

Comprehensive Annual Financial Report

of the

City of North Miami Beach, Florida
for the

Fiscal Year Ended

September 30, 2006



CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Prepared by:

Department of Finance

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2006

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INTRODUCTORY SECTION



City of North Miami Beach, Florida

FINANCE DEPARTMENT

March 10, 2007

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

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 accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Additionally, the City's charter requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of North Miami Beach for the fiscal year ended September 30, 2006.

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

Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2006, were free of material misstatement. The independent audit involved examining on a test basis evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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, 2006, are fairly presented in conformity with GAAP. The report of the independent certified public accountants is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

The *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. Fiscal year 2006 was the first year of operations for the CRA. 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 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. 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. The CRA functions in essence as a department of the City. The staff of the CRA consists of the City Manager, who also has the title of the CRA Administrator, and the City's Economic Development Coordinator. The City attorney's office, clerk's office, finance department and purchasing division also provide support services. The CRA's first Annual Report, prepared in accordance with Section 356 (3)(c) of the Florida Statutes and with the Interlocal Cooperation Agreement among Miami-Dade County, the City and the CRA, is available in the City's Economic Development Office. Additional information on this component unit can be found in the notes to the financial statements starting on page 68.

The annual budget serves as the foundation for the City of North Miami Beach's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department (e.g., police). No department may legally expend in excess of amounts appropriated for that department within an individual fund. The City Manager may make transfers of appropriations within a department and to a department from his contingency account. Transfers of appropriations between departments, however, require the approval of the City Council. The City Council approves supplemental appropriations; however, the City Manager is granted authority to amend, modify, or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 57-59 as part of the basic financial statements.

Factors Affecting Financial Condition

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

Local economy. The growing development interest that was evident in the City in 2004 drew the attention of residents during fiscal year 2005. Redevelopment of the Mall at 163rd Street and the opening of a new super Wal-Mart attracted substantial new business to the area. In fiscal year 2004, the approval of two twenty-four story condominium towers at Maule Lake Marina signaled a willingness on the City's behalf to consider heights and densities beyond what the City has previously hosted. Constituents that did not agree with the height and density of the project challenged its approval and, thus, began a protracted community debate on the matter. Settlement discussion continued through fiscal year 2006.

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

Long-term financial planning. As the long-term redevelopment of the city continued in fiscal year 2006, the implementation of some of the leading indicator projects headed toward completion. These activities form the basis for assuring the long-term fiscal strength of the city and its government.

- The last large neighborhood project funded by the \$17.3 million Proud Neighborhood bond program, Corona Del Mar, was completed.
- After completion of two "sample" blocks, the reconstruction of the remaining blocks of Hanford Boulevard, the spine of City's future City Center area, neared completion.

- As part of the \$3.4 million worth of improvements to parks and recreation facilities funded by Miami-Dade County's Building Better Communities grant program, a contract for overhauling Victory Pool began.
- The Community Redevelopment Agency completed its first year of operations and began its second budget program.
- The Mayor and Council adopted comprehensive plan amendments for redevelopment, which included new land use categories, heights and densities.

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

The sewer and stormwater projects in Highland Village were nearing completion in fiscal year 2006. Homeowners within the area where sewers were installed will soon be required to connect. While the majority of the neighborhood will be connecting, city staff continues to seek funding to install sewers in the remaining portions of the neighborhood that, for now, will continue to utilize their septic tanks. In addition to sanitary sewers, this multi-phased project will include stormwater and street improvements in the area.

New initiatives. Due to its close proximity to other cities with similar sounding names or ones with larger shopping malls, the City of North Miami Beach is often misrepresented or overlooked in the news. Residents and business owners repeatedly share the opinion that the City lacks a sense of identity and place. The NMB identity campaign was created as an informational marketing strategy that has produced a variety of advertisements in local newspapers and radio, brochures, bus bench advertisements, magnets and stickers. Using the first letters of the City's name (NMB), identifying words are used to inform the public about the City's many features and events. The initial tag line was Now More Beautiful and the newsletter was renamed News Made Brief. Each department has created ads highlighting its services, such as the Library's Networks, Movies & Books. Abstract ideas such as New Magical Beginning drew attention to the redevelopment and new mixed-use residential developments. The diversity of the city's neighborhoods was emphasized with the unique Noodles, Meatballs, and Bread ad. The campaign has been invigorating and inspiring as employees and residents eagerly suggest their 'NMB's signifying the many attributes that make our City a great place to live, work and play.

Relevant financial policies

In general, it is the City's policy to have a General Fund unrestricted fund balance of one to two months of regular General Fund operating expenditures. If possible, every year a portion of unrestricted fund balance is used to preclude or moderate future tax and user fee increases. In the fiscal year 2006 budget, \$1 million of surplus was used. At the end of fiscal year 2006, the unrestricted undesignated General Fund balance was equal to 34 days of General Fund expenditures.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of North Miami Beach for its Comprehensive Annual Financial Report (CAFR) for the fiscal year

ended September 30, 2005. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

Acknowledgements

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

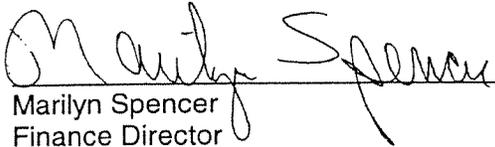
We express our appreciation to all members of other departments who assisted and contributed to the preparation of this report. An additional thank you is extended to all of the employees who researched and compiled this year's statistical data especially Mac Serda, Linda Steuernagel, Fran Rodstein, Debra Widlan, David O'Brien, Joan Zuckerman, Shawn Gabriel, Everton Garvis, David Garcia, Karim Rossy, Shernett Lee, Marc Maxy, and George Wilson. A special note of thanks and appreciation is also extended to our auditors, Rachlin Cohen & Holtz LLP, for their professional approach and high standards in the conduct of their independent audit of the City's financial records and transactions. Their guidance and cooperation in planning and conducting the financial affairs of the City in a responsible and progressive manner is greatly appreciated.

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

Respectfully submitted,



Keven Klopp
City Manager



Marilyn Spencer
Finance Director



Patricia Bliss
Deputy Finance Director

CITY OF NORTH MIAMI BEACH, FLORIDA

CERTIFICATE OF ACHIEVEMENT

SEPTEMBER 30, 2006

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, 2005

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, 2006

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Raymond F. Marin, Mayor

Jay R. Chernoff	John Patrick Julien
Kenneth A. De Fillipo	Myron Rosner
Philippe Derose	David L. Templer

CITY MANAGER

Keven R. Klopp

CITY ATTORNEY

Howard B. Lenard

FINANCE DIRECTOR

Marilyn Spencer

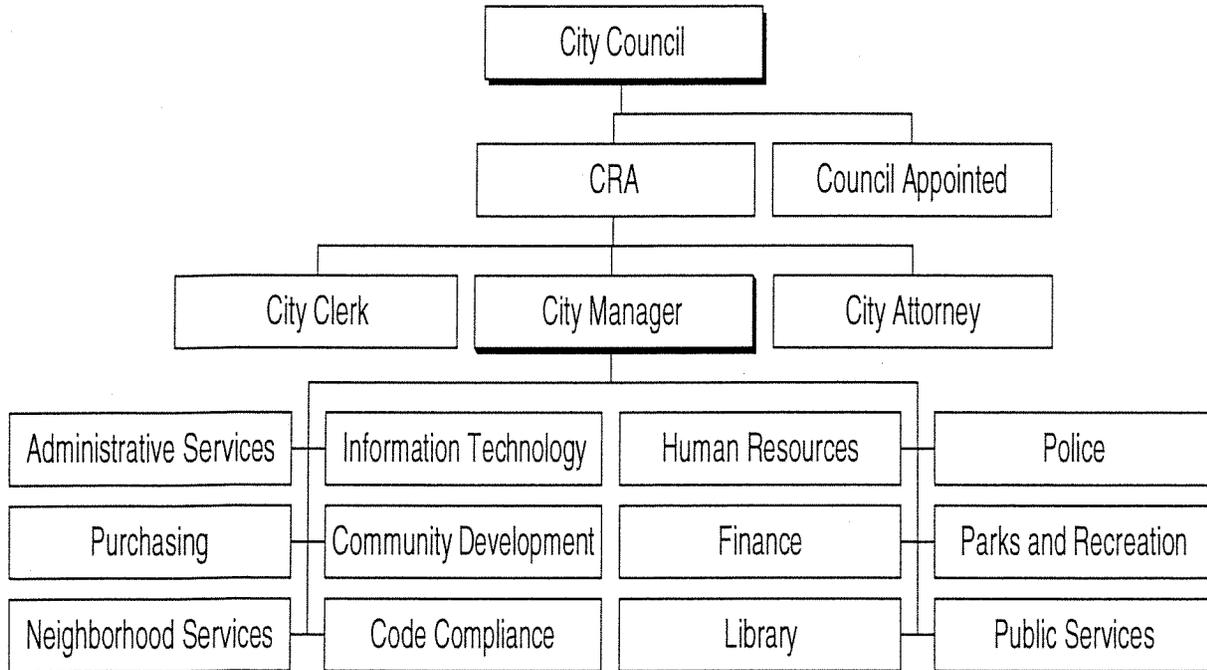
CITY AUDITORS

Rachlin Cohen & Holtz LLP
Accountants ▪ Advisors

CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2006

ORGANIZATION CHART



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund (including the community redevelopment agency special revenue fund) and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2006, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Rachlin Cohen & Holtz LLP

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

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-19 and pages 70-80, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance projects has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
February 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As management of the City of North Miami Beach, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2006. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages i to v of this report.

Financial Highlights

- The assets of the City of North Miami Beach exceeded its liabilities at the close of the most recent fiscal year by \$105.5 million (*net assets*). Of this amount, \$4.5 million (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors.
- The City's total net assets overall increased by \$11.6 million during the current fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14.5 million, a decrease of \$2.4 million in comparison with the prior year. Approximately one third of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$4.8 million, or 9 percent of total *General Fund* expenditures
- At the end of the current fiscal year, unrestricted net assets for the Water Fund was negative \$0.7 million. This was an improvement over last year's negative \$2.5 million.
- In October 2005, Hurricane Wilma struck the State of Florida and the City of North Miami Beach suffered major damage and destruction. This was in addition to Hurricanes Katrina and Rita, which occurred in September 2005 and also resulted in the City incurring damage and destruction.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements 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 have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 20-21 of this report.

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

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

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

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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.

The basic governmental fund financial statements can be found on pages 22-24 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and stormwater operations.

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

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

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

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Note 11 contains information regarding the CRA, which is a component unit.

The notes to the basic financial statements can be found on pages 32-69 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 70-80 of this report.

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

Combining and individual fund statements and schedules can be found on pages 81-90 of this report.

Government-Wide Financial Analysis

Net assets may serve as a useful indicator of the City's financial position. The City of North Miami Beach's total net assets exceeded liabilities by \$105.5 million at the close of this fiscal year. This was an increase of 12 percent compared to last year's net assets of \$93.9 million.

