments

Whereas the City has not adopted a written investment policy, investments are made in accordance with provisions of the Florida Statutes. The City is authorized to invest in obligations of the U.S. Treasury, the State Board of Administration Investment Pool (SBA) and fixed income funds of the Florida Municipal Investment Trust (FMIvT).

The State Board of Administration Pool (SBA) administers the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Trust Fund (Fund B). Effective July 1, 2009, the SBA's investment vehicle for assets in the LGIP was changed to the Florida Prime to provide a unique identity for Florida's LGIP. This change was in response to specific state legislation, an analysis of industry best practices, the input of both past and present local participants, and recommendations of the SBA trustees. This investment pool now offers management by an industry leader in professional money management, conservative investment policies, a Standard and Poor's AAA(m) rating, enhanced transparency, and extensive governance and financial reporting.

Both funds are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida Prime and Fund B. Additionally; the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Florida Prime 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. In accordance with GASB Statement No. 31, the SBA has reported that the Florida Prime is a "2a-7 like" pool and, therefore, these investments are valued using the pooled share price. The fair value of the position in the Florida Prime is equal to the value of the pool shares.

The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2009, the fair value factor for Fund B was \$.54915069 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida Prime, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida Prime. The investments in the Florida Prime and Fund B are not insured by FDIC or any other governmental agency.

The Florida Municipal Investment Trust (FMIvT) is an authorized investment under Section 218.415(15), Florida Statutes, 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 designated as having official custody of the funds, which are invested by the purchase of shares of beneficial interest in the Trust.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

The Trust operates as a fiduciary trust fund under governmental accounting rules that require the Trust to prepare a series of financial statements. The FMIvT is a Local Governmental Investment Pool (LGIP), and therefore considered an external investment pool for GASB reporting purposes. The City's investment is the FMIvT portfolio, not the individual securities held within each portfolio.

The three Pension Trust Plans 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

Deposits and investments as of September 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and short-term investments	\$ 27,022,704
Restricted cash and short-term investments	518,759

Statement of fiduciary net assets:

Cash and short-term investments	688,327
Investments	113,048,718
Total cash and investments	<u>\$ 141,278,508</u>

Cash on hand, deposits and investments as of September 30, consist of the following:

Governmental and business-type investments:

Cash on hand	\$ 13,638
Deposits with financial institutions	5,274,002
SBA	7,871,394
FMIvT	14,382,429

General employees pension plan:

Deposits with financial institutions	289,938
Investments in mutual funds	29,903,338
Investments in equity/common stock	10,501,200
Investments	9,628,062

Police officers and firefighters pension plan:

Deposits with financial institutions	398,389
Investments in mutual funds	31,493,833
Investments in equity/common stock	10,725,249
Investments	10,915,050

Management employees pension plan:

Investments in mutual funds	9,881,986
Total cash and investments	<u>\$ 141,278,508</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures

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. A credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

The City does not have a formal policy regarding credit risk; however, State law limits investments to Securities and Exchange Commission required money market funds with the highest credit quality rating from a nationally recognized statistical rating organization (NRSRO).

It is the City's intention to limit its investment in these investment types to the top rating issued by NRSROs. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA does not have a rating from a NRSRO. As of September 30, 2009 the City's investment in the state investment pool is not rated by any rating agencies.

FMIvT investment guidelines state that each fund will seek to maintain a bond fund credit rating from a nationally recognized statistical rating organization of AAA. 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, 2009, Standard & Poor's rated the portfolio's investment, AAA f/S1.

FMIvT investment guidelines require that each fund will seek to maintain a bond funds credit rating from a nationally recognized statistical rating organization of AAA. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized rating organizations (Fitch, Moody's, and S&P). The City only invested in the FMIvT 1-3 Year High Quality Bond Fund. At September 30, 2009, Fitch rated the portfolio's investment AAA/V2.

All three Pension Trust Plan's investment policy utilizes portfolio diversification in order to control this risk. Additionally, the Police Officers and Firefighters Pension Plan's investment policy requires investments in corporate bonds be rated "A" or better by Standard and Poor's.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Credit Risk (cont'd)

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Governmental and business-type investments:		
SBA	NR (not rated)	\$ 7,871,394
FMIvT	AAA/V2	14,382,429
Total governmental and business-type investments		<u>\$ 22,253,823</u>
General employees pension plan:		
Equity	NR (not rated)	\$ 29,903,338
Mutual funds	NR (not rated)	905,559
U.S. Treasuries	AAA	179,594
U.S. Agencies	AAA	1,503,797
U.S. Agencies	NR (not rated)	7,912,250
Corporate bonds	AA2	1,460,122
Corporate bonds	AA3	456,165
Corporate bonds	A1	1,437,058
Corporate bonds	A2	3,148,478
Corporate bonds	A3	2,345,943
Corporate bonds	BAA1	780,296
Total general employees pension plan		<u>\$ 50,032,600</u>
Police officers and firefighters pension plan:		
Equity	NR (not rated)	\$ 31,493,833
Mutual funds	NR (not rated)	1,455,795
U.S. Treasuries	AAA	184,725
U.S. Agencies	AAA	3,421,012
U.S. Agencies	NR (not rated)	5,663,717
Corporate bonds	AAA	434,721
Corporate bonds	AA1	14,921
Corporate bonds	AA2	1,350,805
Corporate bonds	AA3	651,829
Corporate bonds	A1	1,928,717
Corporate bonds	A2	3,138,557
Corporate bonds	A3	2,291,471
Corporate bonds	BAA1	845,351
Corporate bonds	BAA3	9,650
Corporate bonds	BA3	17,115
Corporate bonds	BA1	32,528
Corporate bonds	B1	17,014
Corporate bonds	B3	18,632
Corporate bonds	CAA	3,776
Corporate bonds	NR (not rated)	159,963
Total police officers and firefighters pension plan		<u>53,134,132</u>
Management employees pension plan:		
FMIvT	AAA I/SI+	9,881,986
Total management employees pension plan		<u>9,881,986</u>
Total All Investments		<u>\$ 135,302,541</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City or Pension Trust Plans will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in pools should be disclosed, but not categorized under GASB Statement No. 40 because they are not evidenced by securities that exist in physical or book entry form.

The City does not have a custodial credit risk policy. The City's investments in both the SBA and the FMLvT are evidenced by shares of the pool. The City's investment is with the pools, not the securities that make up the pools; therefore, no further disclosure is required.

Consistent with the each Pension Trust Plan's investment policy, the investments are held by each Plan's custodial bank and registered in each Plan's name.

Concentration Credit Risk

GASB Statement No. 40 requires disclosure of the concentration of credit risk when five or more percent of the total assets of the portfolio are invested with a single issuer. Investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosures requirements.

The City does not have a formal concentration of credit risk policy. Both the SBA and FMLvT are pooled investments, therefore no additional disclosure is required.

All three Pension Trust Plan's investment policies have 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 any Plan's net assets at September 30, 2009.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt instruments as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a "2a-7 like" pool. Additionally, GASB Statement No. 40 requires that the interest rate be disclosed using one of five approved methods. The five methods are: Segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Interest Rate Risk (cont'd)

The City does not have a formal policy regarding the interest rate risk. It is the City's intention to make investments to provide sufficient liquidity to pay obligations as they become due. For City funds, SBA meets the 2a-7 pool requirements; thus, no interest rate disclosures are necessary. The City's uses the weighted average maturity method (WAM) for its 1-3 Year High Quality Bond Fund which results in a Duration of 1.27 and a WAM of 1.58.

The Board of Trustees of the General Employees Pension Plan determines the General Employees Pension Plan's investment policy. In like manner, the Board of Trustees of the Police Officers and Firefighters Pension Plan determines the Police Officers and Firefighters Pension Plan's investment policy.

Both Boards designed their policies to maximize their Plan's asset value while assuming a risk that is consistent with the respective Board's risk tolerance. As is prudent, the Boards adopted individual policies to diversify investment risk among several institutionally acceptable asset classes including bonds, debentures and other corporate obligations, equity securities and domestic real estate.

The General Employees Pension Plan has approximately sixty percent (60%) or \$29,903,338 of its investment at September 30, 2009 in Common Stock that is subject to the interest rate risk due to the portfolio's exposure to fair value losses arising from increasing interest rates. The remainder of the Plan's investment is in mutual funds which are not subject to the interest rate risk. The fund's investments in government securities and corporate bonds had maturity as follows:

General Employees Pension Plan

<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>
Corporate bonds	\$ 9,628,062	\$ -	\$ 1,121,573	\$ 8,046,978	\$ 459,511
U.S. Agencies	9,416,047	-	1,503,797	-	7,912,250
U.S. Treasuries	<u>179,594</u>	<u>179,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,223,703</u>	<u>\$ 179,594</u>	<u>\$ 2,625,370</u>	<u>\$ 8,046,978</u>	<u>\$ 8,371,761</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 3 - Deposits and Investments (cont'd)

Deposits and Investment Risk Disclosures (cont'd)

Interest Rate Risk (cont'd)

As a means of limiting its exposure to interest rate risk, the Police Officers and Firefighters Pension 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. Neither State law nor the Police Officers and Firefighters Pension Plan's investment policy limits maturity term on fixed income holdings. 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 Police Officers and Firefighters Pension Plan's investments by maturity at September 30, 2009.

Police Officers and Firefighters Pension Plan

<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>
Corporate bonds	\$ 10,915,050	\$ 10,079	\$ 1,369,015	\$ 8,388,551	\$ 1,147,405
U.S. Treasuries	184,725	184,725	-	-	-
U.S. Agencies	<u>9,084,729</u>	<u>-</u>	<u>2,901,766</u>	<u>519,246</u>	<u>5,663,717</u>
	<u>\$ 20,184,504</u>	<u>\$ 194,804</u>	<u>\$ 4,270,781</u>	<u>\$ 8,907,797</u>	<u>\$ 6,811,122</u>

The General Management Employees Pension Plan's investments are all mutual funds which do not meet the definition of a 2a-7 like pool. The City uses the weighted average maturity method (WAM) for the FMIvT Broad Market High Quality Bond which results in a duration of 3.57 and a weighted average method (WAM) of 4.81.

Risks and Uncertainties

The three Pension Trust Plans can have investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plans, through each individual plan's investment advisors, monitors the plan's investments and the risks associated therewith on a regular basis, which minimizes these risks.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 4 - Receivables

Receivables as of September 30, 2009 for the City's individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Non-major</u>	<u>Total</u>
Receivables:						
Billed	\$ 2,082,004	\$ 4,525,007	\$ 918,776	\$ 193,356	-	\$ 7,719,142
Unbilled	1,225,567	1,520,919	521,819	119,574	-	3,387,879
Franchise and utility	638,066	-	-	-	-	638,066
Intergovernmental	-	15,544	94,304	-	348,084	457,931
Grants	-	-	-	-	3,078,973	3,078,973
Other	1,838,057	12,290	93,526	73	350,000	2,293,947
Property taxes	<u>683,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,084</u>
Net total receivables	<u>\$ 6,466,778</u>	<u>\$ 6,073,760</u>	<u>\$ 1,628,425</u>	<u>\$ 313,003</u>	<u>\$ 3,777,057</u>	<u>\$ 18,259,023</u>

Receivables at September 30, 2009, consisted primarily of charges for water fees, sanitation fees property taxes, and intergovernmental receivables arising from entitlements and shared revenues. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant.

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:

	<u>Unavailable</u>	<u>Unearned</u>
Advance revenues - business tax receipts	\$ -	\$ 777,596
CST revenues not yet earned	31,602	-
Performance bonds - forfeits	132,177	-
Grant revenues not yet earned	<u>411,424</u>	<u>-</u>
	<u>\$ 575,203</u>	<u>\$ 777,596</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 5 - Capital Assets

Capital assets activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,295,359	\$ -	\$ -	\$ 4,295,359
Construction in progress	<u>34,814,781</u>	<u>2,591,924</u>	<u>(12,436,035)</u>	<u>24,970,670</u>
Total capital assets, not being depreciated	<u>39,110,140</u>	<u>2,591,924</u>	<u>(12,436,035)</u>	<u>29,266,029</u>
Capital assets, being depreciated:				
Buildings	28,960,764	-	-	28,960,764
Improvements other than buildings	14,252,895	13,192,830	-	27,445,725
Infrastructure	5,559,430	-	-	5,559,430
Capital lease equipment	5,284,165	821,280	(14,569)	6,090,876
Furniture, fixtures, machinery and equipment	<u>25,960,830</u>	<u>760,943</u>	<u>(134,092)</u>	<u>26,587,681</u>
Total capital assets being depreciated	<u>80,018,084</u>	<u>14,775,053</u>	<u>(148,661)</u>	<u>94,644,476</u>
Less accumulated depreciation for:				
Buildings	(18,431,108)	(1,254,393)	-	(19,685,501)
Improvements other than buildings	(6,484,115)	(591,661)	-	(7,075,776)
Infrastructure	(2,152,304)	(197,729)	-	(2,350,033)
Capital lease equipment	(1,909,823)	(589,867)	-	(2,499,690)
Furniture, fixtures, machinery and equipment	<u>(22,569,153)</u>	<u>(754,551)</u>	<u>-</u>	<u>(23,323,704)</u>
Total accumulated depreciation	<u>(51,546,503)</u>	<u>(3,388,201)</u>	<u>-</u>	<u>(54,934,704)</u>
Total capital assets, being depreciated, net	<u>28,471,581</u>	<u>11,386,852</u>	<u>(148,661)</u>	<u>39,709,772</u>
Governmental activities capital assets, net	<u>\$ 67,581,721</u>	<u>\$ 13,978,776</u>	<u>\$(12,584,696)</u>	<u>\$ 68,975,801</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 5 - Capital Assets (cont'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 5,872,367	\$ -	\$ -	\$ 5,872,367
Construction in progress	<u>13,168,316</u>	<u>3,536,636</u>	<u>(11,865,802)</u>	<u>4,839,150</u>
Total capital assets, not being depreciated	<u>19,040,683</u>	<u>3,536,636</u>	<u>(11,865,802)</u>	<u>10,711,517</u>
Capital assets, being depreciated:				
Buildings and utility plant	184,855,172	15,182,046	-	200,037,218
Capital lease equipment	1,960,817	183,593	-	2,144,410
Machinery and equipment	<u>11,009,939</u>	<u>1,024,522</u>	<u>(233,807)</u>	<u>11,800,654</u>
Total capital assets being depreciated	<u>197,825,928</u>	<u>16,390,161</u>	<u>(233,807)</u>	<u>213,982,282</u>
Less accumulated depreciation for:				
Buildings and utility plant	(47,653,309)	(5,076,115)	-	(52,729,424)
Capital lease equipment	(883,528)	(247,275)	-	(1,130,803)
Machinery and equipment	<u>(9,790,427)</u>	<u>(312,527)</u>	<u>233,807</u>	<u>(9,869,147)</u>
Total accumulated depreciation	<u>(58,327,264)</u>	<u>(5,635,917)</u>	<u>233,807</u>	<u>(63,729,374)</u>
Total capital assets, being depreciated, net	<u>139,498,664</u>	<u>10,754,244</u>	<u>-</u>	<u>150,252,908</u>
Business-type activities capital assets, net	<u>\$ 158,539,347</u>	<u>\$ 14,290,880</u>	<u>\$ (11,865,802)</u>	<u>\$ 160,964,425</u>

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

Governmental Activities:

General government	\$ 2,140,015
Public safety	545,687
Library	124,965
Parks and recreation	70,501
Public works services	<u>507,033</u>
Total depreciation expense – governmental activities	<u>\$ 3,388,201</u>

Business-type Activities:

Water	\$ 4,681,481
Sewer	787,296
Stormwater	<u>167,139</u>
Total depreciation expense – business-type activities	<u>\$ 5,635,916</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 5 - Capital Assets (cont'd)

Commitments

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 Norwood Water Treatment Plant Expansion Phase I is approximately 99 percent complete. The project was put into service during fiscal year 2008. The new membrane system reached substantial completion in June of 2009 and at that time became fully operational. The City of North Miami Beach is the first water supplier in Miami-Dade County to utilize an alternative water supply and membrane filtration technology, with water production capacity of 32 million gallons per day. Outstanding obligations at fiscal year end totaled approximately \$3.8 million. To date, the City has approximately \$66 million in capital assets that were reclassified from construction in progress.

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 approximate \$216,000 unreserved fund balance, approximately \$12,000 represents outstanding encumbrances, which leaves approximately \$204,000 to be expended.

Note 6 - Restricted Assets

The balances of the restricted asset accounts in the Enterprise Funds as of September 30, 2009 are as follows:

Water escrow funds held by agent	\$ 873
Water escrow funds held by lessor	-
Sewer escrow funds held by lessor	-
Stormwater escrow funds held by lessor	1,407
Stormwater escrow funds held by agent	2,406
Water fireflow	310,387
Sewer inplant	<u>203,686</u>
Total enterprise fund restricted assets	<u>\$ 518,759</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 7 - Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2009 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>FY09 Amount</u>	<u>Purpose</u>
General Fund	FRDAP Grants	\$ 25,211	Provide temporary funding
General Fund	Panzou Project - Grant # 2	32,153	Provide temporary funding
General Fund	Panzou Project - Grant # 3	5,065	Provide temporary funding
General Fund	Panzou Grant - Federal	262,252	Provide temporary funding
General Fund	UASI Grant	2,500	Provide temporary funding
General Fund	2003B Bonds	335,011	Provide temporary funding
General Fund	2000B Bonds Debt Service Fund	352,965	Provide temporary funding
General Fund	MDC Building Better Communities GOB Program	2,317,700	Provide temporary funding
General Fund	NMB DUI Enforcement Initiative	26,094	Provide temporary funding
General Fund	Crime Prevention Project	10,439	Provide temporary funding
General Fund	NMB Sports Disability Program	34,045	Provide temporary funding
General Fund	Hanford Blvd. Roadway Imp.- Phase IV	55,301	Provide temporary funding
General Fund	Capital Development Grants Program	24,972	Provide temporary funding
General Fund	Edward Bryne JAG Grant	15,754	Provide temporary funding
General Fund	N.E. 168 St Roadway Improvement Project	850	Provide temporary funding
General Fund	N.E. 172 St Drainage Improvements	<u>35,325</u>	Provide temporary funding
Total General Fund		<u>\$ 3,535,637</u>	
LETFS US Treasury Fund	North Miami Beach Weed & Seed	\$ 35,794	Provide temporary funding
LETFS US Treasury Fund	WAV Weed & Seed Strategy	59,610	Provide temporary funding
LETFS US Treasury Fund	Gang Grant Foot Patrol	2,537	Provide temporary funding
LETFS US Treasury Fund	Gang Reduction Grant -FY2006-07	<u>23,347</u>	Provide temporary funding
Total LETFS Fund		<u>121,288</u>	
Total due to/from other funds		<u>\$ 3,656,925</u>	

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 7 - Interfund Receivables, Payables and Transfers (cont'd)

Interfund transfers:

	<u>Transfers In</u>			<u>Purpose</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>	
Transfers out:				
General fund	\$ -	\$ 1,293,151	\$ 1,293,151	Grant match funding
Water utility	4,091,988	-	4,091,988	Contributed and supplemental funding
Sewer utility	1,491,949	-	1,491,949	Contributed and supplemental funding
Stormwater utility	139,482	250,000	389,482	Contributed and supplemental funding
Non-major governmental funds	<u>615,532</u>	<u>778,917</u>	<u>1,394,449</u>	Grant match and supplemental funding
Total transfers out	<u>\$ 6,338,951</u>	<u>\$ 2,322,068</u>	<u>\$ 8,661,019</u>	

Note 8 - Short-term Debt Instruments and Liquidity

The City annually obtains a taxable line of credit to have cash funds available for unanticipated hurricane losses and for general operating expenses while awaiting receipt of various revenues. The bulk of the City's ad valorem taxes are received from the County in December each year.