Total net assets (in millions)	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
	\$88.8	\$89.7	\$90.3	\$90.8	\$93.9	\$105.5

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

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 16.3	\$ 11.7	\$ 28.0	\$ 12.6	\$ 10.2	\$ 22.8
Restricted assets	5.5	19.9	25.4	8.9	39.2	48.1
Capital assets, net	<u>58.9</u>	<u>135.2</u>	<u>194.1</u>	<u>54.0</u>	<u>105.5</u>	<u>159.5</u>
Total assets	<u>80.7</u>	<u>166.8</u>	<u>247.5</u>	<u>75.5</u>	<u>154.9</u>	<u>230.4</u>
Long-term liabilities	44.0	77.0	121.0	44.7	77.6	122.3
Other liabilities	<u>6.9</u>	<u>14.1</u>	<u>21.0</u>	<u>3.7</u>	<u>10.6</u>	<u>14.3</u>
Total liabilities	<u>50.9</u>	<u>91.1</u>	<u>142.0</u>	<u>48.4</u>	<u>88.2</u>	<u>136.6</u>
Net Assets:						
Invested in capital assets, net of related debt	20.8	60.4	81.2	15.2	31.2	46.4
Restricted	5.0	14.8	19.8	8.7	36.8	45.5
Unrestricted	<u>4.0</u>	<u>0.5</u>	<u>4.5</u>	<u>3.2</u>	<u>(1.2)</u>	<u>2.0</u>
Total net assets	<u>\$ 29.8</u>	<u>\$ 75.7</u>	<u>\$ 105.5</u>	<u>\$ 27.1</u>	<u>\$ 66.8</u>	<u>\$ 93.9</u>

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

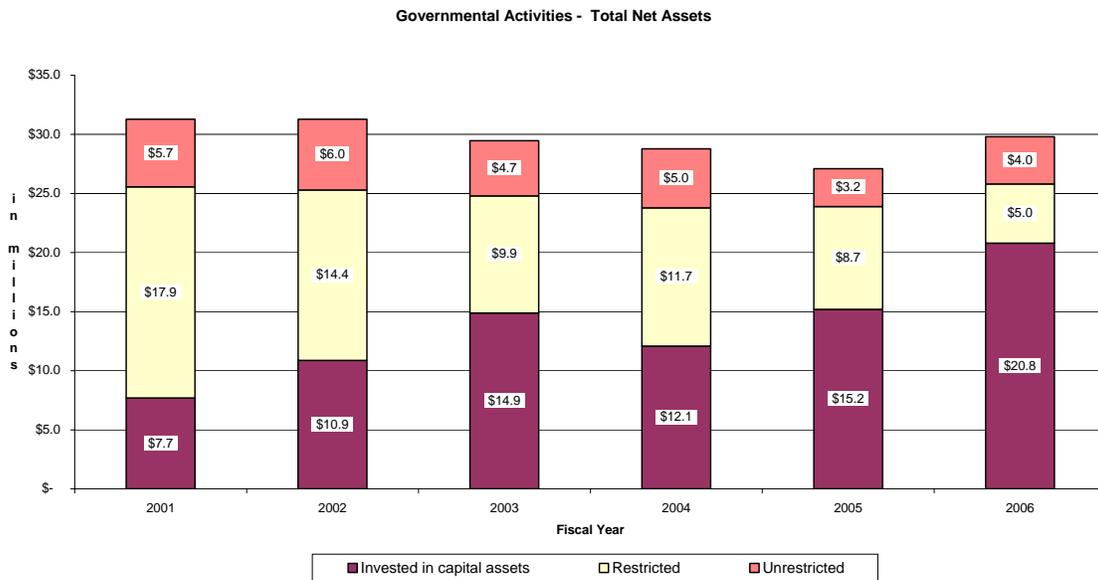
	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 18.4	\$ 24.5	\$ 42.9	\$ 17.1	\$ 23.2	\$ 40.3
Operating grants & contributions	2.2	4.4	6.6	1.5	3.8	5.3
Capital grants & contributions	0.1	7.6	7.7	0.1	4.3	4.4
General Revenues:						
Property taxes	15.8	-	15.8	13.8	-	13.8
Other taxes	6.4	-	6.4	5.6	-	5.6
Intergovernmental (including sales tax)	11.3	-	11.3	6.8	-	6.8
Other miscellaneous	<u>1.9</u>	<u>1.8</u>	<u>3.7</u>	<u>1.6</u>	<u>1.6</u>	<u>3.2</u>
Total revenues	<u>56.1</u>	<u>38.3</u>	<u>94.4</u>	<u>46.5</u>	<u>32.9</u>	<u>79.4</u>
Expenses:						
General government	15.3	-	15.3	15.1	-	15.1
Public safety	20.3	-	20.3	18.7	-	18.7
Library	1.0	-	1.0	1.0	-	1.0
Parks and recreation	4.8	-	4.8	4.7	-	4.7
Public services	14.0	-	14.0	11.1	-	11.1
Interest on long-term debt	2.7	-	2.7	2.0	-	2.0
Water	-	20.1	20.1	-	19.4	19.4
Sewer	-	3.8	3.8	-	3.6	3.6
Stormwater	-	0.8	0.8	-	0.7	0.7
Total Expenses	<u>58.1</u>	<u>24.7</u>	<u>82.8</u>	<u>52.6</u>	<u>23.7</u>	<u>76.3</u>
Increase (Decr) in net assets before transfers	(2.0)	13.6	11.6	(6.1)	9.2	3.1
Transfers	<u>4.8</u>	<u>(4.8)</u>	<u>-</u>	<u>4.4</u>	<u>(4.4)</u>	<u>-</u>
Change in net assets	2.8	8.8	11.6	(1.7)	4.8	3.1
Net assets - beginning	<u>27.1</u>	<u>66.8</u>	<u>93.9</u>	<u>28.8</u>	<u>62.0</u>	<u>90.8</u>
Net assets - ending	<u>\$ 29.9</u>	<u>\$ 75.6</u>	<u>\$ 105.5</u>	<u>\$ 27.1</u>	<u>\$ 66.8</u>	<u>\$ 93.9</u>

The largest portion of the City's net assets (77 percent) reflects its investment in capital assets (e.g.; land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. Capital assets are used to provide services to citizens; and thus, they are *not* available for future spending. The City's investment in its capital assets is reported net of related debt. The resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Some of the City's net assets (19 percent) are subject to external restrictions on how they may be used. These assets have been set aside for the completion of capital projects, fireflow, inplant, debt service payments, or law enforcement and grant related expenditures.

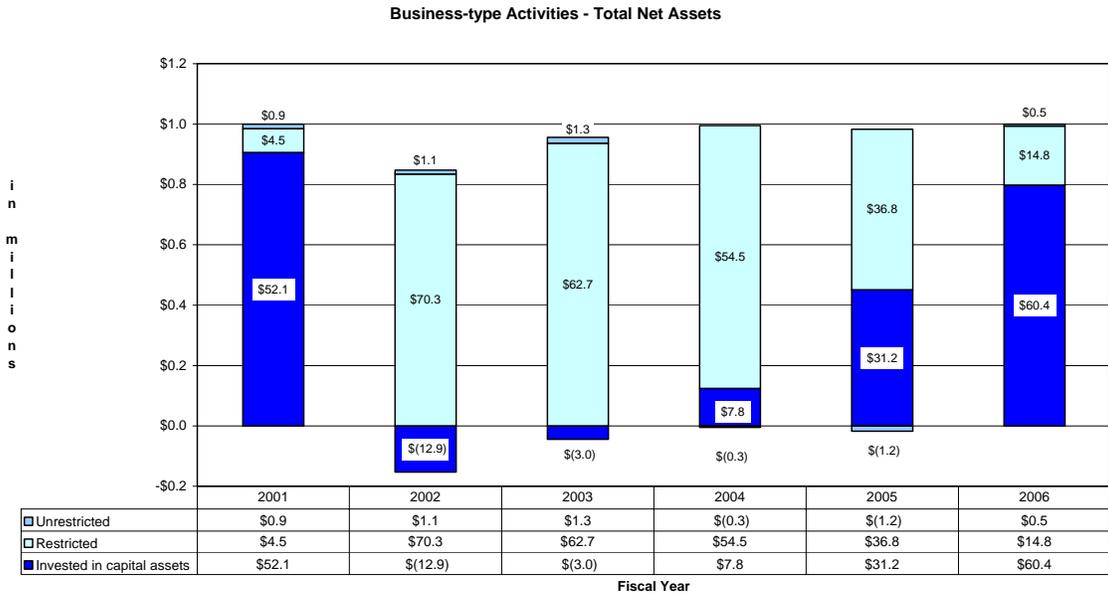
The remaining balance of unrestricted net assets (4 percent) may be used to meet the City's ongoing obligations to citizens and creditors. The amount of the City's total unrestricted net assets increased by \$2.5 million compared to last fiscal year with the bulk of the increase occurring in the water utility system.

Governmental activities. Net assets of the City's governmental activities increased by ten percent (\$2.7 million) from \$27.1 million in the last fiscal year compared to \$29.8 million in the current fiscal year. Most of the increase was directly or indirectly due to both the housing boom and hurricane season. Permits from new development as well as repairs to existing structures increased by eight percent or \$1.0 million. Revenues received from property taxes also increased by \$2 million. The bulk of the overall increase (\$4.3 million) was in intergovernmental revenues, mostly from FEMA for emergency relief.



Business-type activities. The City's net assets of the business-type activities increased by 13 percent (\$8.9 million) from \$66.8 million in last fiscal year compared to \$75.6 million in the current fiscal year. A significant decrease of \$22 million in the restricted net assets occurred as restricted bond proceeds and impact funds were spent on the water treatment plant expansion. The City actively pursued and was awarded a capital grant for alternative water supply features at the new plant. While the restricted net assets are decreasing, there is an offsetting increase in

investment in capital assets as the 2002 series bond proceeds and various grant monies are used to construct the plant and other capital items.



Impact revenue also increased as new private development in the water and sewer service areas has expanded. These restricted impact funds can only be used for increasing the system’s capacity or for meeting Miami-Dade County fire-flow requirements.

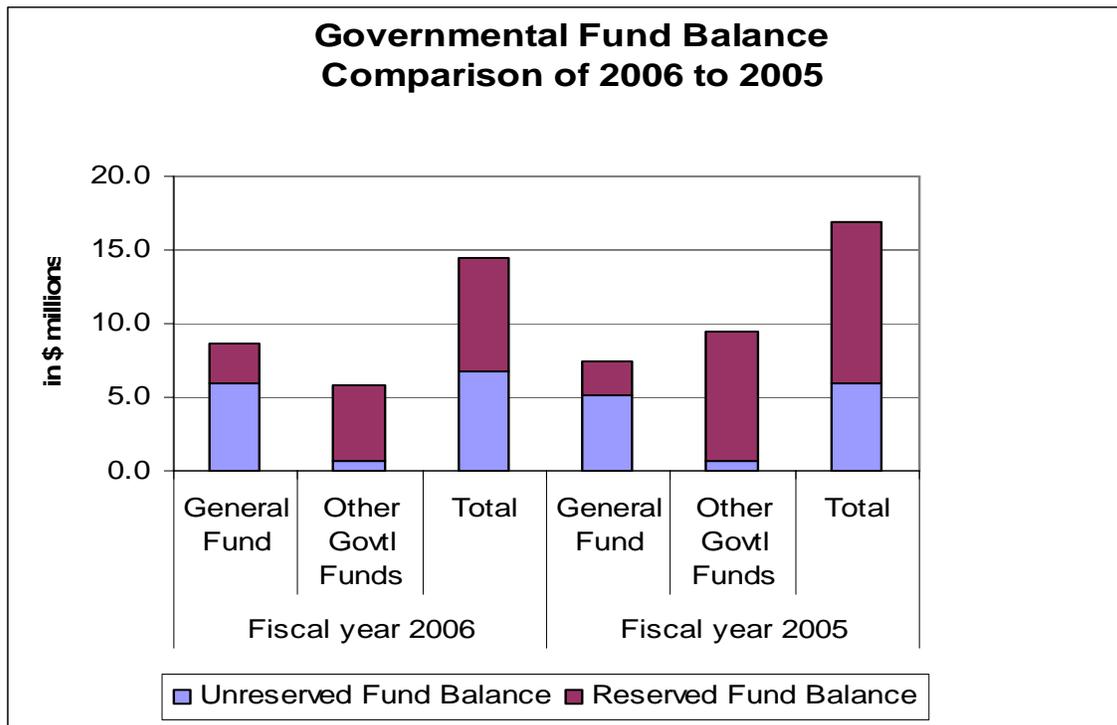
Financial Analysis of the City’s Funds

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

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

As of the end of the current fiscal year, the City’s *governmental funds* reported combined ending fund balances (both reserved and unreserved) of \$14.5 million, a decrease of \$2.4 million in comparison with the prior year. The decrease was due to several factors including a decrease of \$1.3 million in the Proud Neighborhood Fund as construction projects were completed in the five-year Proud Neighborhood program and a decrease of \$2.8 million in the 2003B Surtax Fund that was used for transportation construction projects.

Unreserved fund balance is the portion of what is available for spending at the City’s discretion. This year, 46 percent of fund balance (\$6.6 million) constitutes unreserved fund balance. Of this amount, the Council has designated \$1.8 million for land acquisition, liability and workers’ compensation claims. 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.

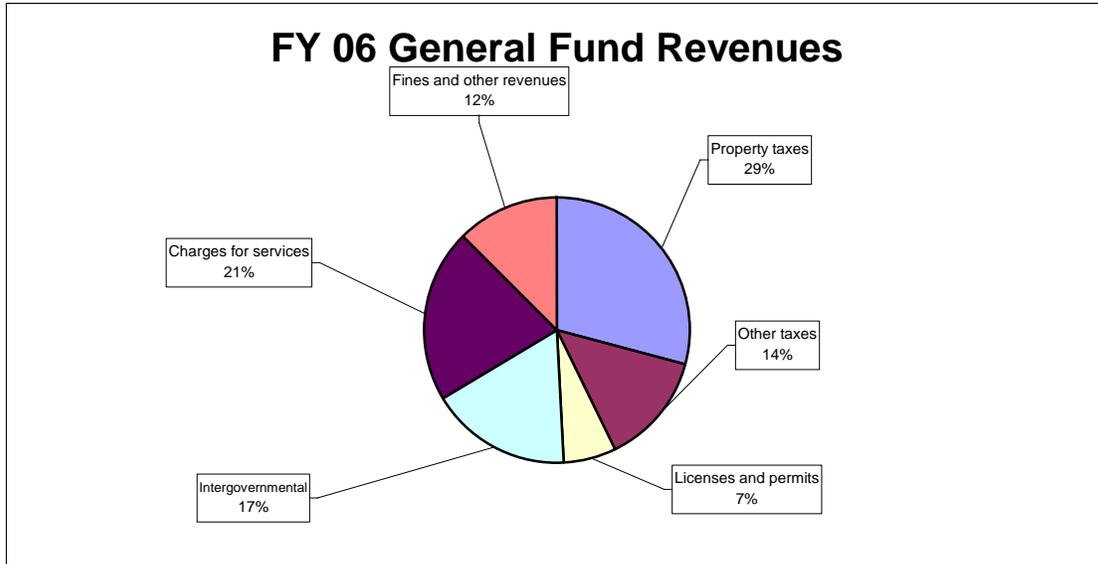


The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$4.8 million, unreserved designated fund balance was \$1.2 million and reserved fund balance was \$2.7 million, for a total fund balance of \$8.7 million. Last fiscal year the General Fund's total fund balance was \$7.6 million.

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

Revenue Sources (in millions)	2006		2005		Amount Incr (Decr) from Prior Year	Percent Incr (Decr) from Prior Year
	2006 Amount	Percent of Total	2005 Amount	Percent of Total		
Property taxes	\$ 13.8	29	\$ 11.8	28	\$ 2.0	17
Fees and other taxes	6.4	13	5.6	14	0.8	14
Licenses and permits	3.1	7	2.2	6	0.9	41
Intergovernmental	8.1	17	5.1	13	3.0	59
Charges for services	10.0	21	9.8	25	0.2	2
Fines and forfeitures	0.4	1	0.4	1	-	0
Other miscellaneous	5.5	12	4.8	12	0.7	15
Interest	0.2	0	0.2	1	-	0
Total	\$ 47.5	100	\$ 39.9	100	\$ 7.6	19

Compared to the prior fiscal year, total General Fund revenues increased by \$7.4 million or 19 percent in fiscal year 2006. Increases in property valuation increased property tax revenue by \$2 million or 17 percent as the housing market in south Florida especially along waterfront properties continues to rise. The estimated FEMA reimbursement due to the last two years' hurricanes accounts for the bulk of the increase in intergovernmental revenues. Additionally, a new waterfront condominium project was finally approved and construction began in fiscal year 2006, which increased permit revenue by \$1 million. After the 2005 hurricane season, Florida Power & Light Company (FPL) requested and received a rate increase to its customers. This resulted in an increase of \$436,000 in franchise fees and utility taxes received from FPL as compared to last fiscal year.

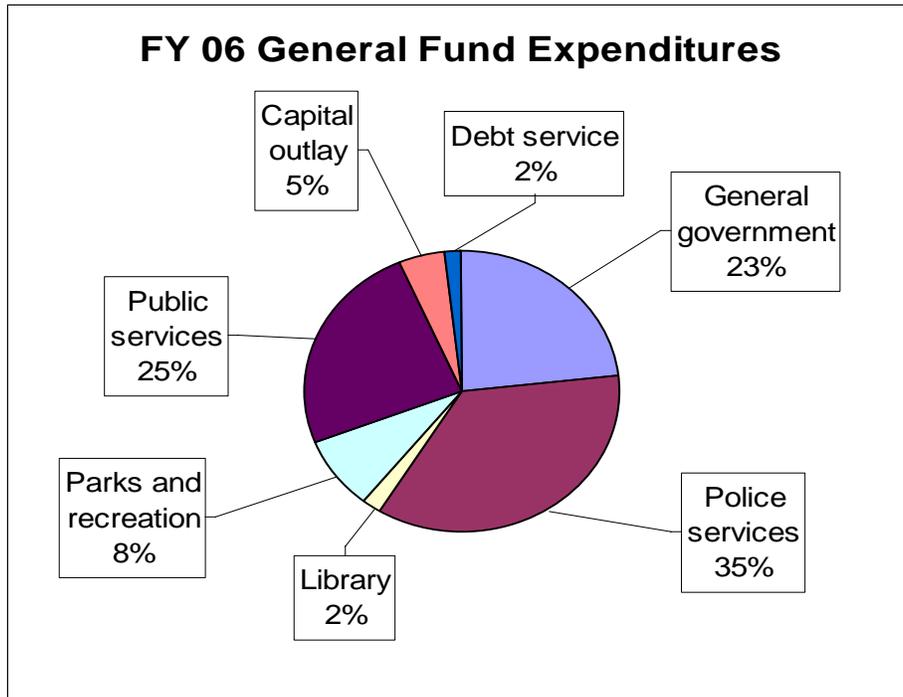


Expenditures in the General Fund (budgetary basis) are shown in the following schedule:

Expenditures (in millions)	2006		2005		Amount Incr (Decr) from Prior Year	Percent Incr (Decr) from Prior Year
	2006 Amount	Percent of Total	2005 Amount	Percent of Total		
General government	\$ 12.7	23	\$ 12.0	37	\$ 0.7	6
Police services	18.7	35	16.2	30	2.5	15
Library	1.0	2	0.9	2	0.1	11
Parks and recreation	4.5	8	4.3	8	0.2	5
Public services	13.1	25	10.0	19	3.1	31
Capital outlay	2.5	5	1.6	3	0.9	56
Debt service	0.9	2	0.7	1	0.2	29
Total	\$ 53.4	100	\$ 45.7	100	\$ 7.7	17

In fiscal year 2006, total General Fund expenditures increased by \$7.4 million or 16 percent compared to the prior year. The bulk of the increase was in the Police and Public Services departments. Hurricane Wilma struck the City on October 24, 2005 causing widespread damage and impacted the City in multiple ways. Hurricane-related expenses were \$2.8 million and solid waste tipping fees were \$360,000 more than usual annual amounts. In addition to the hurricane,

the rising cost of oil increased the City’s fuel, tire, and utility costs \$466,000 higher than last year’s amounts, which is a 22 percent increase. Normal salary and benefit costs also continued to rise. The City’s required contribution to the police pension increased by 29 percent; the general employees pension contribution increased by 6 percent and the management pension contribution increased by 3 percent. Total contributions to all pension funds increased by \$0.8 million compared to last year.

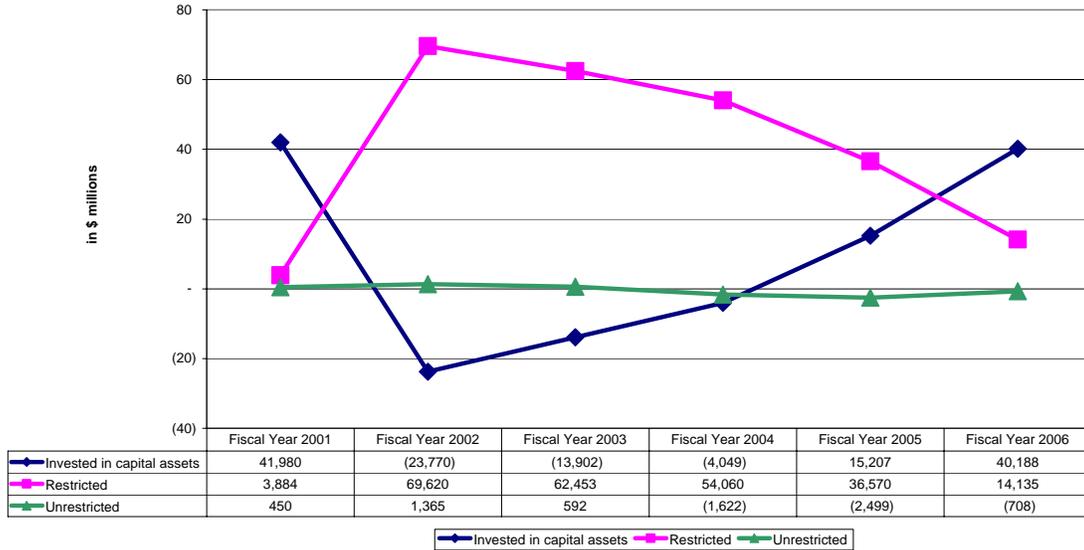


Proprietary funds. The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of all the enterprise funds at the end of the year increased by \$1.7 million due primarily to the water utility fund alone increasing \$1.9 million. Unrestricted net assets at the end of the year for the Water Fund, Sewer Fund, and Stormwater Fund amounted to negative \$0.7 million, \$1.1 million, and \$0.1 million, respectively for a total of \$0.5 million.