In fiscal year 2008, the City's obtained a short term taxable line of credit balance of \$2.5 million. On December 4, 2007, the City drew down \$150,000 of the available line of credit. The \$150,000 line of credit was repaid in fiscal year 2009 on October 27, 2008. There is currently no balance due.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Short-term taxable line of credit	\$ 150,000	\$ -	\$ (150,000)	\$ -
Total	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ -</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt

Bonds Payable

Changes in Bonds Payable

The following is a summary of bond transactions for the City for the year ended September 30, 2009:

Balance, September 30, 2008	\$ 105,230,000
Bonds issued	
Bonds retired	<u>(1,965,000)</u>
Balance, September 30, 2009	<u>\$ 103,265,000</u>

Bonds Authorized and Outstanding

Long-term debt at September 30 2009 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 \$140,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 705,000
\$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%.	575,000
\$300,000 Florida Municipal Loan Council, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$14,465 to \$15,304 through April 1, 2010; interest at 4.3% to 6.0%.	15,304
\$17,305,000 Florida Municipal Loan Council, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$270,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 5.375%.	15,690,000
\$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 \$425,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	9,420,000
\$7,765,000 Florida Municipal Loan Council, 2003 B Series Capital Appreciation and term bonds; secured by pledge of revenue from Charter County Transit System surtax proceeds; due in annual installments of \$415,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	5,765,000
\$225,577 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond; secured by municipal bond insurance; due in annual installments of \$1,677 to \$25,996 from April 1, 2006 to April 1, 2020; interest at 3% to 4.125%.	<u>216,562</u>
Total capital improvement bonds	<u>32,386,866</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Bonds Payable (cont'd)

Bonds Authorized and Outstanding (cont'd)

Balance Forwarded (Total capital improvement bonds)	32,386,866
Revenue Bonds:	
Water Utility System:	
\$6,855,000 Florida Municipal Loan Council, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$330,535 to \$349,696 from April 1, 2004 to April 1, 2010; interest at 4.3% to 6.0%	349,696
\$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 \$280,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	65,580,000
\$5,154,423 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond secured by municipal bond insurance; due in annual installments of \$38,323 to \$594,004 from April 1, 2006 to April 1, 2020; interest at 3.0% to 4.125%	<u>4,948,438</u>
Total revenue bonds	<u>70,878,134</u>
Total bonds payable	<u><u>\$ 103,265,000</u></u>

Pledged Revenues

For all of the water revenue bonds noted above, the pledged revenues consist of the charges for services to the customers of the water utility system. For the fiscal year ended September 30, 2009, debt service of approximately \$4.1 million is only 14.5% of the \$28,252,000 pledge revenues.

For the capital improvement bonds noted above, the City issues debt that is secured by a pledge of specific revenues. The total pledged revenues to repay the principal and interest on the debt as of September 30, 2009 is as follows:

State Revenue Sharing

- 1997 & 1998 Series serial bonds debt service of approximately \$258,983 is only 40.3% of the \$642,052 pledge revenues.

Ad-Valorem

- 2000B and 2002A Series debt service of approximately \$2,041,180 is only 93.1% of the voted debt pledge revenue of \$2,191,674.

One-half Percentage of Sales Tax

- 2003B Series debt service of approximately \$687,163 is only 57.5% of the \$1,195,378 of the pledge revenues.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Bonds Payable (cont'd)

Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2009 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
2010	\$ 150,000	\$ 34,193	\$ 184,193
2011	160,000	26,918	186,918
2012	<u>395,000</u>	<u>19,157</u>	<u>414,157</u>
	<u>\$ 705,000</u>	<u>\$ 80,268</u>	<u>\$ 785,268</u>
Capital Improvements Bonds:			
1998 Series:			
2010	\$ 50,000	\$ 25,760	\$ 75,760
2011	50,000	23,520	73,520
2012	50,000	21,280	71,280
2013	<u>425,000</u>	<u>19,040</u>	<u>444,040</u>
	<u>\$ 575,000</u>	<u>\$ 89,600</u>	<u>\$ 664,600</u>
Florida Municipal Loan Council (Water and Capital):			
2000 A Series:			
Capital:			
2010	\$ 15,304	\$ 766	\$ 16,070
Water revenue:			
2010	<u>349,696</u>	<u>17,484</u>	<u>367,180</u>
Total 2000 A Series	<u>\$ 365,000</u>	<u>\$ 18,250</u>	<u>\$ 383,250</u>
Florida Municipal Loan Council (Capital):			
2000 B Series:			
2010	\$ 290,000	\$ 832,943	\$ 1,122,943
2011	315,000	818,648	1,133,648
2012	345,000	802,800	1,147,800
2013	370,000	785,276	1,155,276
2014	400,000	764,618	1,164,618
2015-2019	2,570,000	3,424,806	5,994,806
2020-2024	3,685,000	2,593,772	6,108,550
2025-2029	5,145,000	1,417,790	6,562,790
2030-2031	<u>2,570,000</u>	<u>140,287</u>	<u>2,710,287</u>
	<u>\$ 15,690,000</u>	<u>\$ 11,580,940</u>	<u>\$ 27,270,940</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Bonds Payable (cont'd)

Debt Service Requirements (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2010	\$ 435,000	\$ 483,144	\$ 918,144
2011	455,000	465,744	920,744
2012	470,000	446,976	916,976
2013	495,000	423,476	918,476
2014	525,000	396,250	921,250
2015-2019	3,075,000	1,516,228	4,591,228
2020-2024	<u>3,965,000</u>	<u>613,500</u>	<u>4,578,500</u>
	<u>\$ 9,420,000</u>	<u>\$ 4,345,318</u>	<u>\$ 13,765,318</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2010	\$ 505,000	\$ 3,234,701	\$ 3,739,701
2011	1,445,000	3,216,521	4,661,521
2012	1,505,000	3,163,056	4,668,056
2013	1,565,000	3,102,856	4,667,856
2014	1,625,000	3,040,256	4,665,256
2015-2019	9,455,000	13,914,426	23,369,426
2020-2024	15,000,000	10,976,512	25,976,512
2025-2029	19,940,000	6,724,250	26,664,250
2030-2032	<u>14,540,000</u>	<u>1,477,750</u>	<u>16,017,750</u>
	<u>\$ 65,580,000</u>	<u>\$ 48,850,328</u>	<u>\$ 114,430,328</u>
Florida Municipal Loan Council (Capital):			
2003 B Series:			
2010	\$ 425,000	\$ 261,027	\$ 686,027
2011	440,000	248,475	688,475
2012	450,000	234,844	684,844
2013	465,000	218,512	683,512
2014	485,000	196,481	681,481
2015-2019	2,840,000	561,490	3,401,490
2020	<u>660,000</u>	<u>17,325</u>	<u>677,325</u>
	<u>\$ 5,765,000</u>	<u>\$ 1,738,154</u>	<u>\$ 7,503,154</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Bonds Payable (cont'd)

Debt Service Requirements (cont'd)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Water & Capital):			
2005 C Series:			
Capital:			
2010	\$ 1,677	\$ 9,196	\$ 10,873
2011	17,820	9,138	26,958
2012	18,239	8,558	26,797
2013	18,868	7,942	26,810
2014	19,706	7,282	26,988
2015-2019	114,256	20,818	135,074
2020	<u>25,996</u>	<u>1,072</u>	<u>27,068</u>
Subtotal Capital	<u>216,562</u>	<u>64,006</u>	<u>280,568</u>
Water Revenue:			
2010	\$ 38,323	\$ 210,124	\$ 248,447
2011	407,180	208,782	615,962
2012	416,761	195,548	612,309
2013	431,132	181,482	612,614
2014	450,294	166,394	616,688
2015-2019	2,610,744	475,752	3,086,496
2020	<u>594,004</u>	<u>24,502</u>	<u>618,506</u>
Subtotal Water Revenue	<u>4,948,438</u>	<u>1,462,584</u>	<u>6,411,022</u>
Total 2005 C Series	<u>\$ 5,165,000</u>	<u>\$ 1,526,590</u>	<u>\$ 6,691,590</u>

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
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Bonds Payable (cont'd)

Debt Service Requirements (cont'd)

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 has 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. The transaction also resulted in an economic gain of \$7,579 and a reduction of \$9,780 in future debt service payments.

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 has 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. The transaction also resulted in an economic gain of \$173,176 and a reduction of \$223,483 in future debt service payments.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

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. In September of 2007, the City refinanced the balloon payment of \$1,880,000 that came due and again extended the maturity of the loan by four years.

Draw A-2

In September 1998, the City obtained additional commercial paper loan program financing of \$720,000 from the same agency. The additional funds will also be used to finance certain stormwater projects. In September 2002, the City refinanced the loan and increased its outstanding obligation by \$570,000. The refinancing extended the maturity of the loan by two years. In September 2006, the City again refinanced the outstanding balance of \$370,000 and extended the maturity of the loan by four and one half 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. In November 2007, the balloon payment of \$250,000 became due and was paid off.

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate as of September 30, 2009 was .40888%. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

<u>Fiscal year ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2010	\$ -	\$ 104,000	\$ 104,000
2011	-	214,000	214,000
2012	-	<u>1,672,000</u>	<u>1,672,000</u>
	<u>\$ -</u>	<u>\$ 1,990,000</u>	<u>\$ 1,990,000</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Bank of America – CRA Note

The North Miami Beach Community Redevelopment Agency (NMBCRA) made arrangements with the City's financial services provider, Bank of America, for the long-term credit financing for property acquisition and public capital improvements.

On January 24, 2007, the City's CRA (Community Redevelopment Agency) issued short-term tax-exempt and taxable ad valorem revenue notes in an amount not to exceed \$3 million and \$5 million, respectively, for the purpose of constructing various capital improvements and acquiring land within the redevelopment area. The credit facility notes are lines of credit with bank commitments to purchase the notes after the first two years. Only interest will be due for the first two years and thereafter principal and interest will be due quarterly until maturity or until the notes are fully paid. Interest will accrue at a variable rate of interest; however, the interest rate can be fixed at the option of the CRA. The notes will be repaid from Tax Increment Revenues received by the CRA in future years.

The credit facility notes were drawn-down by the NMBCRA as follows:

- **Draw No. 1** - \$50,000 on the closing date, January 24, 2007, to establish the non-taxable line of credit (line);
- **Draw No. 2** - \$3,950,000 on August 4, 2008, whereby the NMBCRA drew-down the remaining \$2,950,000 of the non-taxable line and \$1 million from the taxable line; and
- **Draw No. 3** - the remaining balance of the taxable line of \$4,000,000 on January 23, 2009.

The loans are to be paid off on a quarterly basis over an 18-year term. Principal requirements to maturity are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Series 2007A Nontaxable</u>	<u>Series 2007B Taxable</u>	<u>Total</u>
2010	\$ 166,667	\$ 277,778	\$ 444,445
2011	166,667	277,778	444,445
2021	166,667	277,778	444,445
2013	166,667	277,778	444,445
2014	166,667	277,778	444,445
2015-2019	833,335	1,388,890	2,222,225
2020-2024	833,335	1,388,890	2,222,225
2025-2027	375,001	625,001	1,000,002
	<u>\$ 2,875,006</u>	<u>\$ 4,791,671</u>	<u>\$ 7,666,677</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2009. During 2009, the new lease purchases totaled \$973,000.

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

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Machinery and equipment	\$ 6,105,445	\$ 2,144,411	\$ 8,249,856
Less accumulated depreciation	<u>(2,499,691)</u>	<u>(1,130,803)</u>	<u>(3,630,494)</u>
	<u>\$ 3,605,754</u>	<u>\$ 1,013,608</u>	<u>\$ 4,619,362</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, 2009 are as follows:

<u>Fiscal year ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2010	\$ 649,133	\$ 125,034	\$ 774,167
2011	389,568	70,359	459,927
2012	208,567	48,443	257,010
2013	<u>53,171</u>	<u>12,483</u>	<u>65,654</u>
Total minimum lease payments	1,300,439	256,319	1,556,758
Less amount representing interest	<u>(69,074)</u>	<u>(14,110)</u>	<u>(83,184)</u>
Present value of net minimum lease payments	<u>\$ 1,231,365</u>	<u>\$ 242,209</u>	<u>\$ 1,473,574</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 9 - Long-term Debt (cont'd)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation and term bonds	\$ 33,703,008	\$ -	\$ (1,316,142)	\$ 32,386,866	\$ 1,366,981
Notes payable CRA - Taxable	1,000,000	4,000,000	(138,888)	4,861,112	277,776
Notes payable CRA - Non-taxable	<u>3,000,000</u>	<u>-</u>	<u>(83,334)</u>	<u>2,916,666</u>	<u>166,668</u>
Total bonds and notes payable	37,703,008	4,000,000	(1,538,364)	40,164,644	1,811,425
Master leases	1,407,897	788,000	(895,458)	1,300,439	503,156
Estimated claims	2,108,000	392,000	(511,000)	1,989,000	639,000
Compensated absences	<u>3,291,406</u>	<u>3,158,275</u>	<u>(2,670,691)</u>	<u>3,778,990</u>	<u>391,540</u>
Governmental activities long-term liabilities	<u>\$ 44,510,311</u>	<u>\$ 8,338,275</u>	<u>\$ (5,615,513)</u>	<u>\$ 47,233,073</u>	<u>\$ 3,345,121</u>
Business-type Activities:					
Notes payable	\$ 2,094,000	\$ -	\$ (104,000)	\$ 1,990,000	\$ 104,000
Revenue bonds	71,526,992	-	(648,858)	70,878,134	893,019
Premium on revenue bonds	<u>424,166</u>	<u>-</u>	<u>(23,714)</u>	<u>400,452</u>	<u>-</u>
Total bonds and notes payable	74,045,158		(776,572)	73,268,586	997,019
Master leases	345,152	185,000	(273,833)	256,319	125,034
Compensated absences	<u>646,773</u>	<u>608,261</u>	<u>(495,020)</u>	<u>760,014</u>	<u>19,221</u>
Business-type activities long-term liabilities	<u>\$ 75,037,083</u>	<u>\$ 793,261</u>	<u>\$ (1,545,425)</u>	<u>\$ 74,284,919</u>	<u>\$ 1,141,274</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Note 10 - Other Information

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. There were no reductions in the current fiscal year insurance coverage from the prior year and there was one settlement that exceeded insurance coverage within the last three fiscal years.

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

	<u>2009</u>	<u>2008</u>
Unpaid claims, beginning of fiscal year	\$ 2,108,000	\$ 2,005,000
Incurred claims (including IBNRs)	392,000	644,000
Claim payments	<u>(511,000)</u>	<u>(541,000)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,989,000</u>	<u>\$ 2,108,000</u>

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 \$2.3 million at September 30, 2009 and all non-self insurance cases would be paid from the City's general fund unreserved fund balance.

Litigation

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 10 - Other Information (cont'd)

Post Employment Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. There are 58 retirees that participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$358-\$412 per month for single coverage, \$772-\$893 per month for couple coverage and \$1,000-\$1,156 per month for family coverage, depending on the plan selected. Ten of the 58 retirees received single health insurance paid entirely by the City. Fourteen retirees received single health insurance paid partially by the City. The City does not contribute to the remaining 34 retirees' health insurance premiums.

Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$17,597 for the fiscal year ended September 30, 2009. There are 70 retirees that participate in the City's dental program. Nine of the 70 received single dental insurance paid entirely by the City; fifteen retirees received single dental insurance paid partially by the City. The City does not contribute to the remaining 46 retirees' dental coverage. Retirees received \$10,000 to \$30,000 of life insurance coverage. The cost of life insurance for 204 retirees is paid for by the City at a rate of .36 per \$1,000 of insurance.

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.

Other

Upon completion of the Water Utility Plant expansion, the City and one of its contractors are in disagreement with the final payment on the contract. The parties are presently in negotiation but no settlement has been achieved. An estimate of the potential liability has been recorded by the City. At the present time, the City is unable to estimate a final amount due to the contractor.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - 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.

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.

New Accounting Standard

The City has adopted Government Accounting Standards Board (GASB) Statement No. 50, "*Pension Disclosures*," which amends GASB Statements No. 25, "*Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*," and No. 27, "*Accounting for Pensions by State and Local Governmental Employers*." GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments, as to the current funded status of the Plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets. The current funded status and the funding progress schedules for the City's defined benefit pension plans use the entry age actuarial cost method. This method of presentation serves as a surrogate for the funded status and funding progress of the plans.

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, 2009, no single investment exceeded 5% of total plan net assets.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

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, 2009.

	<u>General</u>	<u>Firefighters</u>	<u>Employees</u>
Covered payroll (in thousands)	\$ <u>12,953</u>	\$ <u>8,916</u>	\$ <u>2,598</u>
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	234	128	16
Current employees:			
Vested	232	54	31
Non-vested	<u>68</u>	<u>38</u>	<u>5</u>
Total	<u><u>534</u></u>	<u><u>220</u></u>	<u><u>52</u></u>

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Plan Description (cont'd)

Retirement Plan for General Employees (cont'd)

Other Benefits

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, deferred retirement option program (DROP) 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.

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2009 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities. In accordance with GASB Statement No. 25, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method.

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, 2009.

**General Employees Retirement System Trust Fund
Statement of Fiduciary Net Assets
Year Ended September 30, 2009**

Assets:	
Cash and cash equivalents	\$ 289,939
Investments	50,032,600
Receivables	292,258
Total assets	50,614,797
Liabilities	
Net assets held in trust for pension benefits	\$ 50,510,463

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Plan Description (cont'd)

Retirement Plan for General Employees (cont'd)

**General Employees Retirement System Trust Fund
Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2009**

Additions:	
Contributions	\$ 3,046,802
Investment income (loss), net	2,543,346
Total additions	<u>5,590,148</u>
 Deductions:	
Pension benefits	3,134,616
Refunds	62,241
Other	113,221
Total deductions	<u>3,310,078</u>
Change in net assets	2,280,070
Net assets, beginning	<u>48,230,393</u>
Net assets, ending	<u>\$ 50,510,463</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 3.3% for firefighters and 3% for police officers of "final monthly compensation", as defined by the pension plan, times years of credited service.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Plan Description (cont'd)

Retirement Plan for Police Officers and Firefighters (cont'd)

Other Benefits

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, deferred retirement option program (DROP) disability retirement and death benefits.

Employee Contributions

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

City Contributions

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

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2009 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities. In accordance with GASB Statement No. 25, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method.

Pursuant to Florida Statutes Section 185 and Section 175, the State of Florida makes contributions to fund police and firefighter benefits. These State contributions were recognized as revenue and expenditures by the City.

During fiscal year 2009, the amounts were \$64,795 and \$59,740 for police and firefighters, respectively.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Plan Description (cont'd)

Retirement Plan for Police Officers and Firefighters (cont'd)

Funding Policy (cont'd)

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, 2009.

**Police Officers and Firefighters Retirement System Trust Fund
Statement of Fiduciary Net Assets
September 30, 2009**

Assets:	
Cash and cash equivalents	\$ 398,388
Investments	53,134,132
Receivables	<u>328,570</u>
Total assets	53,861,090
Liabilities	
Net assets held in trust for pension benefits	<u>221,038</u>
	<u>\$ 53,640,052</u>

**Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2009**

Additions:	
Contributions	\$ 6,092,978
Investment income (loss), net	<u>1,119,104</u>
Total additions	<u>7,212,082</u>
Deductions:	
Pension benefits	5,222,084
Refunds	96,628
Other	<u>231,501</u>
Total deductions	<u>5,550,213</u>
Change in net assets	1,661,869
Net assets, beginning	<u>51,978,183</u>
Net assets, ending	<u>\$ 53,640,052</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Plan Description (cont'd)

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 "average final 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, deferred retirement option program (DROP), and death benefits.

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

City Contributions

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Plan Description (cont'd)

Retirement Plan and Trust for General Management Employees (cont'd)

Funding Policy

The annual required contributions for the Plan for the current year were determined as part of the October 1, 2009 actuarial valuation using the aggregate actuarial cost method. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities. In accordance with GASB Statement No. 25, a schedule of funding progress is not required, however, in accordance with GASB Statement No. 50, a schedule of funding progress is required using the entry age normal cost method.

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, 2009.

**General Management Retirement System Trust Fund
Statement of Fiduciary Net Assets
September 30, 2009**

Assets:

Investments	\$ 9,902,870
Net assets held in trust for pension benefits	<u>\$ 9,902,870</u>

**Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2009**

Additions:

Contributions	\$ 1,812,517
Investment income (loss), net	<u>(1,198,568)</u>
Total additions	<u>613,949</u>

Deductions:

Pension benefits	1,275,078
Refunds	65,099
Other	<u>41,488</u>
Total deductions	<u>1,381,665</u>

Change in net assets	(767,716)
Net assets, beginning	<u>10,670,586</u>
Net assets, ending	<u>\$ 9,902,870</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Annual Pension Cost and Net Pension Asset

General Employees

The annual pension cost and net pension asset (in thousands) for the current year was as follows:

Annual required contribution	\$ 2,127
Interest on net pension obligation	(38)
Adjustment to annual required contribution	<u>28</u>
Annual pension cost	2,117
Contributions made	<u>2,123</u>
Increase in net pension asset	6
Net pension asset, beginning of year	<u>462</u>
Net pension asset, end of year	<u>\$ 468</u>

The annual required contribution for the current year was determined as part of the October 1, 2009 actuarial valuation using the entry age normal. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 6.0% 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. The unfunded actuarial accrued liability is being amortized using the level percent of pay closed basis. The remaining amortization period was 30 years.

Three-Year Trend Information
(In Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2007	\$ 2,107	101%	\$ 391
9/30/2008	2,263	103%	462
9/30/2009	2,117	100%	468

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Annual Pension Cost and Net Pension Asset (cont'd)

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2008, is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) ÷ c)
October 1, 2008*	\$ 56,505	\$ 74,148	\$ 17,643	76.2%	\$ 13,030	135.4%

*Actuarial accrued liability is calculated using the entry age normal cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2008
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*	8.25%
Projected salary increases*	5.50%
Cost of living adjustments	2.25%

*Includes inflation at 3.5%.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Annual Pension Cost and Net Pension Asset (cont'd)

Police and Firefighters

The annual pension cost and net pension asset (in thousands) for the current year was as follows:

Annual required contribution	\$ 4,362
Interest on net pension obligation	(57)
Adjustment to annual required contribution	<u>42</u>
Annual pension cost	4,347
Contributions made	<u>4,562</u>
Increase in net pension asset	215
Net pension asset, beginning of year	<u>714</u>
Net pension asset, end of year	<u>\$ 929</u>

The annual required contribution for the current year was determined as part of the October 1, 2009 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 varies by service. 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 compounded. The actuarial value of assets was determined using the five year smoothed market method. The unfunded actuarial accrued liability is being amortized using the level percent of pay. The remaining amortization period range from 10 to 30 years.