The Water Fund’s unrestricted net assets increased by \$2 million. The City’s unrestricted net assets reflects all liabilities that are not related to capital assets or restricted assets. In general, *accounting statements* show a liability when it is incurred while *financing and budgeting 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 above 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 Net Assets Chart



Water Fund capital contributions increased by \$2.2 million compared to last year. The growth in the commercial property segment and new high-rise condominium construction continues. This resulted in the developer-required contributions and impact fees continuing to increase this year.

This in turn increased restricted net assets in the Water Fund. Most of the inplant and fireflow reserves and the entire bond proceeds will be used for the water treatment plant expansion project in future fiscal years. In fiscal year 2006, \$22.7 million was expended from all restricted funding sources. The majority of the expenditures were for the water treatment plant.

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

	2006				2005			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Current and other assets	\$ 7.5	\$ 2.6	\$ 0.7	\$ 10.8	\$ 6.2	\$ 2.3	\$ 0.6	\$ 9.1
Restricted assets	19.1	0.8	0.1	20.0	38.5	0.5	0.3	39.3
Deferred charges	1.4	-	-	1.4	1.5	-	-	1.5
Capital assets, net	112.2	18.1	5.0	135.3	86.9	14.6	4.0	105.5
Total assets	140.2	21.5	5.8	167.5	133.1	17.4	4.9	155.4
Long-term liabilities	73.2	0.2	0.5	73.9	73.8	0.2	2.1	76.1
Other liabilities	13.4	1.8	2.7	17.9	9.9	1.5	1.0	12.4
Total liabilities	86.6	2.0	3.2	91.8	83.7	1.7	3.1	88.5
Net assets:								
Invested in capital assets, net of related debt	40.2	17.8	2.4	60.4	15.2	14.4	1.6	31.2
Restricted	14.1	0.6	0.1	14.8	36.6	0.2	-	36.8
Unrestricted	(0.7)	1.1	0.1	0.5	(2.5)	1.1	0.2	(1.2)
Total net assets	\$ 53.6	\$ 19.5	\$ 2.6	\$ 75.7	\$ 49.3	\$ 15.7	\$ 1.8	\$ 66.8

In the Sewer Fund, net assets increased by \$3.8 million. Capital assets increased by \$3.5 million primarily due to sewer infrastructure improvements. Capital contributions from developers increased by \$1.2 million compared to the prior year.

In the Stormwater Fund, net assets increased by \$0.8 million. This was due to the grant related activity of the Highland Village Stormwater improvement project.

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

	2006				2005			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Revenues:								
Operating Revenues	\$ 18.2	\$ 5.1	\$ 1.1	\$ 24.4	\$ 17.3	\$ 4.9	\$ 1.0	\$ 23.2
Expenses:								
Operating Expenses	14.8	3.2	0.5	18.5	14.0	3.1	0.5	17.6
Depreciation	2.5	0.6	0.1	3.2	2.4	0.5	0.1	3.0
Total Expenses	17.3	3.8	0.6	21.7	16.4	3.6	0.6	20.6
Operating Income	0.9	1.3	0.5	2.7	0.9	1.3	0.4	2.6
Non-operating revenue (expense)	0.3	2.2	0.8	3.3	(1.1)	2.2	1.2	2.3
Capital contributions	6.3	1.3	-	7.6	4.2	0.1	-	4.3
Transfers	(3.2)	(1.0)	(0.5)	(4.7)	(3.1)	(1.0)	(0.4)	(4.5)
Change in net assets	4.3	3.8	0.8	8.9	0.9	2.6	1.2	4.7
Net assets - beginning	49.3	15.7	1.8	66.8	48.4	13.1	0.6	62.1
Net assets - ending	\$ 53.6	\$ 19.5	\$ 2.6	\$ 75.7	\$ 49.3	\$ 15.7	\$ 1.8	\$ 66.8

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 70-72 of this report.

Differences between the *original budget* and the *final amended budget* amounted to \$177,000 this year and can be briefly summarized as follows:

- New or expanded recreational related programs created \$26,000 in expenditures during this fiscal year.
- Increases in workers compensation claims totaled \$19,000.
- An increase of \$70,000 in expenses for imaging and microfilming of building department permits and plans from reserved fund balance.

Of the total increases, \$104,000 was funded from reserved or from unreserved (surplus) fund balance. The remaining \$73,000 was provided when additional unanticipated revenue including donations of \$26,000 was received thus allowing for the additional expenditures.

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

- The franchise fee and utility tax revenues received from Florida Power & Light Company (FPL) were slightly higher than budgeted. The combined revenue received was \$550,000 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.
- Intergovernmental revenue increased by \$3.7 million. Estimated preparation, recovery, and debris removal costs related to the 2005 and 2006 hurricane seasons, including Hurricane Wilma, totaled \$3.4 million.
- As per City policy, use of unreserved surplus is included in the revenue budget. For statement purposes, it is shown in Other Revenue.

- Unspent City Manager contingency funds were approximately \$400,000. These funds will become available in future fiscal year.
- Overall, departments' current expenditures were in line with budgeted expenditures. The police and public services departments were over budget mostly due to hurricane-related and other overtime expenses.
- A \$242,000 increase in required firefighter pension contributions as reflected in Human resources expenditures was offset by a state contribution received in the same amount.
- The \$2.6 million of financing proceeds used to purchase equipment remained unspent due to equipment specifications and vendor delays. The vendor issues were resolved after the fiscal year end and the equipment will be ordered in the next fiscal year.

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, 2006 amount to \$194.1 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 22 percent.

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

	2006			2005		
	<u>Gov- ern- mental</u>	<u>Busi- ness- type</u>	<u>Total</u>	<u>Gov- ern- mental</u>	<u>Busi- ness- type</u>	<u>Total</u>
Land	\$ 4.3	\$ 5.6	\$ 9.9	\$ 4.3	\$ 5.4	\$ 9.7
Buildings and plant	13.1	64.6	77.7	14.4	65.7	80.1
Improvements other than buildings	6.7	-	6.7	5.9	-	5.9
Furniture, fixtures, machinery and equipment	6.3	2.6	8.9	6.3	2.1	8.4
Infrastructure	3.8	-	3.8	3.8	-	3.8
Construction in progress	<u>24.7</u>	<u>62.4</u>	<u>87.1</u>	<u>19.2</u>	<u>32.3</u>	<u>51.5</u>
Total capital assets	<u>\$ 58.9</u>	<u>\$ 135.2</u>	<u>\$ 194.1</u>	<u>\$ 53.9</u>	<u>\$ 105.5</u>	<u>\$ 159.4</u>

Governmental activities acquired an additional \$8.3 million in capital assets prior to depreciation and include the following items:

- Restoration to various City buildings, such as sanitation and library buildings, due to hurricane damages equated to \$1.1 million.
- Improvements and renovations to Hanford Boulevard, in its third phase, totaled \$3.4 million in construction costs.
- Vehicle purchases of \$0.8 million included the purchase of heavy service vehicles and replacement of obsolete police vehicles.
- Equipment purchases of \$0.6 million included the installation of a parking garage security system, the upgrade of computers and laptops, the improvement of theater

- lighting and the replacement of library books.
- Construction-in-progress citywide totaled \$2.4 million, which included expansion of new parks and a major renovation at Victory pool.

Additions to capital assets before depreciation for business-type activities amounted to \$32 million. Of the total increase in capital assets, 67 percent was attributed to the continued expansion of the water treatment plant project.

- The Norwood Water Treatment Plant construction increased by an additional \$21.5 million. The bulk of the construction included a five million gallon water storage tank, an administration building, major underground piping and additional land purchases.
- The Highland Village sewer and stormwater project, which will replace septic tanks with a city sanitary sewer system, was in its final construction phase at a cost of \$2.6 million.
- Contributed capital was received from developers for installation of water mains in the amount of \$1.4 million. The majority of the installations will provide service to multi-family residential units, a shopping plaza, and a Super Wal-Mart store.
- Equipment purchases of \$1.2 million to include the purchase of heavy-duty service vehicles. Additional purchases included items such as vehicles for various departments, several water pumps, security cameras, and some computer upgrades.
- The sewer pump station rehabilitation projects totaled \$1.2 million and included upgrades and infrastructure improvements.
- Construction-in-progress increased by \$3.9 million and included construction of a new two million gallon water storage tank and a new pumping station.

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

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$108.7 million. Of this amount, \$27.1 million in debt was approved by referendum by the City's voters. The guaranteed portion of State Revenue Sharing secures a net outstanding balance of \$1.8 million in debt. The remainder of the City's debt (\$79.8 million) represents bonds secured solely by specified revenue sources, such as water utility revenue bonds.

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

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 36.2	\$ 37.3	\$ -	\$ -	\$ 36.2	\$ 37.3
Revenue bonds	\$ -	\$ -	\$ 72.5	\$ 73.1	\$ 72.5	\$ 73.1
Total	\$ 36.2	\$ 37.3	\$ 72.5	\$ 73.1	\$ 108.7	\$ 110.4

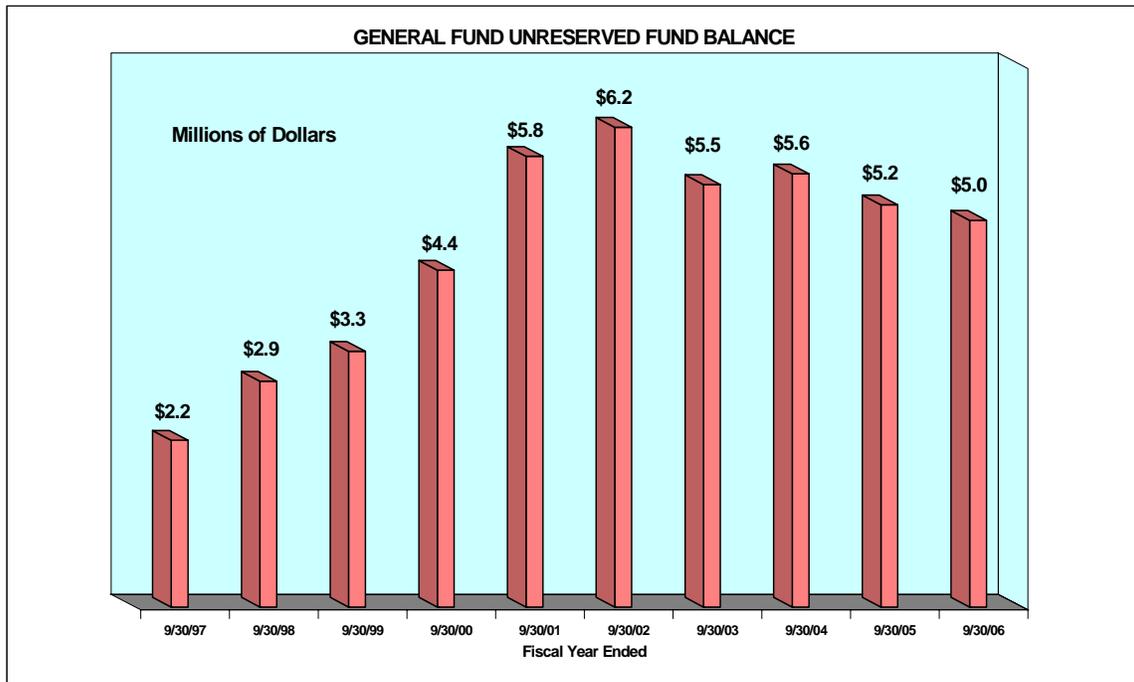
In 2006, no new bond issues or refinancing occurred and normal debt service repayments resulted in an overall \$1.7 million decrease in outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

The City's local economy is based primarily on retail and service activities. The occupancy rates of the City's retail establishments and office structures are 94 percent and 82 percent,

respectively. Even though the City itself is not a popular tourist location, many of its residents and businesses have begun to feel the effects of the current economic recovery in Florida's tourism industry as a whole.

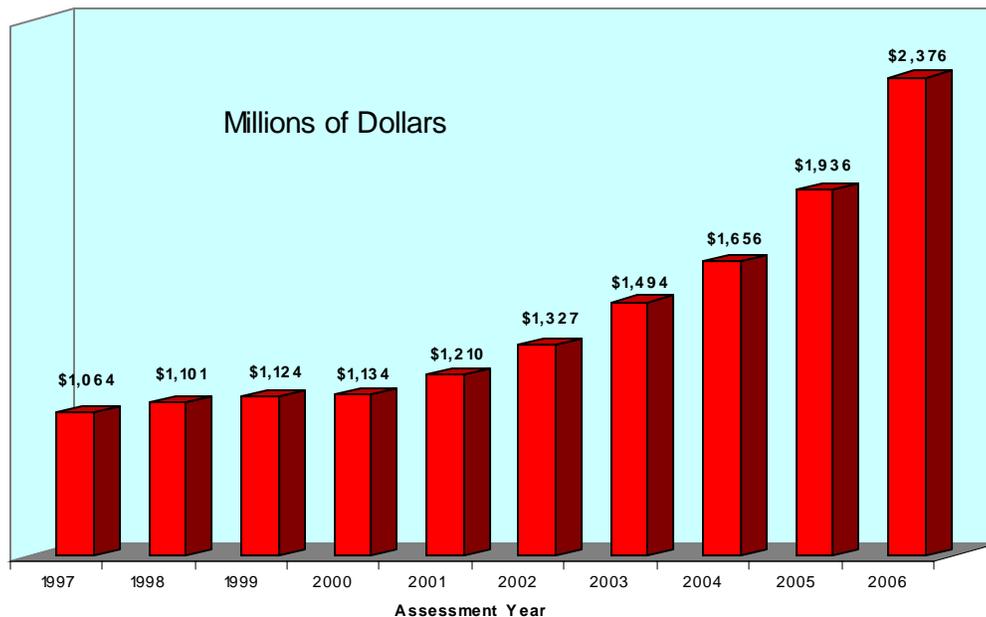
During the current fiscal year, unreserved undesignated fund balance in the General Fund decreased to \$4.8 million. The City appropriated \$1 million of the September 30, 2006 unreserved fund balance for expenditure in the 2007 fiscal year budget. The unreserved undesignated fund balance of \$4.8 million is approximately equal to 34 days of General Fund expenditures. The City's unreserved fund balance is shown in the following graph. As in prior fiscal years, a portion of unrestricted fund balance will be used to preclude or moderate future tax and user fee increases.



In addition, fiscal year 2006 was the first year that the City utilized a short-term line of credit. Of the \$4 million available in the line of credit, \$2 million was drawn down for hurricane and operating expenses while awaiting receipt of property tax revenue. The \$2 million was paid off and renewed in November 2006.

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

ASSESSED PROPERTY VALUE

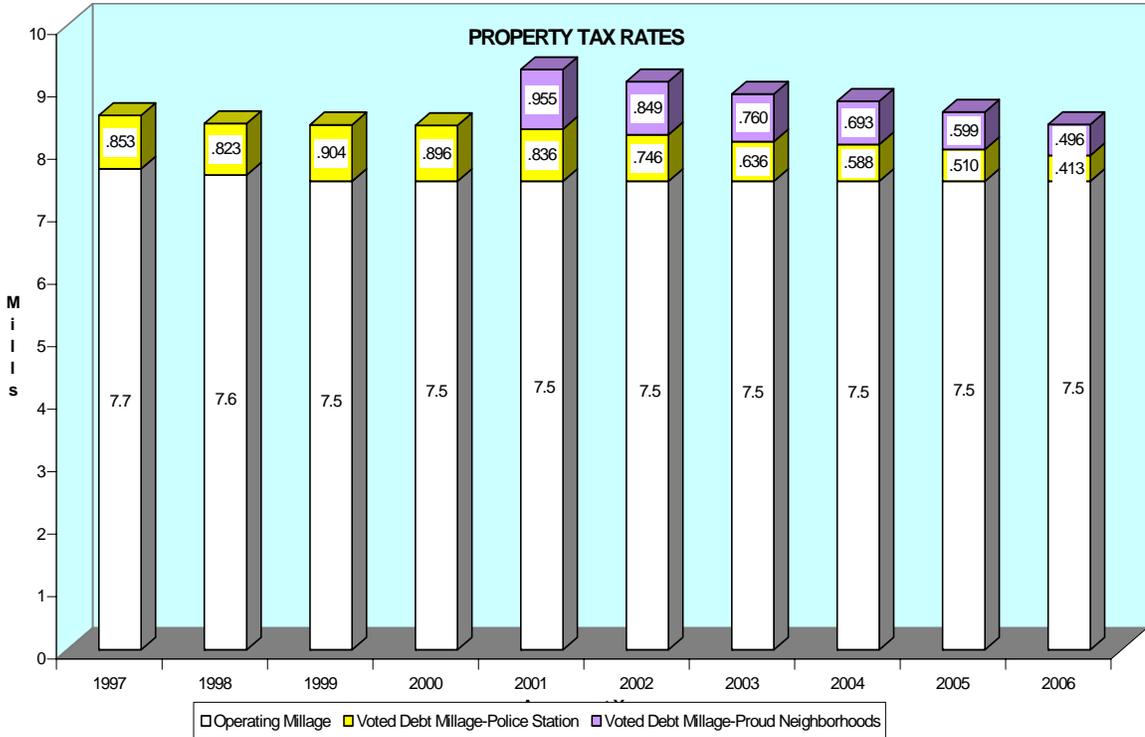


The twenty-five private citizens of the Taxation and Budget Reform Commission (TBRC) were appointed in February, 2007 by the governor and lawmakers and tasked with examining Florida's tax and expenditure laws and giving advice on how to improve the property tax structure. The TBRC can offer recommendations to the legislature, but it also has the ability to take its proposals directly to the voters in the form of proposed constitutional amendments. The TBRC has until May 4, 2008 to recommend constitutional amendments for next year's general election ballot. While property assessed value has been increasing steadily, the "Save Our Homes" initiative has created a wide disparity in assessments for local residents and their non-homesteaded neighbors. Out-of-state owners, landlords, businesses, and any new homebuyers have no protection from rising assessments under Florida tax law and are bearing the brunt of increased property values. The majority of property owners that are not protected by Save Our Homes will pay significantly more this year because their land's value has increased significantly. There is a proposal to make Save Our Homes portable so that some property owners can take certain property-tax breaks with them when they move from one property to another anywhere within the State of Florida. There is also discussion on increasing the homestead exemption from \$25,000 to \$50,000 and capping local government and school district tax rates.

The City, as a member of the Florida League of Cities, is trying to come up with a viable solution for our residents and businesses. We are looking at the impact that increases of property values in the housing boom has had as well as reviewing how our tax rates may detrimentally affect our various property owner groups. For effective relief to occur, we are examining how we can provide across-the-board tax breaks to our citizens and still maintain the high level of services that our citizens expect and deserve.

Additionally, the City Council had previously mandated a property tax rate reduction of one-tenth of one mill per year from 8.5 to 7.5 mills. As the following graph indicates, the City's operating millage (property tax rate) has been reduced or has remained steady over the last ten years. While these mandates have limited the City's available property tax revenue, the City's operational

expenditures, such as salaries, health insurance, and pension contributions, continue to increase. The City is currently in negotiations with the police union as that contract expired on September 30, 2006. In addition, the City will be re-negotiating the general employees' union contract, which will expire September 30, 2007.



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.

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 2007 budget, the adjustment increased the rates charged for water and sewer consumption by 2.74 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.

Effective October 1, 2005, Miami-Dade County increased the rate it charges its wholesale customers by 40 percent, which the City was forced to pass on to its 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 Floridan aquifers. The water treatment plant expansion will improve treatment levels and water quality as well as provide future water availability. By allowing the City to become independent of Miami-Dade County Water and Sewer Department, the City can control its rates more efficiently and become a major water source in South Florida.

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

The project has experienced significant delays impacting the design, bidding, permitting and construction phases. Once completed, the new plant production capacity will almost double, producing up to approximately 31 million gallons per day. Substantial completion is now anticipated to occur in June 2007, with final completion anticipated for September 2007. As a result of delays, the City will continue to purchase water from the County on a wholesale basis to offset the difference between demand and production until the project is substantially complete. Since the bond's principal and interest payments began in February 2006, the City's fiscal year 2007 Water fund operating budget will once again contain both the purchase of County water expense as well as the debt service expenses. As a way to minimize the expenses associated with the purchase of water, the production portion of the plant will be completed first. The construction of two new storage tanks totaling \$7 million gallons is almost complete. These actions will reduce the length of time the City is dependent on County water and reduce the associated cost of purchase of water expenses. The fiscal year 2007 budget will be a considerable challenge to the Public Services Department, as both these expenses will put a strain on operations until the water treatment plant expansion project is completed.