**Three-Year Trend Information
(In Thousands)**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2007	\$ 3,610	101%	\$ 502
9/30/2008	4,126	105%	714
9/30/2009	4,347	105%	929

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Annual Pension Cost and Net Pension Asset

Police and Firefighters (cont'd)

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2008 is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2008*	\$ 61,127	\$ 101,075	\$ 39,948	60.5%	\$ 9,286	430.2%

*Actuarial accrued liability is calculated using the entry age normal cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	<i>Police:</i> Remaining amortization periods range from 10 to 30 years <i>Fire:</i> Amortization period is based on the average future lifetime of the remaining retirees
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	Varies by service
Cost of living adjustments	2.5% per year, compounded

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Annual Pension Cost and Net Pension Asset (cont'd)

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 (in thousands) for the current year was as follows:

Annual required contribution	\$ 599
Interest on net pension obligation	<u>(12)</u>
Annual pension cost	587
Contributions made	<u>615</u>
Increase in net pension asset	(28)
Net pension asset, beginning of year	<u>558</u>
Net pension asset, end of year	<u><u>\$ 530</u></u>

The annual required contribution for the current year was determined as part of the October 1, 2009 actuarial valuation using the frozen initial liability actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.75%. 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. The unfunded actuarial accrued liability is being amortized using the level dollar closed basis. The remaining amortization period was 23 years.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 11 - Employee Retirement Systems (cont'd)

Annual Pension Cost and Net Pension Asset (cont'd)

Management Employees (cont'd)

**Three-Year Trend Information
(In Thousands)**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
9/30/2007	\$ 419	132%	\$ 648
9/30/2008	564	97%	872
9/30/2009	587	105%	530

Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2008 is as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2008*	N/A	N/A	N/A	N/A	N/A	N/A

*Actuarial accrued liability is calculated using the entry age normal cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2008
Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return*	8.00%
Projected salary increases*	5.75%
Cost of living adjustments	2.25%

*Includes inflation at 3.75%.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 12 - 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 11). As of September 30, 2009, there is one remaining employee contributing to the plan. Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employees are required to contribute 8%. Prior to January 1, 2003, the City contributed 17% and the employees contributed 7%. Employer contributions for fiscal year ended September 30, 2009 were approximately \$17,850 while the employee contributions were approximately \$8,400. Plan provisions and contribution requirements are established and may be amended by the City Manager.

Note 13 - Other Post-Employment Benefits

New Accounting Standard

In fiscal year 2009, the City adopted Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post - employment Benefits Other than Pensions (OPEB)*. OPEB refers to non-pension benefits provided after the termination of employment. This pronouncement requires the City to calculate and recognize a net other post-employment benefit obligation (NOPEBO) at September 30, 2009. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions. The NOPEBO as of September 30, 2009 was \$452,000.

Plan Description

In addition to providing the pension benefits described, the City provides optional post employment healthcare coverage to eligible individuals, as well as dental and vision benefits. In addition, all retirees are covered by a group life insurance policy.

Eligible Individuals

Eligible individuals include all regular employees of the City of North Miami Beach who retire from active service and are eligible for retirement or disability benefits under one of the pension plans sponsored by the City. Management-level personnel are eligible after any termination of employment other than criminal malfeasance and elected officials are eligible after serving at least four terms. In most cases, eligible individuals for healthcare coverage also include spouses and dependent children, although spousal coverage generally ends at age 65 after the employee's death.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 13 - Other Post-Employment Benefits (cont'd)

Choice of Healthcare Plans

Eligible individuals may choose healthcare coverage under a health maintenance organization (HMO) plan, under a point-of-service (POS) plan, or under a preferred organization (PPO) plan. Those individuals who are eligible for Medicare may choose coverage under a Medicare supplement plan.

Required Monthly Premium for Post-employment Health Coverage

Retirees must pay a monthly premium as determined by the insurance carrier, less any applicable subsidies provided by the City. The premium varies depending on whether the retiree elects coverage under the HMO, POS, or PPO plan and whether the retiree elects single, couple, or family coverage.

Employer Healthcare Premium Subsidy

The City subsidizes 100% of the premium for single coverage under the PPO plan for elected officials. In addition, the City subsidizes a portion of the premium for single coverage under the PPO plan for management-level personnel, depending on age and length of service at retirement. The subsidy ranges from 80% for eligible employees who are at least age 40 with at least 20 years of service down to 20% for eligible employees who are at least age 52 with at least eight years of service.

Post-employment Life Insurance Coverage

The City provides \$10,000 of life insurance coverage to all retirees. Management-level personnel receive an additional \$10,000 of coverage if they have earned at least 15 years of service at retirement or an additional \$20,000 of coverage if they have earned at least 20 years of service.

Membership

At September 30, 2009, participants included:

Current retirees:

Under age 65	93
Over age 65	<u>122</u>
Total current retirees	<u>215</u>

Active employees:

Active employees fully eligible for benefits	70
Active employees not yet fully eligible for benefits	<u>428</u>
Total active employees	<u>498</u>
Total number of participants	<u><u>713</u></u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 13 - Other Post-Employment Benefits (cont'd)

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for September 30, 2009 is as follows:

<u>Year Ended September 30</u>	<u>Schedule of Employer Contributions</u>			
	<u>ARC</u>	<u>% Contributed</u>	<u>Annual OPEB Cost</u>	<u>% Contributed</u>
2009	\$ 561,000	19%	\$ 561,000	19%

The Net OPEB obligation (NOPEBO) as of September 30, 2009 was calculated as follows:

Annual OPEB cost	\$ 561,000
Employer contributions	(106,000)
Interest on employer contributions	<u>(3,000)</u>
Increase in the net OPEB obligation	452,000
Net OPEB obligation-- (beginning of year)	<u>-</u>
Net OPEB obligation-- (end of year)	<u>\$ 452,000</u>

Funding Policy

Funding Status and Funding Progress. The funded status of the plan as of September 30, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 4,241,000
Actuarial value of the plan assets	-
Unfunded actuarial accrued liability (UAAL)	4,241,000
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	26,027,000
UAAL as a percentage of covered payroll	16.30%

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 13 - Other Post-Employment Benefits (cont'd)

Summary of Actuarial Methods and Assumptions

Actuarial Cost method

The projected unit credit cost was used to determine all liabilities, with the liability for each active employee assumed to accrue over his working lifetime based on elapsed time from his date of hire until retirement.

Decrement

Mortality

Sex-distinct mortality rates set forth in the RP-2000 mortality for annuitants and non-annuitants.

Disability

Sex-distinct rates set forth in the Wyatt 1985 Disability Study; Class 4 rates were used for police officers and firefighters; Class 1 rates were used for all other employees.

Permanent Withdrawal from Active Status

Sex-distinct withdrawal rates set forth in the Scale 155 table.

Retirement

Retirement was assumed to occur as follows:

1. For participant in the general employees pension plan:
Age 55 with at least 20 years of service or age 62
2. For participants in the firefighters and police officers pension plan:
Any age with at least 20 years of service or age 52
3. For participants in the management pension plan:
Age 55 with age plus service equal to at least 75
4. For participants in the Florida Retirement System (FRS):
Any age with at least 30 years of services or 62 with at least six years of service
5. For all other employees:
Age 60

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 13 - Other Post-Employment Benefits (cont'd)

Summary of Actuarial Methods and Assumptions (cont'd)

Investment Return (Discount Rate)

The actuarial assumptions included a 6.00% investment rate of return per annum (includes inflation at 3.00% per annum)

Health Care Cost Trend Rates

The cost of covered medical services has been assumed at an initial healthcare cost trend rate of 10.00% reducing to an ultimate rate of 5.00%.

Implied Subsidy

The implied subsidy for a 65-year old retiree for the period October 1, 2009 through September 30, 2010 is assumed to be \$1,328 for those who elect single coverage under the HMO plan; \$1,373 for those who elect single coverage under the POS plan; and \$2,596 for those who elect single coverage under the PPO plan.

Age-related Morbidity

The cost of covered medical services has been assumed to increase with age at the rate of 1.50% per annum.

Retiree Contributions

Retirees electing post-employment healthcare coverage have been assumed to make monthly contributions equal to premium charged to the active employees less any explicit employer subsidies to which the retiree is entitled.

Cost-of-Living Increases

Both retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend assumption.

Medical Plan Choice

Both current and future retirees have been assumed to continue coverage in accordance with their current plan election, except that those future retirees who are eligible for an explicit employer subsidy have been assumed to elect coverage under the PPO plan.

Future Participation Rates

100% of eligible employees were assumed to elect coverage upon termination of employment if they are entitled to an explicit employer subsidy; otherwise, 20% of eligible employees were assumed to elect coverage upon retirement or disability. Only elected officials who have already served at least four terms are assumed to become eligible for retiree healthcare coverage. Coverage for retirees was assumed to continue for life of the retiree is eligible for an explicit subsidy; otherwise, coverage was assumed to end at age 65.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 13 - Other Post-Employment Benefits (cont'd)

Summary of Actuarial Methods and Assumptions (cont'd)

Marriage & Dependent Assumption

Both current and future retirees were assumed to continue single or family coverage in accordance with their current election; however, the implicit subsidy was assumed to be applicable only to healthcare coverage for the retiree.

COBRA Assumption

Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, we assumed the COBRA premium to be paid by the participant fully covers the cost of providing healthcare coverage during the relevant period.

Medicare Assumption

Retirees who have attained age 65 are assumed to be covered by the Medicare supplement plan and the premiums for such plan are assumed to be 20% of the premium for the PPO plan.

Note 14 - Community Redevelopment Agency

North Miami Beach Community Redevelopment Agency (NMB CRA) Component Unit

The NMB CRA incurred the following expenditures during the fiscal year ended September 30, 2009:

Expenditures and transfers	<u>\$ 2,751,116</u>
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In 2009, the following projects were funded:

- Continued a bi-monthly meeting of the Community Redevelopment Board.
- Contracted to have an amended CRA plan prepared. The amended plan will provide the CRA with the programs and tools it needs to take a more aggressive approach to creating an environment to foster the private investment needed to achieve redevelopment.
- Continued to update and analyze the NMB Master Plan.
- Funded street reconstruction and utility improvements.
- Identified more than 40 revenue enhancement opportunities for both the CRA and its parent city.
- Completed appraisals of four properties within the district.

During fiscal year 2009, the City drew down the remaining \$4 million of the \$8 million lines of credit to finance property acquisition and street and utility reconstruction.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 15 - Pronouncements Issued, Not Yet Effective, and Recently Adopted

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates in the future that may impact future financial presentations.

Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statements of the City:

- ***GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," issued June, 2007.*** Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer soft-ware. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "*Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments.*" This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.
- ***GASB Statement No. 52, "Land and Other Real Estate Held as Investment by Endowments."*** This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008 and were adopted this year by the City.
- ***GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments."*** This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Note 15 - Pronouncements Issued, Not Yet Effective, and Recently Adopted (cont'd)

- ***GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”, issued February 2009.*** This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered non-spendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this Statement are effective for periods beginning after June 15, 2010.

GASB Statement No. 55 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, issued March, 2009. This Statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

The GASB is responsible for establishing GAAP for state and local governments. However, the current GAAP hierarchy is set forth in the American Institute of Certified Public Accountants’ (AICPA) Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles, rather than in the authoritative literature of the GASB. The requirements of this Statement became effective immediately and were adopted this year by the City.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Note 15 - Pronouncements Issued, Not Yet Effective, and Recently Adopted (cont'd)

- ***GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, issued March 2009.*** This Statement incorporates into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The requirements of this Statement became effective immediately and were adopted this year by the City.

- ***GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, issued December, 2009.*** This Statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible.

In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan’s financial reporting requirements. The requirements of this Statement became effective immediately and were adopted this year by the City.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Note 15 - Pronouncements Issued, Not Yet Effective, and Recently Adopted (cont'd)

- ***GASB Statement No. 58 “Accounting and Financial Reporting for Chapter 9 Bankruptcies”, issued December, 2009.*** This Statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

For governments that are not expected to emerge from bankruptcy as going concerns, this Statement requires re-measurement of assets to a value that represents the amount expected to be received. This Statement classifies gains or losses resulting from re-measurement of liabilities and assets as an extraordinary item. Governments that have filed for bankruptcy are required to disclose information regarding, among other things, the pertinent conditions and events giving rise to the petition for bankruptcy, the expected gain, and the effects upon services. This Statement is effective for reporting periods beginning after June 15, 2009.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF NORTH MIAMI BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes	\$ 16,660,338	\$ 16,660,338	\$ 16,103,742	\$ (556,596)
Franchise fees:				
Florida Power & Light	2,135,000	2,135,000	2,041,802	(93,198)
Towing	3,000	3,000	10,190	7,190
Gas and propane	15,100	15,100	20,820	5,720
Bus shelters	<u>7,200</u>	<u>7,200</u>	<u>6,800</u>	<u>(400)</u>
Total franchise fees	<u>2,160,300</u>	<u>2,160,300</u>	<u>2,079,612</u>	<u>(80,688)</u>
Utility taxes:				
Florida Power & Light	1,850,000	1,850,000	1,904,427	54,427
Gas, propane and oil	75,670	75,670	90,412	14,742
N.M.B. Water & Sewer	<u>400,000</u>	<u>400,000</u>	<u>520,734</u>	<u>120,734</u>
Total utility taxes	<u>2,325,670</u>	<u>2,325,670</u>	<u>2,515,573</u>	<u>189,903</u>
Communication service tax	<u>2,563,258</u>	<u>2,563,258</u>	<u>2,101,582</u>	<u>(461,676)</u>
Other taxes	<u>569,471</u>	<u>569,471</u>	<u>558,403</u>	<u>(11,068)</u>
Licenses and permits:				
Business tax receipts	942,600	942,600	989,391	46,791
Building permits and fees	<u>1,082,620</u>	<u>1,082,620</u>	<u>770,140</u>	<u>(312,480)</u>
Total licenses and permits	<u>2,025,220</u>	<u>2,025,220</u>	<u>1,759,531</u>	<u>(265,689)</u>
Intergovernmental:				
Sales tax	2,418,630	2,418,630	2,329,356	(89,274)
Shared revenues	602,964	602,964	566,214	(36,750)
Local option gas tax	808,217	808,217	739,172	(69,045)
Beverage licenses	20,000	20,000	36,171	16,171
Other state revenue	45,500	45,500	35,344	(10,156)
County revenue	<u>63,300</u>	<u>63,300</u>	<u>115,583</u>	<u>52,283</u>
Total intergovernmental	<u>3,958,611</u>	<u>3,958,611</u>	<u>3,821,841</u>	<u>(136,770)</u>

(Continued)

See notes to budgetary comparison schedule.

**CITY OF NORTH MIAMI BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges for services:				
Sanitation fees	\$ 8,711,280	\$ 8,711,280	\$ 8,717,753	\$ 6,473
General services	1,732,460	1,732,460	1,717,529	(14,931)
Recreation fees	600,410	628,672	614,211	(14,461)
County sewer	126,000	126,000	128,624	2,624
Police services	168,300	168,300	211,430	43,130
Recycling and maintenance charges	<u>210,850</u>	<u>210,850</u>	<u>272,922</u>	<u>62,072</u>
Total charges for services	<u>11,549,300</u>	<u>11,577,562</u>	<u>11,662,468</u>	<u>84,906</u>
Fines and forfeitures:				
Traffic and parking	200,000	200,000	356,135	156,135
Local ordinance violations	111,000	111,000	146,175	35,175
Library	<u>30,000</u>	<u>30,000</u>	<u>27,607</u>	<u>(2,393)</u>
Total fines and forfeitures	<u>341,000</u>	<u>341,000</u>	<u>529,917</u>	<u>188,917</u>
Other:				
Billing surcharge (F.S. 180.191)	5,530,000	5,530,000	6,187,786	657,786
Impact fees	-	-	1,710	1,710
Interest	159,000	159,000	127,250	(31,750)
Miscellaneous	502,680	610,969	914,867	303,898
Use of surplus	<u>184,857</u>	<u>184,857</u>	-	<u>(184,857)</u>
Total other	<u>6,376,537</u>	<u>6,484,826</u>	<u>7,231,613</u>	<u>746,787</u>
Total revenues	<u>48,529,705</u>	<u>48,666,256</u>	<u>48,364,281</u>	<u>(301,975)</u>
Current expenditures:				
General government:				
Administrative	1,441,829	1,524,880	1,524,262	618
Legislative	385,884	415,587	415,547	40
Executive	7,452,808	6,426,715	6,136,179	290,536
Human resources	2,907,289	3,132,448	2,522,643	609,805
Finance	<u>2,686,389</u>	<u>2,674,725</u>	<u>2,674,007</u>	<u>718</u>
Total general government	<u>14,874,199</u>	<u>14,174,355</u>	<u>13,272,639</u>	<u>901,716</u>
Police services	21,280,398	20,652,527	20,815,349	(162,673)
Library	742,004	730,446	701,717	28,729
Parks and recreation	4,207,713	4,455,337	4,114,266	341,071
Public services	<u>10,211,349</u>	<u>10,083,440</u>	<u>10,095,031</u>	<u>(11,591)</u>
Total current expenditures	<u>36,441,464</u>	<u>35,921,750</u>	<u>35,726,363</u>	<u>195,387</u>

(Continued)

See notes to budgetary comparison schedule.

**CITY OF NORTH MIAMI BEACH, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Capital outlay:				
General government:				
Administrative	\$ 5,000	\$ 32,169	\$ 32,169	\$ -
Legislative	-	1,941	1,941	-
Executive	116,000	410,831	423,887	(13,056)
Human resources	-	3,370	1,867	1,503
Finance	-	<u>9,371</u>	<u>9,371</u>	-
Total general government	<u>121,000</u>	<u>457,682</u>	<u>469,235</u>	<u>(11,553)</u>
Police services	281,944	290,616	269,249	21,367
Library	13,676	14,658	14,575	83
Parks and recreation	165,752	165,752	1,042	164,710
Public services	<u>1,234,000</u>	<u>2,293,303</u>	<u>2,277,234</u>	<u>16,069</u>
Total capital outlay	<u>1,695,372</u>	<u>2,764,329</u>	<u>2,562,100</u>	<u>202,229</u>
Debt service:				
Principal	960,336	898,772	895,458	3,314
Interest	<u>74,210</u>	<u>86,220</u>	<u>86,210</u>	<u>10</u>
Total debt service	<u>1,034,546</u>	<u>984,992</u>	<u>981,668</u>	<u>3,324</u>
Total expenditures	<u>54,166,581</u>	<u>54,303,108</u>	<u>53,012,006</u>	<u>1,291,102</u>
Other financing sources (uses):				
Transfers in	7,512,072	7,512,072	7,528,072	16,000
Transfers out	(2,663,196)	(2,663,220)	(2,482,272)	181,058
Financing proceeds - master lease	<u>788,000</u>	<u>788,000</u>	<u>788,000</u>	-
Total other financing sources	<u>5,636,876</u>	<u>5,636,852</u>	<u>5,833,800</u>	<u>196,948</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,186,075</u>	<u>\$ (1,186,075)</u>

(Continued)

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2009

Note 1 - Budgets and Budgetary Accounting

Annual budgets are adopted for the general fund, the debt service funds and the capital project fund (Alley Restoration Program) on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances.

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 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.
7. Encumbrance accounting is used in governmental funds. Encumbered purchase orders outstanding at year-end are reported as reservations of fund balances to indicate that they are not available for appropriation and are not expendable available financial resources.

Note 2 - Excess Expenditures Over Appropriation

For the fiscal year ended September 30, 2009, expenditures exceeded appropriations in the police services department by \$162,673, and the public services department by \$11,591. In capital outlay expenditures the executive department exceeded appropriation by \$13,056. These excesses were funded by greater than anticipated revenues.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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 95)	\$ 1,186,075
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>2,766,770</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 27)	<u>\$ 3,952,845</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR GENERAL EMPLOYEES

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
	<i>(In Thousands)</i>	
2003	\$ 1,548	98%
2004	1,695	102%
2005	1,739	100%
2006	1,830	102%
2007	2,115	102%
2008	2,272	103%
2009	2,127	100%

**CITY OF NORTH MIAMI BEACH, FLORIDA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS AND OTHER CONTRIBUTING ENTITIES
 POLICE OFFICERS AND FIREFIGHTERS
 SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

(In Thousands)

<u>Fiscal Year</u>	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>State Contributions</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
2003	\$ 1,892	\$ 1,900	\$ 402	\$ 2,302	122%
2004	2,739	2,740	666	3,406	124%
2005	2,692	2,587	562	3,149	117%
2006	3,316	3,316	515	3,831	116%
2007	3,621	3,656	737	4,393	121%
2008	4,138	4,338	759	5,097	123%
2009	4,362	4,562	536	5,098	117%

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GENERAL MANAGEMENT EMPLOYEES
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
	<i>(In Thousands)</i>	
2003	\$ 345	121%
2004	519	100%
2005	550	116%
2006	410	168%
2007	430	190%
2008	575	137%
2009	599	103%

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR OTHER POST-EMPLOYMENT BENEFIT PLAN

<u>Fiscal Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
	<i>(In Thousands)</i>	
2009	\$ 561	19%

Note: *This information was not available prior to FY 2009.*

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS
GENERAL EMPLOYEES
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR GENERAL EMPLOYEES

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL) Entry Age</u> (b)	<u>Unfunded Actuarial Accrued Liability (UAAL)</u> (b) - (a)	<u>Funded Ratio</u> (a) / (b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a) / (c)
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%
10/1/2005	45,628	58,943	13,315	77.4%	12,749	104.4%
10/1/2006	48,554	63,645	15,091	76.3%	12,853	117.4%
10/1/2007	53,576	67,210	13,634	79.7%	13,112	104.0%
10/1/2008	56,505	74,148	17,643	76.2%	13,030	135.4%

Note: Dollar amounts in thousands.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS
POLICE OFFICERS AND FIREFIGHTERS
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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%
10/1/2005	47,170	84,260	37,090	56.0%	8,115	457.1%
10/1/2006	50,986	90,872	39,886	56.1%	8,571	465.4%
10/1/2007	57,040	95,564	38,524	59.7%	9,609	400.9%
10/1/2008	61,127	101,075	39,948	60.5%	9,286	430.2%

Note: Dollar amounts in thousands.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS
GENERAL MANAGEMENT EMPLOYEES
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) Entry Age</u> (b)	<u>Unfunded Actuarial Accrued Liability (UAAL)</u> (b) - (a)	<u>Funded Ratio</u> (a) / (b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a) / (c)
10/1/2003	\$ 4,541	\$ 10,136	\$ 5,595	44.8%	\$ 2,479	225.7%
10/1/2004	5,741	11,448	5,707	50.1%	2,775	205.7%
10/1/2005	7,215	13,028	5,813	55.4%	2,412	241.0%
10/1/2006	8,762	14,676	5,914	59.7%	2,290	258.3%
10/1/2007	10,474	16,483	6,009	63.5%	2,428	247.5%
10/1/2008	N/A	N/A	N/A	N/A	N/A	N/A

Note: Dollar amounts in thousands.

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

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYEMENT BENEFIT
SEPTEMBER 30, 2009**

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL) Entry Age</u> (b)	<u>Unfunded Actuarial Accrued Liability (UAAL)</u> (b) - (a)	<u>Funded Ratio</u> (a) / (b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a) / (c)
10/1/2008	\$ -	\$ 4,241,000	\$ 4,241,000	0.0%	\$ 26,027,000	16.3%

Note: Dollar amounts in thousands.

Note: Phase III implementation.

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**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

**CITY OF NORTH MIAMI BEACH, FLORIDA
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Pooled cash and investments	\$ 7,233,211	\$ 963,459
Accounts receivable	6,466,778	6,485,809
Due from other funds	3,535,638	5,664,235
Inventories	195,099	305,266
Prepaid costs	484	234,739
Escrow funds held by lessor	245,596	522,441
Other assets	<u>45,100</u>	<u>45,100</u>
Total Assets	<u>\$ 17,721,906</u>	<u>\$ 14,221,049</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 1,733,577	\$ 1,909,754
Deposits held in trust	792,634	855,660
Deferred revenues	<u>941,375</u>	<u>1,154,159</u>
Total liabilities	<u>3,467,585</u>	<u>3,919,573</u>
 Fund balances:		
Reserved:		
Encumbrances	3,092,506	1,375,657
Inventories	195,099	305,266
Prepaid costs	484	234,739
Impact fees	7,759	6,157
Unreserved:		
Designated for liability claims	1,378,777	869,875
Designated for workers' compensation claims	1,070,337	892,435
Designated for land acquisition	115,996	113,496
Designated for parks	189,558	-
Undesignated	<u>8,203,805</u>	<u>6,503,851</u>
Total fund balances	<u>14,254,321</u>	<u>10,301,476</u>
Total Liabilities and Fund Balances	<u>\$ 17,721,906</u>	<u>\$ 14,221,049</u>

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**CITY OF NORTH MIAMI BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

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 operations of the North Miami Beach Community Redevelopment Agency (CRA) which was created in accordance with Section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969.

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

Sports Disability Program – This fund is used to account for a grant which the City received from the Department of Education to fund the City's programs for fitness and other related programs for the disabled.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

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.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

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 runoff and trash collection.

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

Proud Neighborhood Bonds – This fund was established to account for financial resources to be used for capital projects within the City. Monies for this fund came from the \$17,305,000 bonds from the Florida League of Cities. Projects accounted for in this fund are per the "Proud Neighborhood Bond" plan and includes street light upgrading, sidewalk installation and street & swale improvements in all of the City's various neighborhoods.

2003B Surtax – This fund was established to account for financial resources to be used for transportation projects within the City. Monies for this fund came from the \$7,765,000 bonds from the Florida Municipal Loan Council.

NE 172 Street Drainage Improvements – To account for funds received for the installation of a new drainage system to reduce the major flooding that occurred after each heavy rainstorm due to the low elevation and inadequate drainage in a block between NE 23 Avenue and West Dixie Highway

NE 18th Avenue Roadway Improvement Project – To account for funds provided for road construction, installation of storm-water, curbing, sidewalk and landscaping between NE 168-169th Street and NE 18th Avenue in the City.

NE 19th Avenue Roadway Improvement Project – To account for the resurfacing of NE 19th Avenue from NE 171 Street to NE 183 Street. This project is a federal award subject to the criteria and conditions of the 2009 American Recovery and Reinvestment Act (ARRA).

Citywide Sidewalk Replacements – To account for sidewalk replacements on a citywide basis. This project is a federal award subject to the criteria and conditions of the 2009 American Recovery and Reinvestment Act (ARRA).

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	SPECIAL REVENUE										Total
	Grants	Transit Surtax	Community Redevelopment Agency	Handi-capped Parking Fines	Disability Sport Program	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures	U.S. Treasury	
ASSETS											
Pooled cash and investments	\$ 899,861	\$ 206,016	\$ 7,968,295	\$ 14,097	\$ -	\$ 94,643	\$ 48,149	\$ 6,301,385	\$ 1,228,183	\$ 399,664	\$ 17,160,293
Accounts receivable:											
Intergovernmental	-	283,077	-	-	-	21,087	43,920	-	-	-	348,084
Grants	681,350	-	-	-	44,142	-	-	-	-	-	725,492
Due from other funds	-	-	-	-	-	-	-	-	-	121,287	121,287
Prepays	542	-	-	-	-	-	-	-	7,491	-	8,033
Total assets	<u>\$ 1,581,753</u>	<u>\$ 489,093</u>	<u>\$ 7,968,295</u>	<u>\$ 14,097</u>	<u>\$ 44,142</u>	<u>\$ 115,730</u>	<u>\$ 92,069</u>	<u>\$ 6,301,385</u>	<u>\$ 1,235,674</u>	<u>\$ 520,951</u>	<u>\$ 18,363,189</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Vouchers payable and accrued liabilities	\$ 57,650	\$ 2,291	\$ 141,330	\$ -	\$ 10,097	\$ 1,343	\$ 5,310	\$ 11,876	\$ 21,976	\$ -	\$ 251,873
Due to other funds	581,028	-	-	-	34,045	-	-	-	-	-	615,073
Deferred revenue	315,375	-	-	13,670	-	-	-	-	-	-	329,045
Total liabilities	<u>954,054</u>	<u>2,291</u>	<u>141,330</u>	<u>13,670</u>	<u>44,142</u>	<u>1,343</u>	<u>5,310</u>	<u>11,876</u>	<u>21,976</u>	<u>-</u>	<u>1,195,992</u>
Fund balances:											
Reserved:											
Grant related	627,699	-	-	-	-	-	-	-	-	-	627,699
Unreserved, undesignated	-	486,802	7,826,965	427	-	114,387	86,759	6,289,509	1,213,698	520,951	16,539,498
Total fund balances	<u>627,699</u>	<u>486,802</u>	<u>7,826,965</u>	<u>427</u>	<u>-</u>	<u>114,387</u>	<u>86,759</u>	<u>6,289,509</u>	<u>1,213,698</u>	<u>520,951</u>	<u>17,167,197</u>
Total Liabilities and Fund Balances	<u>\$ 1,581,753</u>	<u>\$ 489,093</u>	<u>\$ 7,968,295</u>	<u>\$ 14,097</u>	<u>\$ 44,142</u>	<u>\$ 115,730</u>	<u>\$ 92,069</u>	<u>\$ 6,301,385</u>	<u>\$ 1,235,674</u>	<u>\$ 520,951</u>	<u>\$ 18,363,189</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	DEBT SERVICE							Total
	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	Series 2005C	
ASSETS								
Pooled cash and investments	\$ -	\$ 3,456	\$ 222,695	\$ 449	\$ -	\$ 276	\$ -	\$ 226,876
Accounts receivable:								
Other receivables	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total assets	<u>\$ 350,000</u>	<u>\$ 3,456</u>	<u>\$ 222,695</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ -</u>	<u>\$ 576,876</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Due to other funds	<u>\$ 352,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 352,965</u>
Total liabilities	<u>352,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,965</u>
Fund balances:								
Reserved:								
Debt service	<u>(2,965)</u>	<u>3,456</u>	<u>222,695</u>	<u>449</u>	<u>-</u>	<u>276</u>	<u>-</u>	<u>223,911</u>
Total fund balances	<u>(2,965)</u>	<u>3,456</u>	<u>222,695</u>	<u>449</u>	<u>-</u>	<u>276</u>	<u>-</u>	<u>223,911</u>
Total liabilities and fund balances	<u>\$ 350,000</u>	<u>\$ 3,456</u>	<u>\$ 222,695</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ -</u>	<u>\$ 576,876</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	CAPITAL PROJECTS									Total Non-major Governmental Funds
	Alley Restoration Program	2004 BBC Program	Proud Neighborhood	2003B Surtax	CDBG 168 St. Improvement	ARRA 19 Ave Improvement	ARRA Sidewalk Replacement	172nd St. Drainage	Total	
ASSETS										
Pooled cash and investments	\$ 46,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,479	\$ 17,433,648
Accounts receivable:										
Intergovernmental	-	-	-	-	-	-	-	-	-	348,084
Grants	-	2,317,716	-	-	-	389	52	35,325	2,353,481	3,078,973
Other receivables	-	-	-	-	-	-	-	-	-	350,000
Due from other funds	-	-	-	-	-	-	-	-	-	121,287
Prepays	-	-	-	-	-	-	-	-	-	8,033
Escrow funds held by agent	-	-	-	551,034	-	-	-	-	551,034	551,034
Total assets	<u>\$ 46,479</u>	<u>\$ 2,317,716</u>	<u>\$ -</u>	<u>\$ 551,034</u>	<u>\$ -</u>	<u>\$ 389</u>	<u>\$ 52</u>	<u>\$ 35,325</u>	<u>\$ 2,950,993</u>	<u>\$ 21,891,058</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Vouchers payable and accrued liabilities	\$ -	\$ 223,519	\$ -	\$ -	\$ -	\$ 389	\$ 52	\$ -	\$ 223,959	\$ 475,833
Due to other funds	-	2,317,700	-	335,011	850	-	-	35,325	2,688,887	3,656,925
Deferred revenue	-	-	-	-	-	-	-	-	-	329,045
Total liabilities	<u>-</u>	<u>2,541,219</u>	<u>-</u>	<u>335,011</u>	<u>850</u>	<u>389</u>	<u>52</u>	<u>35,325</u>	<u>2,912,846</u>	<u>4,461,804</u>
Fund balances:										
Reserved:										
Grant related	-	-	-	-	-	-	-	-	-	627,699
Debt service	-	-	-	-	-	-	-	-	-	223,911
Construction	46,478	(223,503)	-	216,023	(850)	-	-	-	38,147	38,147
Unreserved, undesignated	-	-	-	-	-	-	-	-	-	16,539,498
Total fund balances	<u>46,478</u>	<u>(223,503)</u>	<u>-</u>	<u>216,023</u>	<u>(850)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,147</u>	<u>17,429,255</u>
Total Liabilities and Fund Balances	<u>\$ 46,478</u>	<u>\$ 2,317,716</u>	<u>\$ -</u>	<u>\$ 551,034</u>	<u>\$ -</u>	<u>\$ 389</u>	<u>\$ 52</u>	<u>\$ 35,325</u>	<u>\$ 2,950,993</u>	<u>\$ 21,891,059</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	SPECIAL REVENUE										Total
	Grants	Transit Surtax	Community Redevelopment Agency	Handi-capped Parking Fines	Disability Sports Program	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	U.S. Treasury	
Revenues:											
Intergovernmental	\$ 188,392	\$ 1,195,378	\$ 897,748	\$ 5,259	\$ -	\$ 123,416	\$ 262,800	\$ -	\$ -	\$ -	\$ 2,672,993
Grants	1,179,207	-	-	-	44,142	-	-	-	-	-	1,223,349
Fines and forfeitures	-	-	-	-	-	-	-	7,029,393	1,217,458	181,271	8,428,122
Other	208,681	-	-	-	-	-	310	58,176	29,995	28,879	326,041
Interest	1,260	176	193,782	3	-	237	149	1,659	1,962	41	199,269
Total revenues	<u>1,577,540</u>	<u>1,195,554</u>	<u>1,091,530</u>	<u>5,261</u>	<u>44,142</u>	<u>123,653</u>	<u>263,259</u>	<u>7,089,227</u>	<u>1,249,416</u>	<u>210,191</u>	<u>12,849,774</u>
Expenditures:											
Current:											
General government	140,434	194	1,079,147	5,259	-	-	-	11,535	-	-	1,236,569
Police services	59,270	-	-	-	-	103,920	259,673	1,036,107	264,213	-	1,723,183
Library	1,700	-	-	-	-	-	-	-	-	-	1,700
Parks	444,368	170,536	-	-	30,707	-	-	-	82,815	-	728,426
Public services	140	-	221	-	-	-	-	-	2,895	-	3,256
Capital outlay	463,851	269,612	1,135,673	-	13,435	-	-	178,216	184,902	-	2,245,688
Debt service:											
Principal	-	-	222,222	-	-	-	-	-	-	-	222,222
Interest and fiscal charges	-	-	153,440	-	-	-	-	-	-	-	153,440
Total expenditures	<u>1,109,762</u>	<u>440,342</u>	<u>2,590,703</u>	<u>5,259</u>	<u>44,142</u>	<u>103,920</u>	<u>259,673</u>	<u>1,225,858</u>	<u>534,825</u>	<u>-</u>	<u>6,314,485</u>
Excess (deficiency) of revenues over expenditures	<u>467,778</u>	<u>755,212</u>	<u>(1,499,172)</u>	<u>3</u>	<u>-</u>	<u>19,733</u>	<u>3,586</u>	<u>5,863,369</u>	<u>714,591</u>	<u>210,191</u>	<u>6,535,289</u>
Other financing sources (uses):											
Proceeds from credit facilities	-	-	4,000,000	-	-	-	-	-	-	-	4,000,000
Transfers in	-	47,069	1,586,779	-	-	-	-	-	-	-	1,633,848
Transfers out	-	(827,270)	(529,964)	-	-	(5,000)	(5,000)	(10,767)	-	-	(1,378,001)
Total other financing sources (uses)	<u>-</u>	<u>(780,201)</u>	<u>5,056,815</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,767)</u>	<u>-</u>	<u>-</u>	<u>4,255,847</u>
Net changes in fund balances	467,778	(24,990)	3,557,643	3	-	14,733	(1,414)	5,852,602	714,591	210,191	10,791,136
Fund balances, beginning	159,920	511,792	4,269,322	425	-	99,654	88,173	436,907	499,108	310,761	6,376,062
Fund balances, ending	<u>\$ 627,698</u>	<u>\$ 486,802</u>	<u>\$ 7,826,965</u>	<u>\$ 428</u>	<u>\$ -</u>	<u>\$ 114,387</u>	<u>\$ 86,759</u>	<u>\$ 6,289,509</u>	<u>\$ 1,213,699</u>	<u>\$ 520,952</u>	<u>\$ 17,167,198</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	DEBT SERVICE							Total
	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	Series 2005C	
Revenues:								
Property taxes	\$ 1,131,382	\$ 915,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,047,203
Intergovernmental	-	-	642,052	-	-	-	-	642,052
Interest	<u>52</u>	<u>412</u>	<u>1,023</u>	-	<u>753</u>	<u>41</u>	<u>170</u>	<u>2,451</u>
Total revenues	<u>1,131,434</u>	<u>916,233</u>	<u>643,075</u>	-	<u>753</u>	<u>41</u>	<u>170</u>	<u>2,691,706</u>
Expenditures:								
Current:								
General government	32	257	928	-	-	-	-	1,217
Debt service:								
Principal	270,000	425,000	190,000	-	14,465	415,000	1,677	1,316,142
Interest and fiscal charges	<u>869,061</u>	<u>510,029</u>	<u>68,958</u>	-	<u>1,208</u>	<u>278,388</u>	<u>9,496</u>	<u>1,737,139</u>
Total expenditures	<u>1,139,093</u>	<u>935,286</u>	<u>259,886</u>	-	<u>15,673</u>	<u>693,388</u>	<u>11,173</u>	<u>3,054,498</u>
Excess (deficiency) of revenues over expenditures	<u>(7,659)</u>	<u>(19,052)</u>	<u>383,189</u>	-	<u>(14,920)</u>	<u>(693,347)</u>	<u>(11,003)</u>	<u>(362,792)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	14,920	693,240	11,003	719,163
Transfers out	<u>-</u>	<u>-</u>	<u>(383,068)</u>	-	<u>-</u>	<u>-</u>	<u>-</u>	<u>(383,068)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(383,068)</u>	-	<u>14,920</u>	<u>693,240</u>	<u>11,003</u>	<u>336,095</u>
Net changes in fund balances	(7,659)	(19,052)	121	-	-	(106)	-	(26,697)
Fund balances, beginning	<u>4,694</u>	<u>22,508</u>	<u>222,575</u>	<u>449</u>	<u>-</u>	<u>382</u>	<u>-</u>	<u>250,608</u>
Fund balances, ending	<u>\$ (2,965)</u>	<u>\$ 3,456</u>	<u>\$ 222,696</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ -</u>	<u>\$ 223,911</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	CAPITAL PROJECTS									Total Non-major Governmental Funds	
	Alley Restoration Program	2004 BBC Program	Proud Neighborhood	2003B Surtax	CDBG 168 St. Improvement	ARRA 19 Ave Improvement	ARRA Sidewalk Replacement	172nd St. Drainage	Total		
Revenues:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,047,203
Intergovernmental	-	-	-	-	-	-	-	-	-	-	3,315,045
Grants	-	115,091	-	-	299,150	389	52	35,325	450,006	-	1,673,355
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-	8,428,122
Other	-	-	-	11,533	-	-	-	-	11,533	-	337,575
Interest	115	-	-	9,746	-	-	-	-	9,862	-	211,582
Total revenues	<u>115</u>	<u>115,091</u>	<u>-</u>	<u>21,279</u>	<u>299,150</u>	<u>389</u>	<u>52</u>	<u>35,325</u>	<u>471,401</u>	<u>-</u>	<u>16,012,881</u>
Expenditures:											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	1,237,786
Police services	-	-	-	-	-	-	-	-	-	-	1,723,183
Library	-	-	-	-	-	-	-	-	-	-	1,700
Parks	-	-	-	-	-	-	-	-	-	-	728,426
Public services	122	430	-	1,125	-	-	-	23,496	25,173	-	28,428
Capital outlay	294,041	338,165	-	272,519	300,000	389	52	11,828	1,216,994	-	3,462,683
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	-	1,538,364
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	1,890,579
Total expenditures	<u>294,163</u>	<u>338,595</u>	<u>-</u>	<u>273,644</u>	<u>300,000</u>	<u>389</u>	<u>52</u>	<u>35,325</u>	<u>1,242,167</u>	<u>-</u>	<u>10,611,150</u>
Excess (deficiency) of revenues over expenditures	<u>(294,048)</u>	<u>(223,503)</u>	<u>-</u>	<u>(252,364)</u>	<u>(850)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(770,766)</u>	<u>-</u>	<u>5,401,732</u>
Other financing sources (uses):											
Proceeds from credit facilities	-	-	-	-	-	-	-	-	-	-	4,000,000
Transfers in	320,000	-	-	-	-	-	-	-	320,000	-	2,673,011
Transfers out	-	-	-	-	-	-	-	-	-	-	(1,761,069)
Total other financing sources (uses)	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,000</u>	<u>-</u>	<u>4,911,942</u>
Net changes in fund balances	25,952	(223,503)	-	(252,364)	(850)	-	-	-	(450,766)	-	10,313,674
Fund balances, beginning	20,526	-	-	468,387	-	-	-	-	488,913	-	7,115,583
Fund balances, ending	<u>\$ 46,478</u>	<u>\$(223,503)</u>	<u>\$ -</u>	<u>\$ 216,023</u>	<u>\$ (850)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,147</u>	<u>\$ -</u>	<u>\$ 17,429,257</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
TRANSIT SURTAX FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Intergovernmental	\$ 1,229,596	\$ 1,229,596	\$ 1,195,378	\$ 34,218
Interest	<u>1,000</u>	<u>1,000</u>	<u>176</u>	<u>824</u>
Total revenues	<u>1,230,596</u>	<u>1,230,596</u>	<u>1,195,554</u>	<u>35,042</u>
Expenditures:				
Current:				
General Government	208,785	208,785	194	208,591
Parks	-	-	170,536	(170,536)
Capital Outlay	<u>240,985</u>	<u>240,985</u>	<u>269,612</u>	<u>(28,627)</u>
Total expenditures	<u>449,770</u>	<u>449,770</u>	<u>440,342</u>	<u>9,428</u>
Excess (deficiency) of revenues over expenditures	<u>780,826</u>	<u>780,826</u>	<u>755,212</u>	<u>25,614</u>
Other financing sources (uses):				
Transfers in	50,000	50,000	50,000	-
Transfers out	<u>(830,826)</u>	<u>(830,826)</u>	<u>(830,201)</u>	<u>(625)</u>
Total other financing sources (uses)	<u>(780,826)</u>	<u>(780,826)</u>	<u>(780,201)</u>	<u>(625)</u>
Net changes in fund balances	-	-	(24,989)	24,989
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>511,792</u>	<u>(511,792)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,803</u>	<u>\$ (486,803)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Intergovernmental	\$ 904,260	\$ 904,260	\$ 897,748	\$ 6,512
Interest	11,000	11,000	193,782	(182,782)
Other	-	<u>5,768,757</u>	-	<u>5,768,757</u>
Total revenues	<u>915,260</u>	<u>6,684,017</u>	<u>1,091,530</u>	<u>5,592,487</u>
Expenditures:				
Current:				
General Government	1,580,485	1,178,396	1,079,147	99,249
Public Services	-	-	221	(221)
Capital Outlay	2,500	6,189,111	1,135,673	5,053,438
Debt service:				
Principal	-	-	222,222	(222,222)
Interest and finance charges	<u>410,000</u>	<u>783,325</u>	<u>153,440</u>	<u>629,885</u>
Total expenditures	<u>1,992,985</u>	<u>8,150,832</u>	<u>2,590,703</u>	<u>5,560,129</u>
Excess (deficiency) of revenues over expenditures	<u>(1,077,725)</u>	<u>(1,466,815)</u>	<u>(1,499,173)</u>	<u>32,358</u>
Other financing sources (uses):				
Transfers in	1,217,228	1,627,228	1,586,779	40,449
Transfers out	(139,503)	(160,413)	(529,964)	369,551
Proceeds from credit facilities	-	-	<u>4,000,000</u>	<u>(4,000,000)</u>
Total other financing sources (uses)	<u>1,077,725</u>	<u>1,466,815</u>	<u>5,056,815</u>	<u>(3,590,000)</u>
Net changes in fund balances	-	-	3,557,642	(3,557,642)
Fund balances, beginning	-	-	<u>4,269,322</u>	<u>(4,269,322)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,826,964</u>	<u>\$ (7,826,964)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 2000B
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Property taxes	\$ 1,131,382	\$ 1,131,382	\$ 1,131,382	\$ -
Interest	-	-	52	(52)
Total revenues	<u>1,131,382</u>	<u>1,131,382</u>	<u>1,131,434</u>	<u>(52)</u>
Expenditures:				
Current:				
General Government	-	-	32	(32)
Debt service:				
Principal	270,000	270,000	270,000	-
Interest and finance charges	<u>861,382</u>	<u>861,382</u>	<u>869,061</u>	<u>(7,679)</u>
Total expenditures	<u>1,131,382</u>	<u>1,131,382</u>	<u>1,139,093</u>	<u>(7,711)</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>(7,659)</u>	<u>7,659</u>
Net changes in fund balances	-	-	(7,659)	7,659
Fund balances, beginning	-	-	4,694	(4,694)
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,965)</u>	<u>\$ 2,965</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 2002A
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Property taxes	\$ 915,821	\$ 915,821	\$ 915,821	\$ -
Interest	-	-	412	(412)
Total revenues	<u>915,821</u>	<u>915,821</u>	<u>916,233</u>	<u>(412)</u>
Expenditures:				
Current:				
General Government	-	-	257	(257)
Debt service:				
Principal	405,000	405,000	425,000	(20,000)
Interest and finance charges	<u>510,821</u>	<u>510,821</u>	<u>510,029</u>	<u>792</u>
Total expenditures	<u>915,821</u>	<u>915,821</u>	<u>935,286</u>	<u>(19,465)</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>(19,052)</u>	<u>19,052</u>
Net changes in fund balances	-	-	(19,052)	19,052
Fund balances, beginning	-	-	<u>22,508</u>	<u>(22,508)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,456</u>	<u>\$ (3,456)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 1997-98
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Intergovernmental	\$ 642,052	\$ 642,052	\$ 642,052	\$ -
Interest	<u>600</u>	<u>600</u>	<u>1,023</u>	<u>(423)</u>
Total revenues	<u>642,652</u>	<u>642,652</u>	<u>643,075</u>	<u>(423)</u>
Expenditures:				
Current:				
General Government	600	600	928	(328)
Debt service:				
Principal	190,000	190,000	190,000	-
Interest and finance charges	<u>68,984</u>	<u>68,984</u>	<u>68,958</u>	<u>26</u>
Total expenditures	<u>259,584</u>	<u>259,584</u>	<u>259,886</u>	<u>(302)</u>
Excess (deficiency) of revenues over expenditures	<u>383,068</u>	<u>383,068</u>	<u>383,189</u>	<u>(121)</u>
Other financing sources (uses):				
Transfers out	<u>(383,068)</u>	<u>(383,068)</u>	<u>(383,068)</u>	<u>-</u>
Total other financing sources (uses)	<u>(383,068)</u>	<u>(383,068)</u>	<u>(383,068)</u>	<u>-</u>
Net changes in fund balances	-	-	121	(121)
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>222,575</u>	<u>(222,575)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,696</u>	<u>\$ (222,696)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 1999 NOTE
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal	\$ 150,000	\$ 150,000	\$ -	\$ 150,000
Interest and finance charges	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>155,000</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Excess (deficiency) of revenues over expenditures	<u>155,000</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
				-
Other financing sources (uses):				
Transfers in	<u>155,000</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Total other financing sources (uses)	<u>155,000</u>	<u>155,000</u>	<u>-</u>	<u>155,000</u>
Net changes in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>449</u>	<u>(449)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ (449)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 2000A
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 753	\$ (753)
Total revenues	<u>-</u>	<u>-</u>	<u>753</u>	<u>(753)</u>
Expenditures:				
Debt service:				
Principal	14,465	14,465	14,465	-
Interest and finance charges	<u>1,230</u>	<u>1,230</u>	<u>1,208</u>	<u>22</u>
Total expenditures	<u>15,695</u>	<u>15,695</u>	<u>15,673</u>	<u>22</u>
Excess (deficiency) of revenues over expenditures	<u>(15,695)</u>	<u>(15,695)</u>	<u>(14,920)</u>	<u>(775)</u>
Other financing sources (uses):				
Transfers in	15,695	15,695	14,920	775
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>15,695</u>	<u>15,695</u>	<u>14,920</u>	<u>775</u>
Net changes in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 2003B
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ -	\$ 41	\$ (41)
Total revenues	-	-	41	(41)
Expenditures:				
Debt service:				
Principal	415,000	415,000	415,000	-
Interest and finance charges	<u>278,865</u>	<u>278,865</u>	<u>278,388</u>	<u>477</u>
Total expenditures	<u>693,865</u>	<u>693,865</u>	<u>693,388</u>	<u>477</u>
Excess (deficiency) of revenues over expenditures	<u>(693,865)</u>	<u>(693,865)</u>	<u>(693,347)</u>	<u>(518)</u>
Other financing sources (uses):				
Transfers in	693,865	693,865	693,240	625
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>693,865</u>	<u>693,865</u>	<u>693,240</u>	<u>625</u>
Net changes in fund balances	-	-	(106)	106
Fund balances, beginning	-	-	<u>382</u>	<u>(382)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ (276)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 2005C
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ _____ -	\$ _____ -	\$ 170	\$ (170)
Total revenues	_____ -	_____ -	170	(170)
Expenditures:				
Debt service:				
Principal	1,677	1,677	1,677	-
Interest and finance charges	9,475	9,475	9,496	(21)
Total expenditures	11,152	11,152	11,173	(21)
Excess (deficiency) of revenues over expenditures	(11,152)	(11,152)	(11,003)	(149)
Other financing sources (uses):				
Transfers in	11,152	11,152	11,003	149
Transfers out	_____ -	_____ -	_____ -	_____ -
Total other financing sources (uses)	11,152	11,152	11,003	149
Net changes in fund balances	-	-	-	-
Fund balances, beginning	_____ -	_____ -	_____ -	_____ -
Fund balances, ending	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALLEY RESTORATION PROGRAM
FISCAL YEAR ENDED SEPTEMBER 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ 1,200	\$ 1,200	\$ 115	\$ 1,085
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>115</u>	<u>1,085</u>
Expenditures:				
Public services	1,200	1,200	122	1,078
Capital outlay	<u>320,000</u>	<u>320,000</u>	<u>316,515</u>	<u>3,485</u>
Total expenditures	<u>321,200</u>	<u>321,200</u>	<u>316,637</u>	<u>4,563</u>
Excess (deficiency) of revenues over expenditures	<u>(320,000)</u>	<u>(320,000)</u>	<u>(316,521)</u>	<u>(3,479)</u>
-				
Other financing sources (uses):				
Transfers in	320,000	320,000	320,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>320,000</u>	<u>320,000</u>	<u>320,000</u>	<u>-</u>
Net changes in fund balances	-	-	3,479	(3,479)
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>(42,863)</u>	<u>42,863</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,384)</u>	<u>\$ 39,384</u>

FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	<u>Pension Trust Funds</u>			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
ASSETS				
Cash held with trustee	\$ 289,939	\$ 398,388	\$ 69,174	\$ 757,501
Investments:				
Cash management funds	905,559	-	-	905,559
Mutual funds	-	1,455,795	9,812,812	11,268,607
U.S. Government securities	9,595,642	9,269,453	-	18,865,095
Corporate bonds	9,628,061	10,915,051	-	20,543,112
Common stocks	29,903,338	31,493,833	-	61,397,171
Accrued interest and dividends	237,292	-	-	237,292
Other receivables	<u>54,966</u>	<u>328,570</u>	<u>34,752</u>	<u>418,288</u>
Total assets	<u>50,614,797</u>	<u>53,861,090</u>	<u>9,916,738</u>	<u>114,392,625</u>
 LIABILITIES AND NET ASSETS				
Vouchers payable and accrued liabilities	<u>104,334</u>	<u>221,038</u>	<u>13,868</u>	<u>339,240</u>
Total liabilities	<u>104,334</u>	<u>221,038</u>	<u>13,868</u>	<u>339,240</u>
 Net assets held in trust for pension benefits	<u>\$ 50,510,463</u>	<u>\$ 53,640,052</u>	<u>\$ 9,902,870</u>	<u>\$ 114,053,385</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
SEPTEMBER 30, 2009

	<u>Pension Trust Funds</u>			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
ADDITIONS				
Contributions:				
Employees	\$ 924,190	\$ 995,210	\$ 459,302	\$ 2,378,702
Employer	2,122,612	4,561,594	1,353,215	8,037,421
State/County	-	536,174	-	536,174
Total contributions	<u>3,046,802</u>	<u>6,092,978</u>	<u>1,812,517</u>	<u>10,952,297</u>
Investment income:				
Net depreciation in fair value of investments	871,263	1,302,937	(1,198,568)	975,632
Interest and dividends	1,878,275	48,579	-	1,926,854
Investment expenses	(206,192)	-	-	(206,192)
Net investment loss	<u>2,543,346</u>	<u>1,351,516</u>	<u>(1,198,568)</u>	<u>2,696,294</u>
Total additions	<u>5,590,148</u>	<u>7,444,494</u>	<u>613,949</u>	<u>13,648,591</u>
DEDUCTIONS				
Pension benefits	2,973,194	5,222,084	1,275,078	9,470,356
Refunds of contributions	62,241	96,628	65,099	223,968
Administrative expenses	274,643	399,118	41,488	715,249
Total deductions	<u>3,310,078</u>	<u>5,717,830</u>	<u>1,381,665</u>	<u>10,409,573</u>
Net decrease	2,280,070	1,726,664	(767,716)	3,239,018
Net assets held in trust for pension benefits:				
Beginning	<u>48,230,393</u>	<u>51,913,388</u>	<u>10,670,586</u>	<u>110,814,367</u>
Ending	<u>\$ 50,510,463</u>	<u>\$ 53,640,052</u>	<u>\$ 9,902,870</u>	<u>\$ 114,053,385</u>

**CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>Balance September 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2009</u>
ASSETS				
Cash	\$ 33,010	\$ 219,037	\$ 233,951	\$ 18,096
LIABILITIES				
Deposits held in trust	\$ 33,010	\$ 219,037	\$ 233,951	\$ 18,096

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III. STATISTICAL SECTION

CITY OF NORTH MIAMI BEACH, FLORIDA
STATISTICAL SECTION
SEPTEMBER 30, 2009

This part of the City of North Miami Beach's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS

PAGE

Financial Trends..... 126-131

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 132-138

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 139-142

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 143-144

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information..... 145-147

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: *Unless other wise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**CITY OF NORTH MIAMI BEACH, FLORIDA
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

	FISCAL YEAR								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:									
Invested in capital assets, net of related debt	\$ 7,703	\$ 10,870	\$ 14,888	\$ 12,088	\$ 15,239	\$ 20,831	\$ 27,797	\$ 23,071	\$ 35,288
Restricted	17,878	14,418	9,908	11,775	8,662	4,978	3,369	2,140	7,679
Unrestricted	5,719	6,000	4,680	4,976	3,206	4,045	4,822	16,659	11,565
Total governmental activities net assets	<u>31,300</u>	<u>31,288</u>	<u>29,476</u>	<u>28,839</u>	<u>27,107</u>	<u>29,854</u>	<u>35,988</u>	<u>41,870</u>	<u>54,532</u>
Business-type activities:									
Invested in capital assets, net of related debt	52,082	53,019	55,829	57,376	61,584	60,373	67,750	84,046	87,440
Restricted	4,528	4,417	3,932	4,988	6,371	14,794	5,095	89	204
Unrestricted (deficit)	872	1,131	1,275	(326)	(1,164)	490	4,612	(5,012)	(2,657)
Total business-type activities net assets	<u>57,482</u>	<u>58,567</u>	<u>61,036</u>	<u>62,038</u>	<u>66,791</u>	<u>75,657</u>	<u>77,457</u>	<u>79,123</u>	<u>84,987</u>
Total government:									
Invested in capital assets, net of related debt	59,785	63,889	70,717	69,464	76,823	81,204	95,547	107,117	122,728
Restricted	22,406	18,835	13,840	16,763	15,033	19,772	8,464	2,229	7,883
Unrestricted	6,591	7,131	5,955	4,650	2,042	4,535	9,434	11,647	8,908
Total government net assets	<u>\$ 88,782</u>	<u>\$ 89,855</u>	<u>\$ 90,512</u>	<u>\$ 90,877</u>	<u>\$ 93,898</u>	<u>\$ 105,511</u>	<u>\$ 113,445</u>	<u>\$ 120,993</u>	<u>\$ 139,519</u>

Note: Data not available prior to fiscal 2001 implementation of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments

CITY OF NORTH MIAMI BEACH, FLORIDA
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009

	FISCAL YEAR								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
EXPENSES									
Governmental activities:									
General government	\$ 12,626	\$ 10,823	\$ 13,682	\$ 13,966	\$ 15,063	\$ 15,258	\$ 17,433	\$ 14,951	\$ 15,392
Public safety	14,639	15,784	15,932	17,655	18,678	20,340	21,629	23,283	22,836
Library	968	998	1,040	1,089	1,037	1,070	1,192	968	627
Parks and recreation	3,648	3,993	4,278	4,456	4,676	4,827	4,805	4,865	4,809
Public works	7,487	8,933	9,571	10,174	11,147	13,977	10,659	11,635	12,382
Interest on long-term debt	<u>2,023</u>	<u>1,758</u>	<u>1,717</u>	<u>1,980</u>	<u>1,998</u>	<u>2,672</u>	<u>1,971</u>	<u>1,873</u>	<u>1,952</u>
Total governmental activities	<u>41,391</u>	<u>42,289</u>	<u>46,220</u>	<u>49,320</u>	<u>52,599</u>	<u>58,144</u>	<u>57,689</u>	<u>57,575</u>	<u>57,998</u>
Business-type activities:									
Water	16,820	15,005	18,466	18,471	19,381	20,124	19,624	22,003	23,344
Sewer	5,371	4,326	3,746	3,423	3,642	3,801	4,233	4,456	5,007
Stormwater	<u>690</u>	<u>795</u>	<u>750</u>	<u>690</u>	<u>663</u>	<u>738</u>	<u>755</u>	<u>752</u>	<u>762</u>
Total business-type activities	<u>22,881</u>	<u>20,126</u>	<u>22,962</u>	<u>22,584</u>	<u>23,686</u>	<u>24,663</u>	<u>24,612</u>	<u>27,211</u>	<u>29,113</u>
Total Government Expenses	<u>\$ 64,272</u>	<u>\$ 62,415</u>	<u>\$ 69,182</u>	<u>\$ 71,904</u>	<u>\$ 76,285</u>	<u>\$ 82,807</u>	<u>\$ 82,301</u>	<u>\$ 84,786</u>	<u>\$ 87,111</u>
PROGRAM REVENUES									
Governmental activities:									
Charges for services:									
General government	\$ 6,660	\$ 3,903	\$ 4,494	\$ 6,542	\$ 7,338	\$ 8,561	\$ 7,883	\$ 8,941	\$ 10,021
Public safety	345	2,398	1,769	1,239	1,164	1,092	2,376	1,630	8,996
Public works	7,060	7,585	7,507	7,684	7,998	8,212	8,504	8,674	8,991
Other governmental activities	553	651	651	588	568	559	555	624	639
Operating grants and contributions	4,084	396	2,086	1,135	1,470	2,196	3,548	1,817	1,215
Capital grants and contributions	<u>1,417</u>	<u>1,249</u>	<u>389</u>	<u>163</u>	<u>168</u>	<u>16</u>	<u>27</u>	<u>34</u>	<u>379</u>
Total governmental activities program revenues	<u>20,119</u>	<u>16,182</u>	<u>16,896</u>	<u>17,351</u>	<u>18,706</u>	<u>20,636</u>	<u>22,893</u>	<u>21,720</u>	<u>30,241</u>
Business-type activities:									
Charges for services:									
Water	14,250	15,509	16,215	17,375	17,251	18,154	18,805	23,477	27,599
Sewer	4,398	4,669	4,707	4,919	4,854	5,128	5,068	5,865	6,360
Stormwater	1,015	1,016	1,019	1,024	1,037	1,140	1,291	1,279	1,280
Operating grants and contributions			1,544	1,332	3,809	4,414	1,281	1,401	56
Capital grants and contributions	<u>2,079</u>	<u>2,471</u>	<u>5,781</u>	<u>1,954</u>	<u>4,345</u>	<u>7,648</u>	<u>3,547</u>	<u>1,439</u>	<u>4,917</u>
Total business-type activities program revenues	<u>21,742</u>	<u>23,665</u>	<u>29,266</u>	<u>26,604</u>	<u>31,296</u>	<u>36,484</u>	<u>29,992</u>	<u>33,461</u>	<u>40,212</u>
Total Program Revenues	<u>\$ 41,861</u>	<u>\$ 39,847</u>	<u>\$ 46,162</u>	<u>\$ 43,955</u>	<u>\$ 50,002</u>	<u>\$ 57,120</u>	<u>\$ 52,885</u>	<u>\$ 55,181</u>	<u>\$ 70,453</u>
NET (EXPENSE) REVENUE									

**CITY OF NORTH MIAMI BEACH, FLORIDA
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

	FISCAL YEAR								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities	\$ (21,272)	\$ (26,107)	\$ (29,324)	\$ (31,969)	\$ (33,893)	\$ (37,508)	\$ (34,796)	\$ (35,855)	(27,757)
Business-type activities	(1,139)	3,539	6,304	4,020	7,610	11,821	5,380	6,240	11,099
Total Net Expense	<u>\$ (22,411)</u>	<u>\$ (22,568)</u>	<u>\$ (23,020)</u>	<u>\$ (27,949)</u>	<u>\$ (26,283)</u>	<u>\$ (25,687)</u>	<u>\$ (29,416)</u>	<u>\$ (29,615)</u>	<u>\$ (16,658)</u>
GENERAL REVENUES									
Governmental activities:									
Taxes:									
Property taxes	\$ 8,033	\$ 10,832	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155	\$ 19,669	\$ 18,151
Sales and other taxes	5,283	5,638	8,023	8,490	8,193	9,170	9,436	9,375	9,628
State and local shared revenue ⁽¹⁾	4,890	3,823	2,837	3,566	4,164	8,501	5,373	5,786	5,429
Unrestricted interest earnings	1,472	1,075	78	535	542	637	674	173	339
Miscellaneous	1,505	990	743	973	1,040	1,367	1,283	1,437	1,254
Transfers	634	3,738	4,143	4,339	4,453	4,771	5,009	5,297	5,973
Total governmental activities	<u>21,817</u>	<u>26,096</u>	<u>27,682</u>	<u>30,543</u>	<u>32,161</u>	<u>40,256</u>	<u>40,930</u>	<u>41,737</u>	<u>40,774</u>
Business-type activities:									
Unrestricted interest earnings	376	434	42	965	1,297	1,445	884	136	192
Miscellaneous	325	850	265	355	300	369	546	577	546
Transfers	(634)	(3,738)	(4,143)	(4,339)	(4,453)	(4,771)	(5,009)	(5,297)	(5,973)
Total business-type activities	<u>67</u>	<u>(2,454)</u>	<u>(3,836)</u>	<u>(3,019)</u>	<u>(2,856)</u>	<u>(2,957)</u>	<u>(3,579)</u>	<u>(4,584)</u>	<u>(5,235)</u>
Total General Revenues	<u>\$ 21,884</u>	<u>\$ 23,642</u>	<u>\$ 23,846</u>	<u>\$ 27,524</u>	<u>\$ 29,305</u>	<u>\$ 37,299</u>	<u>\$ 37,351</u>	<u>\$ 37,153</u>	<u>\$ 35,540</u>
CHANGE IN NET ASSETS									
Governmental activities	\$ 545	\$ (11)	\$ (1,642)	\$ (1,426)	\$ (1,732)	\$ 2,748	\$ 6,134	\$ 5,882	\$ 13,017
Business-type activities	(1,072)	1,085	2,468	1,001	4,754	8,864	1,801	1,666	5,864
Total Change in Net Assets	<u>\$ (527)</u>	<u>\$ 1,074</u>	<u>\$ 826</u>	<u>\$ (425)</u>	<u>\$ 3,022</u>	<u>\$ 11,612</u>	<u>\$ 7,935</u>	<u>\$ 7,548</u>	<u>\$ 18,880</u>

Note: Data not available prior to fiscal 2001 implementation of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

⁽¹⁾ State and local shared revenue increase is due to the receipt of FEMA reimbursement.