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

Requests for Information

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

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



BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 8,000,270	\$ 1,821,431	\$ 9,821,701
Receivables	5,969,168	8,523,753	14,492,921
Internal balances	614,650	(614,650)	-
Inventories	236,831	456,843	693,674
Prepaid costs	320,707	76,123	396,830
Deferred charges	-	1,420,338	1,420,338
Other assets	35,100	-	35,100
Net pension asset	1,113,473	-	1,113,473
Restricted assets:			
Pooled cash and investments	47,447	4,990,253	5,037,700
Escrow funds held by agent	4,299,216	14,677,426	18,976,642
Escrow funds held by lessor	1,232,956	193,235	1,426,191
Capital assets, not being depreciated	28,947,040	68,088,842	97,035,882
Capital assets, net of accumulated depreciation	<u>29,916,937</u>	<u>67,170,125</u>	<u>97,087,062</u>
Total assets	<u>80,733,795</u>	<u>166,803,719</u>	<u>247,537,514</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	4,739,045	7,472,703	12,211,748
Due to other governmental units	-	3,092,077	3,092,077
Customer deposits	-	3,566,421	3,566,421
Unearned revenue	1,307,573	-	1,307,573
Deposits held in trust	886,176	-	886,176
Noncurrent liabilities:			
Due within one year	3,880,251	3,072,959	6,953,210
Due in more than one year	<u>40,066,590</u>	<u>73,942,932</u>	<u>114,009,522</u>
Total liabilities	<u>50,879,635</u>	<u>91,147,092</u>	<u>142,026,727</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	20,831,397	60,372,513	81,203,910
Restricted for:			
Fireflow	-	3,147,824	3,147,824
Inplant	-	1,146,577	1,146,577
Capital equipment	-	193,235	193,235
Capital projects	4,036,718	10,306,494	14,343,212
Debt service	208,630	-	208,630
Law enforcement	677,558	-	677,558
Grant related	54,930	-	54,930
Unrestricted	<u>4,044,927</u>	<u>489,984</u>	<u>4,534,911</u>
Total net assets	<u>\$ 29,854,160</u>	<u>\$ 75,656,627</u>	<u>\$ 105,510,787</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business- type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 15,257,902	\$ 8,560,798	\$ 200,185	\$ -	\$ (6,496,919)	\$ (6,496,919)
Public safety	20,340,088	1,092,220	468,628	16,085	(18,763,155)	(18,763,155)
Library	1,070,165	20,640	-	-	(1,049,525)	(1,049,525)
Parks and recreation	4,827,347	538,804	85,490	-	(4,203,053)	(4,203,053)
Public works	13,977,288	8,211,623	1,441,882	-	(4,323,783)	(4,323,783)
Interest on long-term debt	2,671,519	-	-	-	(2,671,519)	(2,671,519)
Total governmental activities	58,144,309	18,424,085	2,196,185	16,085	(37,507,954)	(37,507,954)
Business-type activities:						
Water	20,123,535	18,153,962	1,493,590	6,348,569	5,872,586	5,872,586
Sewer	3,801,095	5,128,202	2,088,932	1,299,157	4,715,196	4,715,196
Stormwater	737,880	1,140,626	831,697	-	1,234,443	1,234,443
Total business-type activities	24,662,510	24,422,790	4,414,219	7,647,726	11,822,225	11,822,225
Total	\$82,806,819	\$42,846,875	\$ 6,610,404	\$ 7,663,811	11,822,225	(25,685,729)
General revenues:						
Property taxes					15,810,427	15,810,427
Utility taxes					2,376,569	2,376,569
Franchise fees on gross receipts					1,809,062	1,809,062
Communication service tax					2,168,247	2,168,247
Sales taxes					2,814,864	2,814,864
State revenue sharing and other unrestricted intergovernmental					8,501,339	8,501,339
Unrestricted interest earnings					637,188	2,081,729
Miscellaneous					1,366,759	1,736,028
Transfers					4,770,543	4,770,543
Total general revenues and transfers					40,254,998	37,298,265
Change in net assets					2,747,044	11,612,536
Net assets - beginning					27,107,116	93,898,251
Net assets - ending					\$ 29,854,160	\$ 105,510,787

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 6,427,819	\$ 1,572,451	\$ 8,000,270
Accounts receivables	4,385,527	1,583,641	5,969,168
Due from other funds	1,635,076	350,353	1,985,429
Advances to other funds	77,400	-	77,400
Inventories	236,831	-	236,831
Prepaid costs	320,412	295	320,707
Escrow funds held by agent	-	4,299,216	4,299,216
Escrow funds held by lessor	1,232,956	-	1,232,956
Restricted pooled cash and equivalents	-	47,447	47,447
Other assets	35,100	-	35,100
Total assets	<u>\$ 14,351,121</u>	<u>\$ 7,853,403</u>	<u>\$ 22,204,524</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 3,928,374	\$ 115,764	\$ 4,044,138
Deposits held in trust	886,176	-	886,176
Due to other funds	36,928	1,333,851	1,370,779
Advances from other funds	-	77,400	77,400
Deferred revenue	836,954	470,619	1,307,573
Total liabilities	<u>5,688,432</u>	<u>1,997,634</u>	<u>7,686,066</u>
Fund balances:			
Reserved:			
Encumbrances	2,079,431	183,238	2,262,669
Grant related	-	54,930	54,930
Law enforcement	-	677,558	677,558
Inventories	236,831	-	236,831
Prepaid costs	320,412	295	320,707
Impact fees	2,781	-	2,781
Advances	77,400	-	77,400
Debt service	-	208,630	208,630
Construction	-	4,036,718	4,036,718
Unreserved reported in:			
General fund:			
Undesignated	4,821,988	-	4,821,988
Designated for liability claims	353,585	-	353,585
Designated for workers' compensation claims	439,265	-	439,265
Designated for land acquisition	330,996	-	330,996
Special revenue funds	-	694,400	694,400
Total fund balances	<u>8,662,689</u>	<u>5,855,769</u>	<u>14,518,458</u>
Total liabilities and fund balances	<u>\$ 14,351,121</u>	<u>\$ 7,853,403</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.	58,863,977
Net pension asset	1,113,473
Accrued interest on long term debt	(694,907)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(43,946,841)
Net assets of governmental activities	<u>\$ 29,854,160</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 13,771,827	\$ 2,038,600	\$ 15,810,427
Franchise fees	1,809,062	-	1,809,062
Utility taxes	2,376,569	-	2,376,569
Communication service tax	2,168,247	-	2,168,247
Other taxes	37,834	-	37,834
Licenses and permits	3,102,543	-	3,102,543
Intergovernmental	8,129,650	2,625,558	10,755,208
Charges for services	10,039,291	-	10,039,291
Fines and forfeitures	355,466	719,248	1,074,714
Grants	-	2,673,655	2,673,655
Other	5,504,904	131,168	5,636,072
Interest	253,724	383,464	637,188
Total revenues	<u>47,549,117</u>	<u>8,571,693</u>	<u>56,120,810</u>
Expenditures:			
Current:			
General government	12,651,640	577,932	13,229,572
Police services	18,620,867	1,183,515	19,804,382
Library	923,894	2,538	926,432
Parks and recreation	4,522,606	197,788	4,720,394
Public services	13,036,577	450,595	13,487,172
Capital outlay	1,480,100	6,856,190	8,336,290
Debt service:			
Principal	808,649	1,296,454	2,105,103
Interest and other fiscal charges	87,274	1,889,338	1,976,612
Total expenditures	<u>52,131,607</u>	<u>12,454,350</u>	<u>64,585,957</u>
Deficiency of revenues over expenditures	<u>(4,582,490)</u>	<u>(3,882,657)</u>	<u>(8,465,147)</u>
Other financing sources (uses):			
Transfers in	4,918,979	1,823,401	6,742,380
Transfers out	(546,729)	(1,425,108)	(1,971,837)
Lease proceeds	1,317,500	-	1,317,500
Total other financing sources (uses)	<u>5,689,750</u>	<u>398,293</u>	<u>6,088,043</u>
Net change in fund balances	1,107,260	(3,484,364)	(2,377,104)
Fund balances - beginning	7,555,429	9,340,133	16,895,562
Fund balances - ending	<u>\$ 8,662,689</u>	<u>\$ 5,855,769</u>	<u>\$ 14,518,458</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Amounts reported for governmental activities in the statement of activities
(Page 21) are different because:

Net change in fund balances - total governmental funds (Page 23)	\$(2,377,104)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$8,336,290	
Depreciation expense	<u>(3,391,305)</u>	
Net adjustment		4,944,985

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

The details of the difference are as follows:

Debt issued:		
Master leases	<u>1,317,500</u>	
Principal payments:		
General obligation and capital improvement bonds	1,156,772	
Notes payable	100,000	
Master leases	<u>848,231</u>	
	<u>2,105,003</u>	
Net adjustment		787,503

Amortization of net pension asset	212,873
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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	(68,222)
Accrued interest	(694,907)
Estimated claims	(18,000)
Other items	<u>(40,084)</u>

Change in net assets of governmental activities (Page 21)	<u>\$ 2,747,044</u>
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See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			
<u>ASSETS</u>	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Current assets:				
Pooled cash and investments	\$ 1,281,535	\$ 539,896	\$ -	\$ 1,821,431
Accounts receivable, net	5,704,191	2,005,556	685,543	8,395,290
Inventories	456,843	-	-	456,843
Prepaid costs	35,742	20,692	19,689	76,123
Restricted assets:				
Pooled cash and investments - fireflow	3,549,425	-	-	3,549,425
Pooled cash and investments - inplant	678,628	762,200	-	1,440,828
Escrow funds held by agent	4,367,625	-	-	4,367,625
Escrow funds held by lessor	32,695	50,488	110,052	193,235
Interest receivable on bonds	128,463	-	-	128,463
Total current assets	<u>16,235,147</u>	<u>3,378,832</u>	<u>815,284</u>	<u>20,429,263</u>
Non-current assets:				
Restricted assets:				
Escrow funds held by agent	10,306,494	-	3,307	10,309,801
Deferred charges - unamortized issuance costs	1,420,338	-	-	1,420,338
Capital assets, net of accumulated depreciation	<u>112,225,552</u>	<u>18,081,229</u>	<u>4,952,186</u>	<u>135,258,967</u>
Total non-current assets	<u>123,952,384</u>	<u>18,081,229</u>	<u>4,955,493</u>	<u>146,989,106</u>
Total assets	<u>140,187,531</u>	<u>21,460,061</u>	<u>5,770,777</u>	<u>167,418,369</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2006

Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 1,737,186	\$ 509,701	\$ 33,876	\$ 2,280,763
Due to other governmental units	2,626,564	465,513	-	3,092,077
Due to other funds	-	37,717	576,933	614,650
Customer deposits	3,224,411	342,010	-	3,566,421
Current portion of compensated absences	142,023	34,995	-	177,018
Current portion of revenue bonds payable	490,324	-	-	490,324
Current portion of notes payable	-	-	1,982,000	1,982,000
Current portion of master lease payable	198,263	119,848	105,506	423,617
Current liabilities payable from restricted assets:				
Vouchers payable and accrued liabilities - fireflow	401,601	-	-	401,601
Vouchers payable and accrued liabilities - inplant	30,925	263,326	-	294,251
Vouchers payable and accrued liabilities - bonds	4,496,088	-	-	4,496,088
Total current liabilities	<u>13,347,385</u>	<u>1,773,110</u>	<u>2,698,315</u>	<u>17,818,810</u>
Non-current liabilities:				
Compensated absences	449,877	45,025	30,523	525,425
Notes payable	-	-	318,000	318,000
Master lease payable	260,901	174,941	148,936	584,778
Revenue bonds payable	72,036,479	-	-	72,036,479
Unamortized bond premium	471,594	-	-	471,594
Unamortized investment premium	6,656	-	-	6,656
Total non-current liabilities	<u>73,225,507</u>	<u>219,966</u>	<u>497,459</u>	<u>73,942,932</u>
Total liabilities	<u>86,572,892</u>	<u>1,993,076</u>	<u>3,195,774</u>	<u>91,761,742</u>
Net assets:				
Invested in capital assets, net of related debt	40,188,329	17,786,440	2,397,744	60,372,513
Restricted for fireflow	3,147,824	-	-	3,147,824
Restricted for inplant	647,703	498,874	-	1,146,577
Restricted for capital equipment	32,695	50,488	110,052	193,235
Restricted for capital improvement project	10,306,494	-	-	10,306,494
Unrestricted	(708,406)	1,131,183	67,207	489,984
Total net assets	<u>\$ 53,614,639</u>	<u>\$ 19,466,985</u>	<u>\$ 2,575,003</u>	<u>\$ 75,656,627</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities -			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Operating revenues:				
Service revenues	<u>\$ 18,153,962</u>	<u>\$ 5,128,202</u>	<u>\$ 1,140,626</u>	<u>\$ 24,422,790</u>
Operating expenses:				
Operating, administrative and maintenance	14,781,644	3,223,253	538,579	18,543,476
Depreciation	<u>2,547,175</u>	<u>564,119</u>	<u>95,182</u>	<u>3,206,476</u>
Total operating expenses	<u>17,328,819</u>	<u>3,787,372</u>	<u>633,761</u>	<u>21,749,952</u>
Operating income	<u>825,143</u>	<u>1,340,830</u>	<u>506,865</u>	<u>2,672,838</u>
Non-operating revenue (expense):				
Intergovernmental	1,493,590	2,088,932	831,697	4,414,219
Interest income	1,368,122	70,073	6,346	1,444,541
Interest expense	(2,794,716)	(13,723)	(104,119)	(2,912,558)
Other income	<u>336,006</u>	<u>11,076</u>	<u>22,187</u>	<u>369,269</u>
Total non-operating revenue (expense)	<u>403,002</u>	<u>2,156,358</u>	<u>756,111</u>	<u>3,315,471</u>
Income before contributions and transfers	<u>1,228,145</u>	<u>3,497,188</u>	<u>1,262,976</u>	<u>5,988,309</u>
Capital contributions	1,047,846	428,000	-	1,475,846
Impact fees	5,300,723	871,157	-	6,171,880
Transfers out	<u>(3,240,430)</u>	<u>(1,045,137)</u>	<u>(484,976)</u>	<u>(4,770,543)</u>
	<u>3,108,139</u>	<u>254,020</u>	<u>(484,976)</u>	<u>2,877,183</u>
Change in net assets	4,336,284	3,751,208	778,000	8,865,492
Net assets, beginning	<u>49,278,355</u>	<u>15,715,777</u>	<u>1,797,003</u>	<u>66,791,135</u>
Net assets, ending	<u>\$ 53,614,639</u>	<u>\$ 19,466,985</u>	<u>\$ 2,575,003</u>	<u>\$ 75,656,627</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers	\$ 18,107,155	\$ 5,237,366	\$ 1,145,262	\$ 24,489,783
Cash payments to suppliers	(7,141,181)	(2,584,087)	(105,347)	(9,830,615)
Cash payments to employees	<u>(4,364,004)</u>	<u>(440,480)</u>	<u>(256,135)</u>	<u>(5,060,619)</u>
Net cash provided by operating activities	<u>6,601,970</u>	<u>2,212,799</u>	<u>783,780</u>	<u>9,598,549</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(3,240,430)	(1,045,137)	(484,976)	(4,770,543)
Intergovernmental revenue	<u>107,218</u>	<u>2,165,863</u>	<u>748,575</u>	<u>3,021,656</u>
Net cash provided by (used in) noncapital financing activities	<u>(3,133,212)</u>	<u>1,120,726</u>	<u>263,599</u>	<u>(1,748,887)</u>
Cash flows from capital and related financing activities:				
Capital contributions	1,047,846	428,000	-	1,475,846
Impact fees	5,300,723	871,157	-	6,171,880
Acquisition and construction of capital assets	(27,622,838)	(3,844,181)	(955,294)	(32,422,313)
Interest paid	(2,794,716)	(13,723)	(104,119)	(2,912,558)
Deferred charges - issuance costs	45,221	-	-	45,221
Proceeds from bonds payable	-	-	370,000	370,000
Payments on master lease payable	(211,857)	(118,623)	(88,809)	(419,289)
Payments on bonds payable	(598,228)	-	-	(598,228)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(470,000)</u>	<u>(470,000)</u>
Net cash used by capital and related financing activities	<u>(24,833,849)</u>	<u>(2,677,370)</u>	<u>(1,248,222)</u>	<u>(28,759,441)</u>
Cash flows from investing activities:				
Interest income	<u>1,368,122</u>	<u>70,073</u>	<u>6,346</u>	<u>1,444,541</u>
Net increase (decrease) in pooled cash and investments	(19,996,969)	726,228	(194,497)	(19,465,238)
Pooled cash and investments, beginning	<u>40,213,371</u>	<u>626,356</u>	<u>307,856</u>	<u>41,147,583</u>
Pooled cash and investments, ending	<u>\$ 20,216,402</u>	<u>\$ 1,352,584</u>	<u>\$ 113,359</u>	<u>\$ 21,682,345</u>
Pooled cash and investments per statement of net assets:				
Unrestricted	\$ 1,281,535	\$ 539,896	\$ -	\$ 1,821,431
Restricted	<u>18,934,867</u>	<u>812,688</u>	<u>113,359</u>	<u>19,860,914</u>
	<u>\$ 20,216,402</u>	<u>\$ 1,352,584</u>	<u>\$ 113,359</u>	<u>\$ 21,682,345</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities -			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	
	<u>Utility</u>	<u>Utility</u>	<u>Utility</u>	
	<u>System</u>	<u>System</u>	<u>System</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 825,143	\$ 1,340,830	\$ 506,865	\$ 2,672,838
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,547,175	564,119	95,182	3,206,476
Other income	336,006	11,076	22,187	369,269
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	(461,528)	92,016	(16,890)	(386,402)
Inventories	(48,010)	-	-	(48,010)
Prepaid costs	(120)	-	(661)	(781)
Increase (decrease) in:				
Customer deposits	78,835	6,072	-	84,907
Vouchers payable and accrued liabilities	3,069,841	172,705	(8,422)	3,234,124
Due to other funds	-	7,717	185,519	193,236
Due to other governmental units	254,628	18,264	-	272,892
Total adjustments	<u>5,776,827</u>	<u>871,969</u>	<u>276,915</u>	<u>6,925,711</u>
Net cash provided by operating activities	<u>\$ 6,601,970</u>	<u>\$ 2,212,799</u>	<u>\$ 783,780</u>	<u>\$ 9,598,549</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 248,000</u>	<u>\$ 156,000</u>	<u>\$ 109,000</u>	<u>\$ 513,000</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2006

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 302,661
Cash held with trustee	1,937	-
Investments:		
Cash management funds	2,999,129	-
Mutual funds	30,844,855	-
U.S. Government securities	12,123,464	-
Corporate bonds	3,832,303	-
Common stocks	59,026,483	-
Accrued interest and dividends	<u>251,985</u>	<u>-</u>
Total assets	<u>109,080,156</u>	<u>302,661</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	109,995	-
Deposits held in trust	<u>-</u>	<u>302,661</u>
Total liabilities	<u>109,995</u>	<u>302,661</u>
Net assets held in trust for pension benefits	<u>\$ 108,970,161</u>	<u>\$ -</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Pension Trust <u>Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,660,896
Employer	5,849,517
State	<u>515,447</u>
Total contributions	<u>9,025,860</u>
Investment income:	
Net appreciation in fair value of investments	3,870,541
Interest and dividends	3,427,188
Investment expenses	<u>(230,759)</u>
Net investment income	<u>7,066,970</u>
Total additions	<u>16,092,830</u>
DEDUCTIONS	
Pension benefits	7,064,462
Refunds of contributions	209,665
Administrative expenses	<u>294,961</u>
Total deductions	<u>7,569,088</u>
Net increase	8,523,742
Net assets held in trust for pension benefits:	
Beginning	<u>100,446,419</u>
Ending	<u>\$ 108,970,161</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a result, an entirely new financial presentation format has been implemented. The more significant of the City's accounting policies are described below.

a. Financial Reporting Entity

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

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.

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 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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

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 nonmajor governmental funds are aggregated and reported as other governmental funds.

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major 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.

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

d. Assets, Liabilities and Net Assets or Equity

1. Pooled Cash and Investments

Pooled cash and investments include cash on hand and investments with the State Board of Administration Investment Pool and the Florida Municipal Investment Trust.

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

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

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" 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".

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and Payables (Continued)

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.

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 is used to report the proceeds of revenue bond issuances that are restricted for use in construction. 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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Long-Term Obligations (Continued)

other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 millage rate to finance general governmental services for the year ended September 30, 2006 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 0.9085 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 collectibility of accounts receivable, the use and recoverability of inventory, the pension and post-retirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. DEPOSITS AND INVESTMENTS

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

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

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

Deposits

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

Investments

The City is authorized to invest in obligations of the U.S. Treasury, the State Board of Administration Investment Pool (SBA) and the enhanced cash portfolio of the Florida Municipal Investment Trust (FMIvT).

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The State Board of Administration (SBA) is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

The Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 218.415(15), Fla. Stat., for units of local government in Florida. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The Trustees of the Trust are designated as having official custody of funds, which are invested by the purchase of shares of beneficial interest in the Trust. The Trust operates as a fiduciary trust fund under governmental accounting rules that require the Trust to prepare a series of financial statements. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "A" or better by Standard & Poor's Corporation or "A" or better by Moody's bond ratings. The Florida Municipal Investment Trust is a local Governmental Investment Pool (LGIP), and therefore considered an external investment pool for GASB reporting requirements. The City's investment is the FMIVT portfolio, not the individual securities held within each portfolio.

Deposits and Investments Risk Disclosures

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. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool. SBA meets the 2a7 pool requirements, thus, no interest rate disclosures are necessary.

It is the City's intention to make investments to provide sufficient liquidity to pay obligations as they come due. The City's and FMIVT enhanced cash portfolio are expected to maintain a dollar weighted average maturity of 90 days or less. As of September 30, 2006, the weighted average maturity was 53 days.

Credit Risk

A credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. 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 investments in these investment types to the top rating issued by NRSROs.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures (Continued)

Credit Risk (Continued)

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

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, 2006, Standard & Poor's rated the portfolio's investment, AAA 1/S1+.

Concentration of Credit Risk

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. Both the SBA and FMIvT are pooled investments and the City does not have a concentration of credit risk policy.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investments in both the SBA and the FMIvT are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized under GASB 40. The City's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required. The City does not have a custodial credit risk policy.

Retirement Plan for General Employees

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Plan has no investments that are subject to interest rate risk. The Plan's investments are all mutual funds not subject to interest rate risk; therefore, no specific interest rate risk policy exists.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures (Continued)

Retirement Plan for General Employees (Continued)

Credit Risk

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

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of Plan net assets at September 30, 2006.