**CITY OF NORTH MIAMI BEACH, FLORIDA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST NINE FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)
 SEPTEMBER 30, 2009**

	FISCAL YEAR								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund:									
Reserved	\$ 2,815	\$ 2,998	\$ 3,169	\$ 3,017	\$ 2,338	\$ 2,717	\$ 2,431	\$ 1,856	\$ 3,295
Unreserved:									
Designated	-	-	-	-	-	1,124	1,448	1,875	2,755
Undesignated	<u>5,828</u>	<u>6,204</u>	<u>5,462</u>	<u>5,555</u>	<u>5,217</u>	<u>4,822</u>	<u>4,673</u>	<u>6,570</u>	<u>8,204</u>
Total general fund	<u>8,643</u>	<u>9,202</u>	<u>8,631</u>	<u>8,572</u>	<u>7,555</u>	<u>8,663</u>	<u>8,552</u>	<u>10,301</u>	<u>14,254</u>
All other governmental funds:									
Reserved:	17,863	14,421	9,910	11,777	8,663	5,161	3,586	2,381	7,179
Unreserved, reported in:									
Special revenue funds	650	712	881	858	678	694	867	4,735	10,250
Capital projects funds	<u>15</u>	<u>(7)</u>	<u>-</u>						
Total all other governmental funds	<u>18,528</u>	<u>15,126</u>	<u>10,791</u>	<u>12,635</u>	<u>9,341</u>	<u>5,855</u>	<u>4,453</u>	<u>7,116</u>	<u>17,429</u>
Total governmental funds	<u>\$ 27,171</u>	<u>\$ 24,328</u>	<u>\$ 19,422</u>	<u>\$ 21,207</u>	<u>\$ 16,896</u>	<u>\$ 14,518</u>	<u>\$ 13,005</u>	<u>\$ 17,417</u>	<u>\$ 31,683</u>

Note: Data not available prior to fiscal 2001 implementation of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments

CITY OF NORTH MIAMI BEACH, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009

	FISCAL YEAR								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES									
Ad valorem taxes	\$ 8,033	\$ 10,832	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155	\$ 19,669	\$ 18,151
Franchise fees	1,772	1,418	1,443	1,591	1,454	1,809	1,914	1,906	2,292
Utility taxes	3,511	2,297	2,377	2,349	2,243	2,377	2,336	2,452	2,516
Communication service tax		1,901	1,785	1,990	1,863	2,168	2,460	2,431	2,491
Other taxes	32	22	19	18	21	38	792	806	558
Licenses and permits	1,429	1,458	1,485	1,795	2,201	3,103	2,101	2,083	1,760
Intergovernmental	7,381	5,412	6,885	7,391	7,306	10,755	7,839	7,484	7,200
Charges for services	8,102	8,556	8,970	9,046	9,771	10,039	10,437	10,913	11,662
Fines and forfeitures	3,128	2,396	1,763	1,298	1,207	1,075	2,363	1,589	8,958
Other	3,491	3,174	3,076	4,902	6,037	8,310	8,743	8,680	9,115
Interest	<u>1,472</u>	<u>1,075</u>	<u>774</u>	<u>535</u>	<u>542</u>	<u>637</u>	<u>674</u>	<u>173</u>	<u>339</u>
Total revenues	<u>38,351</u>	<u>38,541</u>	<u>40,435</u>	<u>43,555</u>	<u>46,414</u>	<u>56,121</u>	<u>58,814</u>	<u>58,186</u>	<u>65,042</u>
EXPENDITURES									
Current:									
General government	10,545	9,779	11,866	11,831	12,814	13,230	15,546	14,886	14,398
Police	13,706	14,380	14,926	16,852	17,878	19,805	21,041	22,902	22,721
Library	788	823	867	904	881	926	1,062	968	705
Parks and recreation	3,573	3,709	4,035	4,307	4,453	4,720	4,696	3,950	4,791
Public services	7,401	7,719	8,168	9,547	10,315	13,487	10,162	10,089	9,796
Capital outlay	4,740	6,020	7,448	8,033	5,738	8,336	10,000	5,930	5,088
Debt service:									
Principal	1,773	1,733	1,654	1,509	1,970	2,105	2,247	2,451	2,434
Interest and other fiscal charges	<u>2,023</u>	<u>1,758</u>	<u>1,717</u>	<u>1,980</u>	<u>1,998</u>	<u>1,977</u>	<u>2,008</u>	<u>1,896</u>	<u>1,977</u>
Total expenditures	<u>44,549</u>	<u>45,921</u>	<u>50,681</u>	<u>54,963</u>	<u>56,047</u>	<u>64,586</u>	<u>66,762</u>	<u>63,072</u>	<u>61,910</u>
Deficiency of revenues over expenditures	<u>(6,198)</u>	<u>(7,380)</u>	<u>(10,246)</u>	<u>(11,408)</u>	<u>(9,633)</u>	<u>(8,465)</u>	<u>(7,948)</u>	<u>(4,886)</u>	<u>3,132</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009

	FISCAL YEAR								
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Other financing sources (uses):									
Transfers in	5,928	5,208	5,976	6,044	6,686	6,742	7,363	8,157	9,012
Transfers out	(2,343)	(1,470)	(1,833)	(1,705)	(2,233)	(1,972)	(2,353)	(2,860)	(3,054)
Lease proceeds	-	942	547	719	864	1,317	1,425	-	788
Debt issuance	17,983	11,510	-	7,765	226	-	-	-	-
Proceeds from credit facilities	-	-	-	-	-	-	-	4,000	4,000
Premium on debt issuance	-	286	-	370	7	-	-	-	-
Payment to escrow agent	-	(11,938)	-	-	(228)	-	-	-	-
Total other financing sources (uses)	<u>21,568</u>	<u>4,538</u>	<u>4,690</u>	<u>13,193</u>	<u>5,322</u>	<u>6,087</u>	<u>6,435</u>	<u>9,297</u>	<u>10,746</u>
Net change in fund balances	15,370	(2,843)	(5,556)	1,785	(4,311)	(2,378)	(1,513)	4,411	13,878
Fund balances - beginning	<u>11,801</u>	<u>27,171</u>	<u>-</u>	<u>19,422</u>	<u>21,207</u>	<u>16,896</u>	<u>14,518</u>	<u>13,006</u>	<u>17,417</u>
Fund balances - ending	<u>\$ 27,171</u>	<u>\$ 24,328</u>	<u>\$ (5,556)</u>	<u>\$ 21,207</u>	<u>\$ 16,896</u>	<u>\$ 14,518</u>	<u>\$ 13,005</u>	<u>\$ 17,417</u>	<u>\$ 31,295</u>
Debt service as a percentage of non-capital expenditures	9.54%	8.75%	7.80%	7.43%	7.89%	7.26%	7.50%	7.61%	7.76%

Note: Data not available prior to fiscal 2001 implementation of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments

**CITY OF NORTH MIAMI BEACH, FLORIDA
NET ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

<u>Fiscal Year Ended September 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed</u>	<u>Total Gross Assessed Value</u>	<u>Real Estate Exempt Properties</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>
2000	\$ 1,026,104	\$ 106,739	\$ 829	\$ 1,133,672	\$ 11,379	\$ 1,122,293	8.396
2001	1,101,413	108,074	845	1,210,332	19,892	1,190,440	9.290
2002	1,210,077	115,814	858	1,326,749	24,705	1,302,044	9.095
2003	1,372,854	120,113	855	1,493,822	22,805	1,471,017	8.896
2004	1,533,037	122,126	1,043	1,656,206	14,825	1,641,381	8.781
2005	1,812,635	122,216	1,109	1,935,960	40,287	1,895,673	8.609
2006	2,243,492	131,519	1,191	2,376,202	40,788	2,335,414	8.409
2007	2,600,993	130,023	1,214	2,732,230	33,706	2,698,524	7.479
2008	2,521,418	124,873	1,392	2,647,684	5,087	2,642,597	7.437
2009	2,156,288	112,131	1,377	2,269,796	4,297	2,265,499	7.573

Note: Property in the City is reassessed each year. Property is assessed at actual value; therefore, the values are equal to actual value. Tax rates are per \$1,000 of assessed value.

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
SEPTEMBER 30, 2009**

		Overlapping Rates ⁽¹⁾															
		City of North Miami Beach			Miami-Dade County			Miami-Dade County School Board									
<u>Fiscal Year</u>	<u>Tax Roll Year</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total City Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>	<u>Water Management District</u>	<u>Special District</u>	<u>Children's Trust</u>	<u>Fire and Rescue</u>	<u>Fire Debt</u>	<u>Everglades C.P.</u>	<u>Total Direct and Overlapping Rates</u>
2000	1999	7.5000	0.8960	8.3960	5.7510	0.6520	6.4030	8.7020	0.9150	9.6170	0.5970	0.0410	0.0000	2.6830	0.0690	0.1000	27.9060
2001	2000	7.5000	1.7910	9.2910	5.7130	0.5520	6.2650	8.5280	0.8480	9.3760	0.5970	0.0385	0.0000	2.6830	0.0690	0.1000	28.4195
2002	2001	7.5000	1.5950	9.0950	5.8890	0.3900	6.2790	8.4820	0.7700	9.2520	0.5970	0.0385	0.0000	2.5820	0.0790	0.1000	28.0225
2003	2002	7.5000	1.3957	8.8957	5.9690	0.2850	6.2540	8.4180	0.6820	9.1000	0.5970	0.0385	0.5000	2.5820	0.0790	0.1000	28.1462
2004	2003	7.5000	1.2812	8.7812	5.9690	0.2850	6.2540	8.0900	0.5970	8.6870	0.5970	0.0385	0.4442	2.5920	0.0690	0.1000	27.5629
2005	2004	7.5000	1.1084	8.6084	5.8350	0.2850	6.1200	7.9470	0.4910	8.4380	0.5970	0.0385	0.4288	2.6090	0.0520	0.1000	26.9917
2006	2005	7.5000	0.9085	8.4085	5.7200	0.2850	6.0050	7.6910	0.4140	8.1050	0.5970	0.0385	0.4442	2.6090	0.0420	0.1000	26.3492
2007	2006	7.5000	0.7889	7.4794	4.5796	0.2850	4.8646	7.5700	0.3780	7.9480	0.5346	0.0345	0.4223	2.2067	0.0420	0.0894	23.6215
2008	2007	6.6905	0.8139	7.4375	4.8379	0.2850	5.1229	7.5330	0.2640	7.7970	0.5346	0.0345	0.4212	2.1851	0.0420	0.0894	23.6642
2009	2008	6.6236	0.9595	7.5731	4.8379	0.2850	5.1229	7.6980	0.2970	7.9950	0.5346	0.0345	0.5000	2.1851	0.0420	0.0894	24.0766

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

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

⁽¹⁾ Overlapping rates are those of local and county governments that apply to property owners within the City of North Miami Beach. Not all overlapping rates apply to all City of North Miami Beach property owners (i.e., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

Note: Information was obtained from Appraiser's office under millage rate.

**CITY OF NORTH MIAMI BEACH, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2009</u>		<u>Percent of Total City Taxable Assessed Value</u>		<u>2000</u>		<u>Percent of Total City Taxable Assessed Value</u>	
		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Value</u>		<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Value</u>	
Florida Power & Light Co.	Utility	\$ 240,554	1	10.60%		\$ 21,737	3	1.92%	
University of Miami Hospitals & Clinics (RHC Parkway)	Hospital	125,887	2	5.55%		51,760	1	4.57%	
BellSouth Telecommunications	Utility	74,139	3	3.27%		16,368	4	1.44%	
MSW Intracoastal Mall LLC	Retail	41,000	4	1.81%		14,612	5	1.29%	
Biscayne Commons LLC	Condo	21,119	5	0.93%		-	-	0.00%	
Comcast	Utility	20,438	6	0.90%		-	-	0.00%	
Klien Motors Inc.	Retail	19,815	7	0.87%		-	-	0.00%	
Sonic Ward, Inc. (K-Mart)	Retail	15,800	8	0.70%		10,493	7	0.93%	
Costco Wholesaler Corporation	Retail	15,616	9	0.69%		-	-	0.00%	
Divine Square LLC	Condo	15,100	10	0.67%		-	-	0.00%	
Wiener Woods Apts.	Residential	-	-	0.00%		-	-	0.00%	
Dayton Hudson Corp (Target)	Retail	-	-	0.00%		9,803	8	0.86%	
Inland Towers Condo LLC	Condo	-	-	0.00%		-	-	0.00%	
NMB Commerce Center	Office Building	-	-	0.00%		-	-	0.00%	
Miami Dade County	Government	-	-	0.00%		-	-	0.00%	
State of Florida	Government	-	-	0.00%		12,581	6	1.11%	
633 Partners	Office Building	-	-	0.00%		28,000	2	2.47%	
Friendly Ford, Inc.	Retail	-	-	0.00%		7,683	9	0.68%	
1551 NE 167th Street	Office Building	-	-	0.00%		6,180	10	0.55%	
Total		<u>\$ 589,468</u>		<u>25.97%</u>		<u>\$179,217</u>		<u>15.81%</u>	
Total assessed value				<u>\$ 2,269,796</u>				<u>\$ 1,133,672</u>	

Source: Miami Dade County Property Appraisers Office.

**CITY OF NORTH MIAMI BEACH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

<u>Fiscal Year Ended September 30,</u>	<u>Total Taxes Levied for Operating Purposes for Fiscal Year</u>	<u>Levied Taxes Collected within the Fiscal Year</u>		<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2000	\$ 8,434	\$ 7,495	89%	\$ 472	\$ 7,967	94%
2001	8,503	7,654	90%	379	8,033	94%
2002	9,077	8,742	96%	31	8,773	97%
2003	9,951	9,365	94%	83	9,448	95%
2004	11,204	10,605	95%	54	10,659	95%
2005	12,422	11,637	94%	116	11,753	95%
2006	14,520	13,726	95%	46	13,772	95%
2007	18,280	16,877	92%	227	17,104	94%
2008	18,214	17,421	95%	200	17,621	97%
2009	17,537	15,936	91%	168	16,104	92%

Source: City of North Miami Beach

**CITY OF NORTH MIAMI BEACH, FLORIDA
WATER PRODUCED AND CONSUMED
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

Fiscal Year Ended September 30,	Gallons of Water Produced by City's Norwood Treatment Plant ⁽¹⁾	Gallons of Water Purchased from Miami - Dade County WASA ⁽¹⁾	Gallons of Water Consumed ⁽²⁾	Water Operating Service Revenue Collected	Direct Rate ⁽³⁾
2000	4,620,845	5,367,869	7,138,469	\$ 15,203	\$ 12.49
2001	5,000,000 ⁽⁵⁾	5,000,000 ⁽⁵⁾	6,727,793	14,250	12.49
2002	5,246,138	4,411,391	7,119,759	15,509	12.77
2003	5,613,394	4,449,940	7,243,090	16,215	12.98
2004	5,627,611	4,477,992	7,274,623	17,375	13.75
2005	5,181,070	4,632,693	7,140,902	17,251	13.96
2006	5,197,500	3,909,050	7,319,322	18,154	14.99
2007 ⁽⁴⁾	5,833,530	2,596,557	7,016,467	18,805	15.41
2008	8,182,466 ⁽⁶⁾	568,949	6,720,508	23,477	17.40
2009	7,926,955	104,170	7,001,565	27,599	25.62

Notes:

^{(1)& (2)} Gallons are presented in thousands.

⁽³⁾ Direct rate used represents a typical single-family residential customer consuming 7,000 gallons per month.

⁽⁴⁾ Norwood Water Treatment Plant Expansion project was substantially complete in 2007.

⁽⁵⁾ Estimated amount

⁽⁶⁾ Gallon produced included a high water loss due to leakage.

Sources:

⁽¹⁾ City of North Miami Beach Water Department

⁽²⁾ City of North Miami Beach Finance Department

⁽³⁾ City of North Miami Beach Finance Department

**CITY OF NORTH MIAMI BEACH, FLORIDA
WATER RATE HISTORY
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

	<u>2000</u> ⁽¹⁾	<u>2001</u> ⁽¹⁾	<u>2002</u> ⁽¹⁾	<u>2003</u> ⁽¹⁾	<u>2004</u> ⁽¹⁾	<u>2005</u> ⁽¹⁾	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Minimum Chg:										
5/8"	6.82	6.82	6.82	6.82	6.82	6.82	6.97	7.16	8.10	8.85
3/4"	6.82	6.82	6.82	6.82	6.82	6.82	6.97	7.16	8.10	8.85
1"	17.05	17.05	17.05	17.05	17.05	17.05	17.43	17.90	20.25	22.13
1 1/2"	34.10	34.10	34.10	34.10	34.10	34.10	34.85	35.80	40.50	44.25
2"	54.56	54.56	54.56	54.56	54.56	54.56	55.76	57.28	64.80	70.80
3"	109.12	109.12	109.12	109.12	109.12	109.12	111.52	114.56	129.60	163.84
4"	170.50	170.50	170.50	170.50	170.50	170.50	174.25	179.00	202.50	256.00
6"	341.00	341.00	341.00	341.00	341.00	341.00	348.50	358.00	405.00	512.00
8"	545.60	545.60	545.60	545.60	545.60	545.60	557.60	572.80	648.00	819.20
10"	784.30	784.30	784.30	784.30	784.30	784.30	801.55	823.40	931.50	1,177.60
CONSUMPTION CHARGE										
<u>Conservation Increments (Blocks):</u>										
Single Family/Non-Residential										
0 - 10 mgs	1.46	1.46	1.50	1.53	1.64	1.67	1.81	-	-	-
11 - 20 mgs	1.61	1.61	1.70	1.74	1.84	1.87	2.02	-	-	-
Over 20 mgs	1.75	1.75	2.10	2.15	2.28	2.32	2.51	-	-	-
Multi-family										
0 - 9 mgs/unit	1.31	1.31	1.35	1.38	1.48	1.50	1.62	-	-	-
10 - 18 mgs/unit	1.45	1.45	1.53	1.57	1.66	1.69	1.83	-	-	-
Over 18 mgs/unit	1.58	1.58	1.89	1.93	2.05	2.08	2.25	-	-	-
Single Family/Non-Residential										
0 - 7 mgs	-	-	-	-	-	-	-	1.86	2.1	2.66
8 - 12 mgs	-	-	-	-	-	-	-	2.08	2.35	2.97
Over 12 mgs	-	-	-	-	-	-	-	2.58	2.92	3.69
Multi-family										
0 - 5 mgs/unit	-	-	-	-	-	-	-	1.86	2.1	2.66
3 - 5 mgs/unit	-	-	-	-	-	-	-	2.08	2.35	2.97
Over 5 mgs/unit	-	-	-	-	-	-	-	2.58	2.92	3.69

⁽¹⁾ Single family customers are charged minimum charge for 5/8" meter regardless of meter size.

**CITY OF NORTH MIAMI BEACH, FLORIDA
PRINCIPAL WATER CUSTOMERS
FISCAL YEAR 2009**

<u>Customer</u>	<u>Type of Business</u>	<u>Water Units Sold (MG)</u>	<u>Rank</u>	<u>% of Water Consumption</u>
Winston Towers	Condominium	202,786	1	2.9%
Arlen House	Condominium	69,497	2	1.0%
Ocean View Condo. Assoc.	Condominium	57,913	3	0.8%
Ocean Three Condo Assoc.	Condominium	55,783	4	0.8%
Sun Life Stadium (Pro Player)	Stadium	53,857	5	0.8%
Admirals Port	Condominium	52,230	6	0.8%
Oceania - Towers I, II, III	Condominium	52,106	7	0.8%
Plaza Del Prado	Condominium	49,094	8	0.7%
Intracoastal Yacht Club	Condominium	48,497	9	0.7%
Commodore Plaza Condo Assoc.	Condominium	<u>48,094</u>	10	<u>0.7%</u>
Total customers		<u>689,857</u>		<u>10.00%</u>

Note: Information is not available for fiscal year 2000 comparison.

Source: City of North Miami Beach Finance Department.

**CITY OF NORTH MIAMI BEACH, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT FOR PER CAPITA AMOUNT)
SEPTEMBER 30, 2009**

<u>Fiscal Year</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>			<u>Total</u>	<u>Percentage of Personal Income</u> ⁽¹⁾	<u>Per Capita</u> ⁽¹⁾
	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Water Bonds</u>	<u>Notes Payable</u>	<u>Capital Leases</u>			
2000	15,495	1,307	1,617	6,855	2,800	1,774	29,848	1.99%	844
2001	32,280	880	1,469	6,855	2,700	985	45,169	3.01%	1,277
2002	31,580	749	1,529	73,240	2,650	776	110,524	7.37%	3,126
2003	31,330	647	1,305	73,240	2,600	498	109,620	7.30%	3,100
2004	38,413	550	1,294	72,977	2,500	328	116,062	7.73%	3,282
2005	37,320	450	1,339	73,125	2,400	868	115,502	7.70%	3,267
2006	36,163	350	1,869	72,527	2,300	1,008	114,217	7.61%	3,230
2007	34,959	250	2,215	72,036	2,198	737	112,395	7.49%	3,179
2008	33,703	-	1,344	71,527	2,094	334	109,002	7.26%	3,083
2009	32,387	-	1,300	70,878	1,990	256	106,811	7.19%	3,021

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See the Schedule of Demographic and Economic Statistics on page 143 for personal income and population data.

**CITY OF NORTH MIAMI BEACH, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS, EXCEPT FOR PER CAPITA AMOUNT)
SEPTEMBER 30, 2009**

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less Amount in Debt Service</u>	<u>Net Amount</u>	<u>Percentage of Net Assessed Property Value</u> ⁽¹⁾	<u>Per Capita</u> ⁽²⁾
2000	\$ 15,495	\$ 326	\$ 15,169	1.35%	\$ 429
2001	32,280	307	31,973	2.69%	904
2002	31,418	155	31,263	2.40%	884
2003	31,330	293	31,037	2.11%	878
2004	38,413	237	38,176	2.33%	1,080
2005	37,320	210	37,110	1.96%	1,050
2006	36,163	209	35,954	1.54%	1,017
2007	34,959	252	34,707	1.29%	982
2008	33,703	251	33,452	1.27%	946
2009	32,387	232	32,155	1.42%	909

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See the Schedule of Net Assessed Value of Taxable Property on Page 132 for net assessed property value data.

⁽²⁾ See the Schedule of Demographic and Economic Statistics on Page 143 for population data.

**CITY OF NORTH MIAMI BEACH, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

<u>Government Unit</u>	2009		
	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of North Miami Beach</u> ⁽¹⁾	<u>Amount Applicable to the City of North Miami Beach</u>
Debt repaid with property taxes:			
Miami-Dade County	\$ 822,227	1.10%	\$ 9,044
Miami-Dade County School Board	292,445	1.10%	3,217
Other debt:			
Miami-Dade County	2,207,502	1.10%	24,283
Miami-Dade County School Board	96,230	1.10%	<u>1,059</u>
Subtotal, Overlapping Debt			37,602
City of North Miami Beach Direct Debt			<u>35,047</u>
Total Direct and Overlapping Debt			<u>\$ 72,649</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

⁽¹⁾ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using net taxable assessed property values. It is calculated by taking the value that is within the City's boundaries and dividing it by the County's and School Board's total net taxable assessed value. This approach was also used for the other debt.

Sources: Data provided by the Miami-Dade County Finance Department and the Miami-Dade County School Board.

**CITY OF NORTH MIAMI BEACH, FLORIDA
PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
SEPTEMBER 30, 2009**

Fiscal Year Ended September 30,	Water Utility Bonds 2000 A, 2002 B and 2005 C Series						Capital Improvement Bonds 2003 B Series				Capital Improvement Bonds 1993, 1997 and 1998 Series			
	Utility Charges and Other	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	County Transit Surtax	Debt Service			Municipal Revenue Sharing	Debt Service		
			Principal	Interest				Principal	Interest	Coverage		Principal	Interest	Coverage
2000	\$ 15,810	\$ 13,864	\$ 1,946	\$ 6,855	\$ 4,964	0.16	\$ -	\$ -	\$ -	-	\$ 945	\$ 3,220	\$ 1,118	0.22
2001	14,837	11,798	3,039	6,855	4,655	0.26	-	-	-	-	944	2,935	972	0.24
2002	16,245	11,979	4,266	73,240	75,877	0.03	-	-	-	-	960	2,455	825	0.29
2003	18,041	12,336	5,705	73,240	72,250	0.04	799	-	-	-	1,055	2,325	708	0.35
2004	19,038	12,446	6,592	72,977	68,622	0.05	1,225	7,765	3,186	0.11	1,157	2,165	437	0.44
2005	19,139	13,979	5,160	73,125	64,336	0.04	1,254	7,370	2,880	0.12	1,428	2,000	497	0.57
2006	21,352	14,782	6,570	72,527	60,863	0.05	1,416	6,980	2,880	0.14	1,466	1,830	402	0.66
2007	19,933	14,029	5,904	72,036	57,331	0.05	1,367	6,585	2,292	0.15	1,425	1,655	317	0.72
2008	24,166	15,227	6,488	71,527	52,215	0.05	1,307	6,180	2,010	0.16	642	1,470	239	0.38
2009	28,252	15,050	13,202	70,878	50,330	0.11	1,195	5,765	1,738	0.16	642	1,280	170	0.44

Source: City Finance Department

**CITY OF NORTH MIAMI BEACH, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2009**

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal Income</u> ⁽¹⁾ <i>(in Thousands)</i>	<u>Per Capita Personal Income</u> ⁽²⁾	<u>Median Age</u> ⁽²⁾	<u>Unemployment Rate</u> ⁽³⁾
2000	40,723	1,728,366	42,442	34.5	6.3%
2001	40,538	1,720,514	42,442	34.5	7.5%
2002	40,264	1,708,885	42,442	34.5	8.0%
2003	39,805	1,689,404	42,442	34.5	7.3%
2004	39,348	1,670,008	42,442	34.5	6.7%
2005	38,977	1,654,262	42,442	34.5	5.1%
2006	38,436	1,631,301	42,442	34.5	4.5%
2007	37,932	1,609,910	42,442	34.5	4.8%
2008	37,997	1,612,669	42,442	36.9	6.1%
2009	42,000	1,782,000	42,000	37.0	10.7%

Note: Population information is based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

Sources:

- (1) United States Census Bureau (for years 2000 through 2008).
- (2) United States Census Bureau
- (3) U.S. Department of Labor

**CITY OF NORTH MIAMI BEACH, FLORIDA
PRINCIPAL EMPLOYERS AND INDUSTRIES
FISCAL YEAR SEPTEMBER 30, 2009**

<u>Employer</u>	<u>Type of Business</u>	<u>2009</u>	
		<u>Employees</u>	<u>Rank</u>
Publix Super Markets	Warehouse/Distribution	2,000	1
Jackson North Regional Medical Center	Hospital/Medical	1,100	2
Aventura Columbia Medical Center	Hospital/Medical	1,100	2
FMS Management Systems	Licensing	1,000	3
Sysco Food Services	Food Distribution	750	4
Southern Wine & Spirits	Beverage Distribution	600	5
Nabi	Laboratory Apparatus	500	6
Perko	Marine Hardware	450	7
AT&T Cable Services	Telephone	430	8
Turnberry Associates	Developers/Property Mgmt.	<u>400</u>	9
Total		<u>8,330</u>	

Special Note: The above list includes private employers in the Greater North Miami Beach area.
Last available data is from 2009.

<u>Type of Industry</u>	<u>Percentage of Jobs</u>		<u>Number of Firms</u>	
	<u>Percentage</u>	<u>Rank</u>	<u>Number</u>	<u>Rank</u>
Other	25%	1	300	1
Wholesale trade	16%	2	200	2
Finance/insurance/real estate	16%	2	200	2
Business services	14%	3	170	3
Health services	13%	4	160	4
Manufacturing	9%	5	110	5
Construction	7%	6	<u>80</u>	6
Total	<u>100%</u>		<u>1,220</u>	

Special Note: The retail sector in the Greater North Miami Beach area employs over 10,000 people at 900 stores.

Note: Information is not available for fiscal year 2000 comparison.

Source: City of North Miami Beach Community Redevelopment Agency

**CITY OF NORTH MIAMI BEACH, FLORIDA
 FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 SEPTEMBER 30, 2009**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of employees:											
Attorney's office	5	5	5	5	5	5	5	5	5	5	5
Clerk's office	6	7	7	7	7	7	7	7	7	5	5
Mayor and council's office	9	9	9	9	9	9	9	10	10	9	9
Executive	37	40	38	45	45	46	50	49	56	58	41
Human resources	6	7	7	7	8	8	7	7	7	5	7
Finance	36	37	35	36	36	37	37	37	39	39	33
Police:											
Police officers	102	104	105	109	107	105	108	110	119	114	112
Civilians	80	81	81	72	53	58	38	45	47	45	42
Library	14	14	14	13	13	13	12	12	13	12	9
Parks and recreation	49	48	50	47	50	50	51	52	51	51	38
Public services	99	97	94	92	90	90	91	91	95	92	84
Water	99	111	117	110	109	112	113	112	106	110	105
Sewer	15	14	22	15	22	19	21	25	17	13	13
Stormwater	<u>7</u>	<u>8</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>7</u>
Total number of employees	<u>564</u>	<u>582</u>	<u>590</u>	<u>573</u>	<u>561</u>	<u>566</u>	<u>556</u>	<u>570</u>	<u>579</u>	<u>565</u>	<u>510</u>

Source: City of North Miami Beach annual budgets

**CITY OF NORTH MIAMI BEACH, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2009**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public safety:										
Police:										
Police calls for service	n/a	n/a	n/a	85,611	80,486	81,137	86,685	85,283	91,894	99,357
Parking citations	n/a	n/a	n/a	2,250	3,030	2,532	2,011	1,959	1,788	1,273
Traffic citations	n/a	n/a	n/a	10,360	11,855	12,192	12,043	12,791	14,853	15,398
Arrests	n/a	n/a	n/a	2,185	2,124	2,099	2,266	2,429	2,339	2,069
SRT call outs	45	21	15	17	10	27	26	46	n/a	41
Community development:										
Building permits issued	2,450	2,212	2,181	2,204	2,376	3,199	3,684	2,552	2,941	2,451
Library:										
Number of registered borrowers	16,243	18,226	20,413	13,170	18,233	22,677	27,096	20,641	24,485	35,254
Total annual circulation	139,084	127,471	135,912	154,987	176,341	159,353	141,858	148,496	136,179	115,659
Total reference transactions	79,936	41,828	111,857	135,836	125,021	137,249	137,683	154,081	120,711	84,654
Annual number of users of public internet computers	n/a	n/a	n/a	n/a	61,531	75,448	73,171	75,088	70,737	50,309
Parks and recreation:										
After school program enrollment	254	318	312	283	328	303	312	314	301	312
Summer camp program enrollment	381	374	362	383	406	416	413	431	441	463
Camp No-Mi-Be enrollment ⁽¹⁾	447	454	439	422	370	234	463	160	149	125
Theater camp enrollment	n/a	n/a	n/a	n/a	46	37	26	39	30	35
Playschool enrollment	44	38	42	44	35	26	-	-	-	-
Sanitation:										
Refuse collected (tons / year)	n/a	n/a	n/a	40,445	41,612	42,504	53,701	45,210	29,948	33,694
Water:										
Number of customers	31,543	31,730	31,906	32,065	32,164	34,412	32,355	32,587	32,292	32,258
Average daily water consumption (millions of gallons)	25.6	24.5	24.5	24.5	24.5	24.5	24.5	24.5	20.12	21.72
Annual water produced (millions of gallons)	n/a	n/a	5,498	5,500	5,289	4,982	5,391	5,834	7,343	7,927
Sewer:										
Number of customers	6,752	6,877	6,923	6,980	7,010	7,065	7,047	7,260	7,256	7,289

Note: n/a is used to signify that no information was available at time of printing.

⁽¹⁾ The drop in enrollment for Camp No-Mi-Be in 2004 & 2005 was due to the use of the North Miami Beach senior high school location while the Highland Oaks middle school facility was closed for remodeling. In 2006, camp resumed at the middle school location and enrollment increased. In 2007, the enrollment decreased due to budget cuts and the location change back to the high school.

Sources: Various City departments

**CITY OF NORTH MIAMI BEACH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2009**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government:										
General government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire:										
Fire stations (operated by Miami-Dade County)	2	2	2	2	2	2	2	2	2	2
Library:										
Libraries	1	1	1	1	1	1	1	1	1	1
Print materials in catalog	55,433	56,168	53,631	50,724	53,212	51,651	58,523	60,736	62,161	76,533
Number of licensed databases	n/a	n/a	n/a	20	15	15	37	61	62	66
Audio materials volumes	2,063	2,018	2,420	2,502	2,972	3,618	3,727	4,362	4,473	4,426
Video materials volumes	2,828	3,230	3,538	3,444	4,106	4,005	4,298	4,715	5,322	5,583
Parks and recreation:										
Parks	9	9	9	9	9	9	10	10	10	10
Senior centers	1	1	1	1	1	1	1	1	1	1
Municipal swim centers	3	3	3	3	3	3	3	3	3	3
Tennis centers	1	1	1	1	1	1	1	1	1	1
Recreational centers	4	5	5	5	5	5	5	5	5	5
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Amphitheaters	1	1	1	1	1	1	1	1	1	1
Parks acreage	n/a	n/a	n/a	49.0	49.0	49.0	49.0	49.0	49.0	49.0
Streets:										
Miles of streets and alleys	109.0	109.0	109.0	109.0	109.0	109.0	109.0	130.0	130.0	130.0
Water:										
Water mains (miles)	515	515	515	515	515	515	515	515	545	547
Fire hydrants	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,610	2,660
Valves	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	9,590	9,700
Sewer:										
Lift stations	29	29	29	29	29	29	29	29	35	35
Sewer mains (miles)	90	90	90	90	90	90	90	90	109	109

Note: n/a is used to signify that no information was available at time of printing.

Sources: Various City departments

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IV. COMPLIANCE SECTION



One Southeast Third Avenue
Suite 2100
Miami, Florida 33131
Telephone: (305) 374-1574
Facsimile: (305) 372-8161

110 East Broward Boulevard
Suite 1950
Fort Lauderdale, Florida 33301
Telephone: (954) 467-5490
Facsimile: (954) 467-6184

215 South Monroe Street
Suite 600
Tallahassee, Florida 32301
Telephone: (850) 224-2994
Facsimile: (850) 222-1241

Website: www.sbccpa.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of North Miami Beach, Florida ("City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, items 09-1, 09-2, 09-3, 09-4, 08-2 and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1 and 09-2 to be material weaknesses.

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, and grant agreements, noncompliance 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 an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 09-2.

The City's response to the findings are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Mayor, City Council, and City Manager, others within the City, 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.

Sharpton Brunson & Company, P.A.

April 23, 2010



One Southeast Third Avenue
Suite 2100
Miami, Florida 33131
Telephone: (305) 374-1574
Facsimile: (305) 372-8161

110 East Broward Boulevard
Suite 1950
Fort Lauderdale, Florida 33301
Telephone: (954) 467-5490
Facsimile: (954) 467-6184

215 South Monroe Street
Suite 600
Tallahassee, Florida 32301
Telephone: (850) 224-2994
Facsimile: (850) 222-1241

Website: www.sbccpa.com

**Independent Accountants' Report on Compliance with Requirements Applicable
to its Major Federal Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of North Miami Beach, Florida (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to major federal programs for the year ended September 30, 2009. The City's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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 its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, of the significant deficiencies described above, we consider item 09-2 to be a material weakness.

The City's response to the finding is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of North Miami Beach, Florida (the City), as of and for the year ended September 30, 2009, and have issued our report thereon dated March 26, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sharpton Brunson & Company, P.A.

April 23, 2010

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unqualified Opinion**

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Program

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: **Unqualified Opinion**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

Federal CFDA No. Federal Awards Programs

16.000 Forfeiture Fund – Federal Equitable Sharing

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements

Material Weaknesses

09-1 Improve Segregation of Duties

Criteria

Internal controls should be designed to safeguard assets and help to detect losses from errors or defalcations. A fundamental concept in a good system of internal control is the appropriate segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition

The City has an Application Manager who assists in all phases of supervision and development of all internally developed software applications. She is a programmer, as well as initiates transactions and approves IT activities. Operators should not be permitted to program applications or make modifications to programs unless a comprehensive review of their work is made by programming personnel. Operators should be denied access to source program codes, program listings, or program logic.

Cause

At the present time, the Application Manager duties include these functions.

Effect

The current conditions increase the risk of fraud and/or errors going undetected.

Recommendation

We recommend that management review the current assignments of IT functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

View of Responsible Officials and Planned Corrective Actions

Management will review the current assignment of the Application Manager to ensure that a good system of internal control is present and the appropriate segregation of duties is maintained at all time and on all levels. Going forward any changes to transaction or any modification to a program will now require a request for a programming change to be signed off by an authorized personnel as well as his/her supervisor.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Material Weaknesses (cont'd)

09-2 Fraud Matter Related to the Prior Fiscal Year 2008

Criteria

Internal controls related to compliance should be so designed to prevent or detect losses from errors or defalcations. A fundamental concept in a good system of internal control is the appropriate segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition

It was noted that a fraud was uncovered in September 2008 involving the Former Assistant Director of Administrative Services. The nature of the fraud was such that the Assistant Director was able to misappropriate approximately \$64,000 in federal funds from the Department of Justice. The matter was adjudicated in the federal courts and a plea bargain was arrived at between the United States Attorney for the Southern District of Florida and the defendant, who agreed to make restitution of the amount owed.

Questioned Cost

\$64,000

Cause

Inadequate segregation of duties.

Effect

Misappropriation of federal awards.

Recommendation

We recommend that management ensure that duties are appropriately segregated within the City to prevent recurrence within the organization.

View of Responsible Officials and Planned Corrective Actions

Management has addressed this issue by establishing a Chief Procurement Officer and Procurement Supervisor. Both duties are distinct and separate with the Financial Services Director as the ultimate approver to address the segregation of duties concerns relating to the fraud matter from fiscal year 2008.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Significant Deficiencies

09-3 Upgrade the Accounting System

Criteria

The financial accounting and reporting system should provide the information management needs to monitor the City's financial condition and make appropriate decisions in a timely basis.

Condition

The software programs used to perform the financial functions and related activity are several years old and out-dated. Also, since that time, growth of the City has resulted in increased financial and operational requirements.

Cause

A cost benefit analysis of the financial reporting system has not been fully explored.

Effect

The current process of obtaining financial information involves manual calculations, spreadsheets, and applications independent of the financial reporting system. The result is a delay in information management needs to response to inquires.

Recommendation

SBC suggests that the City conduct an evaluation of the existing financial system and an analysis of projected needs for the future. This evaluation should focus on ensuring that the City's financial systems maximize the productivity of its staff and meet the future needs of management.

View of Responsible Officials and Planned Corrective Actions

The City will have a team of qualified personnel to form a committee to conduct an evaluation of the existing financial system and an analysis of the City's projected needs for the future. The team will ensure that the financial need of the City is met. The City currently has plans for the existing software that will give the City greater flexibility in the capabilities of the current system.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Significant Deficiencies (cont'd)

09-4 Establish Formal Controls over Program Development and Related Changes

Criteria

Computer controls over the City's information system should be adequate to allow the reliable preparation of financial statements and a well documented system of changes to the City's master files.

Condition

There are varying degrees of formality over the development of new systems and programs and changes to existing ones. In some cases, there are relatively formal procedures for certain aspects of the requests for data processing effort. In other cases, however, requests for program development and maintenance are oral with little documentation of the justification for the change and no formalized procedures to control the programmer's work.

Also, during our review of the City's general computer controls, we noticed that IT personnel are allowed to independently initiate changes to master files.

Cause

The business culture permits system development and changes without a formal reviewer or documentation process by a third party.

Effect

Certain vital IT system data documentation is not fully updated, hence, personnel turnover could result in significant loss of knowledge regarding IT systems and /or applications.

Recommendations

SBC suggests that controls be established for the development of new programs and program changes. Additionally, a catalog of all programs should be created (program library) and the IT system, program, user, and operations documentation should be enhanced.

View of Responsible Officials and Planned Corrective Actions

It is the desire of the City to continuously update and document any development of new programs and program changes. The IT system, program user, and operations documentation will be enhanced on an ongoing basis. Significant program changes are required to be in writing at all times.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Other Comments and Recommendations

09-5 Update Accounting Process and Procedures Manual

Criteria

An organization should maintain a manual which methodically identifies and documents significant operational and accounting processes.

Condition

During the course of our audit we read through the accounting policies and procedures manual. This manual was created several years ago and has been supplemented over the years. We noted that some of the procedures are no longer being followed or have been superseded. Other procedures have been revised, with handwritten changes and notes in the margins. Overall, the book has evolved into an inconsistent group of documents.

Cause

Over the years, the City's operations have changed; however, documentation of operational and accounting processes has not kept pace with the changes.

Effect

Accounting and operational procedures are not always performed as prescribed.

Recommendation

We recommend that a standardized template addressing the following specific key criteria be used to document policies:

- Purpose of the policy
- Scope of the policy
- Locations to which the policy applies
- Identification of the employee position(s) charged with creating, implementing, and maintaining the policy
- Provisions of the policy

View of Responsible Officials and Planned Corrective Actions

The City understands that accounting processes constantly change and should be updated regularly to ensure all personnel are following the correct process and/or procedure. This is an ongoing process and requires the proper understanding of accounting policies and procedures. The Finance Department will be responsible to update the accounting manual.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Other Comments and Recommendations (cont'd)

09-6 Develop a Whistle Blower Policy or Fraud Hotline

Criteria

The City should have a system which encourages staff to report any suspicious activity or misconduct.

Condition

The City's code of ethics encourages employees to report any suspicions of fraud or misconduct, but it does not provide an effective, practical mechanism for doing so. We believe that as a result, employees would be hesitant to report knowledge or suspicions that could prevent or detect fraud or other misconduct that could be detrimental to the City. Studies show that most frauds are known to someone in the defrauded organization and are revealed after a tip is received from someone with knowledge about the fraud. However, an employee may not report suspicions or knowledge of fraud if he or she does not know to whom to report, especially if the perpetrator is someone high up in the organization or someone to whom the employee reports.

Cause

The recent spate of business scandals has focused attention on the importance of a well-developed and communicated code of conduct in promoting a culture of honesty and ethical behavior and deterring unethical business activity.

Effect

Implementation enhances a culture of honesty and acceptable behavior.

Recommendation

SBC recommends that management consider establishing a fraud hotline. The very existence of a fraud hotline would serve as a deterrent to misconduct by creating among employees a perception that fraud would be detected and reported. It would also demonstrate the City's serious intent to prevent and detect fraud. In addition, the hotline could also be used to report incidents of harassment, unsafe working conditions, violence, or violations of laws or regulations. This would allow the City to address such situations in a timely manner and could help prevent or minimize fines, lawsuits, legal liability, or adverse publicity by demonstrating that the City has procedures for receiving and addressing complaints.

View of Responsible Officials and Planned Corrective Actions

This recommendation will be presented to our Human Resources Department to implement such a policy or hotline where any suspicious activity or conduct can be reported without an employee feeling threaten.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Other Comments and Recommendation (cont'd)

09-7 Consider a Lockbox System

Criteria

Effective controls over cash receipts and maximize returns on cash.

Condition

At present, customers send their payments to the City's office, where they are processed and deposited. As a result, the funds are tied up in the mail and in processing for days before the City receives the benefit of their use.

Cause

A large volume of checks are process by cashiers whose duties include other functions.

Effect

Improve cash flows and reduce personnel expenses, as well as improve controls over cash receipts.

Recommendation

SBC recommends that management consider using a lockbox system for processing receipts. Under such a system, customers are requested, via notations on invoices, or monthly statements, or the use of preaddressed envelopes, to send their payments to a post office box which is accessible only to the City's banks. Each day, the bank collects receipts from the box, credits the receipts to the City's account, and sends copies of all check stubs, remittance advices, and other communications to the City for processing. Since employees have no direct contact with remittances from customers, the risk of mishandling or misappropriation is virtually eliminated. Also, cash flow is improved because credit is received for receipts as soon as they are received.

We recommend that management evaluate the cost/benefit of a full-service system of lock boxes.

View of Responsible Officials and Planned Corrective Actions

Management will review and evaluate this recommendation carefully to ensure that the City's risk of misappropriation or mishandling of customers remittance advice are eliminated and to provide a more efficient way to process receipts.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section II - Current Year Findings - Financial Statements (cont'd)

Other Comments and Recommendation (cont'd)

09-8 Enhance Physical Inventory Procedures

Criteria

Physical inventories provide a basis for updating inventory balances and aid in detecting inventory shortages.

Condition

We noted that there are differences between the general ledger inventory account and the physical inventory performed on an annual basis. These differences should be investigated prior to posting adjustments to the accounting records.

Cause

The absence of periodic physical inventories does not provide a basis for updating inventory balances and detecting inventory discrepancies.

Effect

Increase misstatement of inventory balances and potential for misappropriations.

Recommendation

To gain even greater accuracy and efficiency in the taking of physical inventory at year end, we recommend that these additional procedures be implemented:

- Use written instructions and maps to assign area responsibilities.
- Personnel from the accounting department should have the responsibility of planning, supervising, and test counting physical inventories. However, the department supervisors should have input during the planning phase so efficient and effective physical inventories can be achieved.
- Dispose of unusable and obsolete inventory during the year to decrease year-end counting time; segregate or tag any obsolete inventory remaining at year end in order to identify it as such.

View of Responsible Officials and Planned Corrective Actions

Management concurs with this recommendation and procedures are currently being documented regarding the enhancement of inventory procedures.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements

Significant Deficiencies

08-01 Financial Condition Assessment

Criteria

As required by the Rules of the Auditor General (Sections 10.554(1)(i)7.c and 10.556(7)), we applied financial condition assessment procedures. These procedures consisted of evaluating the City's financial indicators which disclosed several deteriorating financial conditions.

Condition

We noted that several of the City's financial indicators disclosed deteriorating financial conditions. The financial indicators were primarily the result of decreasing cash and investment balances as they relate to current liabilities which would also affect the ratio of unrestricted fund balances to unrestricted net assets.

Cause

Over the past several years, the City was heavily involved in the multi-million dollar expansion of the Water Utility Plant. The delay in the construction timetable and completion date required management of the City to adjust its financing resources to match the costs. This delay affected the timetable for the implementation of a new water rate schedule and the date of ceasing to purchase water from the Miami-Dade Water and Sewer Department. This also affected the general fund with the downturn in the local economy with a decrease in impact and other fees.

Effect

The City has to closely monitor their finances in order to not continue their deteriorating conditions.

Recommendation

We recommend that the City continue to monitor its current and long-term financial position and results of operations, through the following:

Timely monitoring of revenues and expenditures against budgeted amounts throughout the fiscal year.

Timely recording of assets and liabilities to ensure that complete internal financial statements can be properly prepared and used for analysis.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Significant Deficiencies (cont'd)

08-01 Financial Condition Assessment (cont'd)

View of Responsible Officials and Planned Corrective Actions

The City will review and monitor its financial condition using the assessment tools provided by the State of Florida. We concur with the auditor's finding that the delay in the construction timetable and completion date required management of the City to adjust its financing resources to match costs. Once the Water Plant is fully operational and the implementation of a new rate schedule and the date for ceasing to purchase water from Miami-Dade Water and Sewer Department the City should see an increase in cash and investment balances. The City will continue its policy to focus on expenditure containment and revenue enhancement, especially through other resources.

Current Year Status

No longer applicable as a result of the water utility plant becoming fully operational.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Significant Deficiencies (cont'd)

08-02 Material Journal Entries

Criteria

Revenues in the governmental funds 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 (60 days) to pay liabilities of the current period.

The government-wide and proprietary fund financial statements are prepared using the accrual basis of accounting. Under this method of accounting, expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Condition

During our audit we performed procedures on various asset, liability, revenue, expenditure/expense, and fund balance/net asset accounts of the City. As a result of our procedures, the following prior period adjustment was recorded:

The improper recognition of expenses and liabilities related to the construction of the Water Utility Plan for prior fiscal years resulted in a correction of approximately \$3.5 million in the Water Utility System Fund. The net assets previously reported were also decreased.

In addition, as a result of our procedures, the following material journal entries were also recorded:

In the Community Redevelopment Agency Fund, \$4 million was recorded in a liability account that needed to be reclassified into other financing sources as proceeds from credit facilities.

In the Water Utility System Fund, entries were made for approximately \$65 million to close out the Water Plant project and record as a capital asset and the applicable depreciation expense.

In the Sewer Utility System Fund, entries were made for approximately \$6.3 million to close out the sewer projects and record as a capital asset and the applicable depreciation expense.

In the Sewer Utility System Fund, entries were made for approximately \$341,000 to eliminate negative cash amounts.

In the Stormwater Utility System Fund, entries were made for approximately \$2.1 million to close out one of the Stormwater project funds.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Significant Deficiencies (cont'd)

08-02 Material Journal Entries (cont'd)

Cause

Various general ledger accounts were not reviewed during the year to determine and record the required adjustments prior to producing the final trial balances. This review should reduce the adjusting entries required after the trial balances are provided to the auditors.

Effect

The potential effect was, that without the above noted corrections, the City's financial statements could have been materially misstated.

Recommendation

We recommend that each accountant responsible for an area perform an in-depth review of balance sheet accounts and determine and record the required adjustments prior to producing the final trial balances. Timely review of all balance sheet accounts to their subsidiary ledgers and /or schedules would identify accounts that need to be adjusted. If this review occurs infrequently, significant adjustments and/or corrections may be needed. Any reconciling differences should be corrected before the books are closed at year end. This process should reduce the adjusting journal entries required after the trial balances are provided to the auditors.

View of Responsible Officials and Planned Corrective Actions

The recommended change has already been implemented. Responsibilities of the Finance Coordinators and Management were reassigned to ensure proper coverage and re-distribution of workload. In addition, new procedures were implemented to ensure timely and accurate reviewing and recording of journal entries to the City's general ledger system.

Current Year Status

Management has made improvements however, ongoing efforts are required. Additionally, we recommend that management establish an internal control criteria; i.e. source documents, approval and general authorization limits, on a department-by-department basis for journal entries which enter the financial system.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Significant Deficiencies (cont'd)

08-03 Financial Records Review and Closing Process

Criteria

All schedules, reconciliations and adjusting journal entries should be approved by a designated member of management.

Condition

Reconciliations are performed on a monthly basis by the Finance Coordinators. The reconciliations are reviewed by management; however, the reviewer's signature/initials are not present on the report. We also noted that journal entries to be recorded lack proper approval by a designated member of management. All reconciliations and journal entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

Cause

We noted during our internal control walkthrough procedures performed for the cash disbursements, cash receipts, and payroll, reconciliations were not signed/initialed by the reviewer as described in the accounting policies of the City. In addition, not all journal entries are approved by a designated member of management.

Effect

The City's schedules and reconciliations may not be accurate. Also journal entries could be posted to the general ledger that needs to be revised and corrected.

Recommendation

Accounting closing procedures including monthly reconciliations play an important role in providing accurate information to be included in the financial statements. This practice greatly enforces the checks and balances necessary for strong internal controls. We recommend that a designated member of management, review the reconciliations for any unusual items, investigate and fully resolve any such items, and document his or her approval by signing/initialed the reconciliation. We further recommend that a designated member of management review and approve all journal entries and initial the support for the entries to document their approval. This process would improve controls over adjustments to the general ledger.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Significant Deficiencies (cont'd)

08-03 Financial Records Review and Closing Process (cont'd)

View of Responsible Officials and Planned Corrective Actions

The recommended change has already been implemented. Responsibilities of the Finance Coordinators and Management were reassigned to ensure proper coverage and re-distribution of workload. In addition, new procedures were implemented to ensure timely and accurate reviewing and recording of journal entries to the City's general ledger system.

Current Year Status

Management has made improvements, however ongoing efforts are required.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Other Comments and Recommendations

08-04 Construction Projects

Criteria

The City is responsible for maintaining accurate capital asset schedules including depreciation amounts.

Condition

Our audit procedures disclosed that construction projects that were completed or significantly completed were not closed out and transferred to other capital assets classifications and being depreciated.

Cause

The cause is that construction projects are not closed out timely, put into service and depreciation being taken on the assets.

Effect

Expenses could be understated. If the amounts are significant or over several years the City's financial statements could have been materially misstated.

Recommendation

We recommend that the City review all construction projects on an ongoing basis to determine when the projects are completed or significantly completed to reclassify out of construction in progress and into other classifications. The City will then need to charge depreciation on these assets based on their useful lives.

View of Responsible Officials and Planned Corrective Actions

The recommended change has already been implemented. Responsibilities of the Finance Coordinators and Management were reassigned to ensure proper coverage and redistribution of workload. Also, new procedures were implemented to ensure that all construction projects on an ongoing basis are reclassified when completed from construction in progress to fixed assets so they can be depreciated and properly accounted for in the City's financial statements.

Current Year

No longer applicable.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Other Comments and Recommendations (cont'd)

08-05 Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions

Recommendation

The GASB has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statement are effective for fiscal periods beginning after December 15, 2006, for governments with annual revenues of \$100 million or more; for fiscal periods beginning after December 15, 2007, for governments with total annual revenues of \$10 million or more but less than \$100 million; and for fiscal periods beginning after December 15, 2008, for governments with total annual revenues of less than \$10 million. For the City, this Statement is effective for the fiscal year ended September 30, 2009.

The contents of this statement are highly complex and will require significant lead time to implement on the respective implementation date. We would suggest that the City obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.

View of Responsible Officials and Planned Corrective Actions

The City has obtained an actuarial valuation of its post-employment benefits in accordance with our understanding of the requirements of GASB 45. The valuation was obtained October 200x currently the valuation report is being update to reflect changes in Annual Required Contribution. The City is also in the process of developing a Trust Plan to fund its OPEB obligations. The City continues to make every effort to be in compliance with the GASB requirement.

Current Year Status

Management has fully implemented this GASB.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Other Comments and Recommendations (cont'd)

08-06 Governmental Accounting Standards Board Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments

This Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering in the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors and collars), swaptions, forward contracts and futures contracts.

The statement is effective for fiscal years beginning after June 15, 2009.

Recommendation

We would suggest that the City obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.

View of Responsible Officials and Planned Corrective Actions

The City continues to keep abreast of changes in the governmental arena that affect us. The GASB 53 requirement will be fully adhered to on its effective date and the City will continue to plan for implementation in a prudent manner.

Current Year Status

Management has fully implemented this GASB.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section III - Prior Year Findings - Financial Statements (cont'd)

Other Comments and Recommendations (cont'd)

08-07 Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

This hierarchy is as follows:

Restricted, committed, assigned, and unassigned.

The Statement is effective for fiscal years beginning after June 15, 2010.

Recommendation

We would suggest that the City obtain a thorough understanding of the requirements and initiate planning for implementation in a prudent manner.

View of Responsible Officials and Planned Corrective Actions

The City continues to keep abreast of changes in the governmental arena that affect us. The GASB 54 requirement will be fully adhered to on its effective date and the City will continue to plan for implementation in a prudent manner.

Current Year Status

Management will implement this GASB in the current fiscal period ending September 30, 2010.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Section IV - Current Year Findings - Major Federal Program

See finding number 09-2.

Section V - Prior Year - Findings - Major Federal Program

See finding number 09-2.

**CITY OF NORTH MIAMI BEACH, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

<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 FY2006	\$ 756
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2007	31,826
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2008	70,129
N.E. 168 Street Roadway Improvement	14.218	CDBG FY2007	300,000
Total U.S. Department of Housing and Urban Development			402,711
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	16.000		1,236,625
Domestic Violence Grant	16.579	2008-JAGC-DADE-15-Q9-141	135
FY 2007 Weed & Seed Program	16.595	2007-WS-Q7-0034	79,604
Gang Resistance & Training Grant (GREAT Grant)	16.737	2007-JV-FX-0284	4,337
Operational Equipment Enhancement Project	16.804	2009-SB-B9-1673	17,509
Crime Prevention Unit Enhancement Project	16.739	2008-DJ-BX-0319	9,897
Bulletproof Vest Grant	16.607		<u>2,269</u>
Subtotal - direct awards			<u>1,350,376</u>
Passed through the State of Florida Department of Juvenile Justice:			
PanZOu Project - Federal (Gang Grant in City of NMB)	16.540	2003-MU-FX-K006	<u>504,430</u>
Total U.S. Department of Justice			<u>1,854,806</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation:			
Hanford Boulevard Roadway Improvement - Phase IV	20.205	Fin Proj. No.420908-1/ Contract No. AP233	325,632
N.E. 19th Avenue Roadway Improvement	20.205	Contract No. APM 90/ ARRA-455 (Fed)	389
Sidewalk Replacements - Citywide	20.205	Contract No. APM 90/ ARRA-359 (Fed)	52
NMB DUI Enforcement Initiative	20.600	Proj. No. AL -09-05-09/ Contract No. APB95	<u>60,740</u>
Total U.S. Department of Transportation			<u>386,813</u>
U.S. DEPARTMENT OF EDUCATION			
NMB Disability Sports Program	84.235	Award No. H235K080015	<u>44,142</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through the Florida Department of Environmental Protection:			
Highland Village Sewer Connection Project Financing Project No. 580901	66.458	SRF Loan Agreement No. WW130100	11,724
(SRF Loan Agreement)		Federal Program No. 95423009-90	
Major Sewer Rehabilitation Project	66.458	SRF Loan Agreement No. WW745080	15,085
(SRF Loan Agreement)		Federal Program No. CS120001-050	
Total U.S. Environmental Protection Agency			<u>26,809</u>
Total Expenditures of Federal Awards			<u>\$ 2,715,281</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NORTH MIAMI BEACH, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the City for the year ended September 30, 2009. All federal awards expended from federal agencies, and federal awards passed through other government agencies are included in the Schedule.

Basis

The accompanying Schedule is presented on the modified accrual basis of accounting, which is described in Note 2 to the City's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.



One Southeast Third Avenue
Suite 2100
Miami, Florida 33131
Telephone: (305) 374-1574
Facsimile: (305) 372-8161

110 East Broward Boulevard
Suite 1950
Fort Lauderdale, Florida 33301
Telephone: (954) 467-5490
Facsimile: (954) 467-6184

215 South Monroe Street
Suite 600
Tallahassee, Florida 32301
Telephone: (850) 224-2994
Facsimile: (850) 222-1241

Website: www.sbccpa.com

**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, 2009, and have issued our report thereon dated March 26, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 Compliance and Other Matters (dated March 26, 2010), Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program (dated April 23, 2010), and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report and the current status is described in our Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, recommendations accompany this report in the Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements amounts that is less than material but more than inconsequential. In connection with our audit, we do not have any such findings.

Section 10.554(1)(i) 5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Matters to be disclosed by the Rules of Auditor General Section 10.554(1)(i)5 are reported in the accompanying Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of North Miami Beach was incorporated pursuant to Chapter 15.824, Laws of Florida, Acts of 1931. The North Miami Beach Community Redevelopment Agency, the City's component unit, was created by the Mayor and City Council on December 21, 2004 by adopting a resolution in accordance with section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969, enacted by the Florida Legislature.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2008 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Matters to be disclosed by the Rules of Auditor General Section 10.554(1)(i)7.c and 10.556(7) are reported in the accompanying Schedule of Findings and Questioned Costs.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States require us to indicate that this letter is intended solely for the information and use of the Mayor, City Commission, management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Sharpton Brunson & Company, P.A.

April 23, 2010