Custodial Credit Risk

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

Retirement Plan for Police Officers and Firefighters

Interest Rate Risk

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

Neither State law nor the 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 Plan's investments by maturity at September 30, 2006.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures (Continued)

Retirement Plan for Police Officers and Firefighters (Continued)

Interest Rate Risk (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. treasuries	\$ 2,044,266	\$ -	\$ 606,288	\$ 1,184,075	\$ 253,903
U.S. agencies	10,220,243	2,321,138	4,213,408	2,324,870	1,360,827
Corporate bonds	3,691,258	284,310	1,471,415	626,551	1,308,982
	<u>\$ 15,955,767</u>	<u>\$ 2,605,448</u>	<u>\$ 6,291,111</u>	<u>\$ 4,135,496</u>	<u>\$ 2,923,712</u>

Credit Risk

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

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2006.

Custodial Credit Risk

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

Retirement Plan and Trust for General Management Employees

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Plan's investments are all mutual funds not subject to interest rate risk; therefore, no specific interest rate risk policy exists.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments Risk Disclosures (Continued)

Retirement Plan and Trust for General Management Employees (Continued)

Credit Risk

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

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2006.

Custodial Credit Risk

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

NOTE 3. RECEIVABLES

Receivables as of September 30, 2006 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables:						
Billed	\$ 1,178,599	\$ 2,549,376	\$ 513,692	\$ 105,673	\$ -	\$ 4,347,340
Unbilled	1,146,113	1,346,335	460,163	105,330	-	3,057,941
Franchise and utility	604,873	-	-	-	-	604,873
Intergovernmental	-	1,794,927	910,150	474,540	462,368	3,641,985
Grants	-	-	-	-	721,029	721,029
Other	1,142,970	142,016	-	-	400,244	1,685,230
Property taxes	<u>312,972</u>	<u>-</u>	<u>299,702</u>	<u>-</u>	<u>-</u>	<u>612,674</u>
Gross receivables	4,385,527	5,832,654	2,183,707	685,543	1,583,641	14,671,072
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>178,151</u>	<u>-</u>	<u>-</u>	<u>178,151</u>
Net total receivables	<u>\$ 4,385,527</u>	<u>\$ 5,832,654</u>	<u>\$ 2,005,556</u>	<u>\$ 685,543</u>	<u>\$ 1,583,641</u>	<u>\$ 14,492,921</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. RECEIVABLES (Continued)

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

Occupational licenses and grants drawdowns prior to meeting all eligibility requirements	<u>\$1,307,573</u>
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NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006 was as follows:

	Beginning <u>Balance</u>	Additions	Deletions	Ending <u>Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,295,359	\$ -	\$ -	\$ 4,295,359
Construction in progress	<u>19,190,397</u>	<u>5,461,284</u>	-	<u>24,651,681</u>
Total capital assets, not being depreciated	<u>23,485,756</u>	<u>5,461,284</u>	-	<u>28,947,040</u>
Capital assets, being depreciated:				
Buildings	29,169,038	-	-	29,169,038
Improvements other than buildings	10,809,840	1,272,909	-	12,082,749
Infrastructure	5,372,710	186,719	-	5,559,429
Capital lease equipment	2,384,282	509,944	-	2,894,226
Furniture, fixtures, machinery and equipment	<u>25,730,986</u>	<u>876,251</u>	<u>(440,679)</u>	<u>26,166,558</u>
Total capital assets being depreciated	<u>73,466,855</u>	<u>2,845,823</u>	<u>(440,679)</u>	<u>75,872,000</u>
Less accumulated depreciation for:				
Buildings	(14,775,366)	(1,274,545)	-	(16,049,911)
Improvements other than buildings	(4,879,450)	(490,209)	-	(5,369,659)
Infrastructure	(1,536,996)	(201,660)	-	(1,738,656)
Capital lease equipment	(437,991)	(359,390)	-	(797,381)
Furniture, fixtures, machinery and equipment	<u>(21,363,633)</u>	<u>(1,065,501)</u>	<u>429,678</u>	<u>(21,999,456)</u>
Total accumulated depreciation	<u>(42,993,436)</u>	<u>(3,391,305)</u>	<u>429,678</u>	<u>(45,955,063)</u>
Total capital assets, being depreciated, net	<u>30,473,419</u>	<u>(545,482)</u>	<u>(11,001)</u>	<u>29,916,937</u>
Governmental activities capital assets, net	<u>\$ 53,959,175</u>	<u>\$ 4,915,802</u>	<u>\$ (11,001)</u>	<u>\$ 58,863,977</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 5,411,795	\$ 232,455	\$ -	\$ 5,644,250
Construction in progress	<u>32,329,293</u>	<u>30,115,299</u>	<u>-</u>	<u>62,444,592</u>
Total capital assets, not being depreciated	<u>37,741,088</u>	<u>30,347,754</u>	<u>-</u>	<u>68,088,842</u>
Capital assets, being depreciated:				
Buildings and utility plant	104,759,141	1,442,940	-	106,202,081
Capital lease equipment	706,366	920,984	-	1,627,350
Machinery and equipment	<u>11,170,123</u>	<u>263,678</u>	<u>(607,107)</u>	<u>10,826,694</u>
Total capital assets being depreciated	<u>116,635,630</u>	<u>2,627,602</u>	<u>(607,107)</u>	<u>118,656,125</u>
Less accumulated depreciation for:				
Buildings and utility plant	(39,030,382)	(2,568,360)	12,683	(41,586,059)
Capital lease equipment	(151,577)	(171,658)	-	(323,235)
Machinery and equipment	<u>(9,664,630)</u>	<u>(466,458)</u>	<u>554,382</u>	<u>(9,576,706)</u>
Total accumulated depreciation	<u>(48,846,589)</u>	<u>(3,206,476)</u>	<u>567,065</u>	<u>(51,486,000)</u>
Total capital assets, being depreciated, net	<u>67,789,041</u>	<u>(578,874)</u>	<u>(40,042)</u>	<u>67,170,125</u>
Business-type activities capital assets, net	<u>\$ 105,530,129</u>	<u>\$ 29,768,880</u>	<u>\$ (40,042)</u>	<u>\$ 135,258,967</u>

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

Governmental activities:	
General government	\$2,192,397
Public safety	514,150
Library	143,733
Parks and recreation	94,020
Public works services	<u>447,005</u>
Total depreciation expense – governmental activities	<u>\$3,391,305</u>
Business-type activities:	
Water	\$2,547,175
Sewer	564,119
Stormwater	<u>95,182</u>
Total depreciation expense – business-type activities	<u>\$3,206,476</u>

Commitments

In September 2000, the City's voters approved a referendum for up to \$17.5 million bond issue for capital improvements throughout the various neighborhoods of the City. Pursuant to this referendum in November 2000, the City issued \$17,305,000 of Florida Municipal Loan Council Revenue Bonds, Series 2000B. Construction began in fiscal year 2001 with approximately 99% of the projects completed or well underway at September 30, 2006. The construction schedule calls for this capital program to be completed during the fiscal year

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

Commitments (Continued)

ending September 30, 2007. Of the \$78,000 reserved fund balance, approximately \$38,000 represents outstanding encumbrances, which leaves \$40,000 to be expended.

In August 2002, the City issued \$66,385,000 of Florida Municipal Loan Council, Series 2002B Bonds for the expansion and modernization of its Norwood Water Treatment Plant and Well Fields. The engineering and design phase of the project was started immediately after the bond issuance, and was completed in February 2004. The concentrate disposal well raw water transmission main and one five-million gallon water storage tank has been completed. The Ops Center storage tank and pump station construction is nearly seventy-five percent complete. Construction of four Floridan Aquifer wells and five Biscayne Aquifer wells has been completed. Construction of the Norwood Water Treatment Plant Expansion Project commenced in July 2004, and substantial completion is projected for June 2007. The structural work is nearing completion for all the major buildings including the membrane process and high-service pump buildings. With the plant nearly 75 percent complete, the City will soon be the first water supplier in Miami-Dade County to utilize an alternative water supply and membrane filtration technology. Once complete, the new plant production capacity will almost double, producing up to approximately 31 million gallons per day. Approximately \$58 million has been spent to date on engineering, design and construction. Outstanding obligations at fiscal year end totaled \$8.2 million and there is no available balance to be expended. During the current fiscal year, the City capitalized interest in the amount of \$770,000 relating to the above construction project. The inception to date capitalized interest totals \$1,830,000. The inception to date capitalized labor total is \$1,149,000.

In December 2003, various City transportation projects were financed through the issuance of \$7,765,000 of Florida Municipal Loan Council, Series 2003B Bonds. The debt service on these bonds will be paid from the City's share of the newly passed Miami-Dade County Transit Surtax. Of the \$4 million reserved fund balance, approximately \$3 million represents outstanding encumbrances, which leaves approximately \$960,000 to be expended.

NOTE 5. RESTRICTED ASSETS

The balances of the restricted asset accounts in the Enterprise Funds as of September 30, 2006 are as follows:

Water escrow funds held by agent	\$14,674,119
Stormwater escrow funds held by agent	3,307
Water escrow funds held by lessor	32,695
Sewer escrow funds held by lessor	50,488
Stormwater escrow funds held by lessor	110,052
Water interest receivable on bonds	128,463
Water fireflow	3,549,425
Water inplant	678,628
Sewer inplant	762,200
Total enterprise fund restricted assets	<u>\$19,989,377</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Capital Development Grants Program	\$ 23,585	Provide temporary funding
General	2000B Bonds Debt Service Fund	373,027	Provide temporary funding
General	Capital Projects Fund - 2003B Bonds	295,187	Provide temporary funding
General	MDC Building Better Communities GOB Program	328,627	Provide temporary funding
General	Stormwater Improvement Funds	576,933	Provide temporary funding
General	Sewer Operational Fund	<u>37,717</u>	Provide temporary funding
Total general fund		<u>1,635,076</u>	
LETF US Treasury	Lets Eliminate Aggressive Driving	157,130	Provide temporary funding
LETF US Treasury	Weed & Seed Program FY05	36,738	Provide temporary funding
LETF US Treasury	Solving Cold Cases with DNA	18,564	Provide temporary funding
LETF US Treasury	North Miami Beach Weed & Seed	13,740	Provide temporary funding
LETF US Treasury	GRP Grant - Strengthen Family Programs	19,608	Provide temporary funding
LETF US Treasury	Great Grant	12,703	Provide temporary funding
LETF US Treasury	Domestic Violence Grant	3,966	Provide temporary funding
LETF US Treasury	Facility Security & Management	16,478	Provide temporary funding
LETF US Treasury	Gang Reduction Grant -FY2006-07	<u>11,716</u>	Provide temporary funding
Total LETF US Treasury fund		<u>290,643</u>	
LETF State Forfeiture	Victims of Crime Act Grant	7,282	Provide temporary funding
LETF State Forfeiture	Bulletproof Vest Grant	<u>15,499</u>	Provide temporary funding
Total LETF State Forfeiturefund		<u>22,782</u>	
Community Redevelopment Agency Fund	General	<u>6,085</u>	Provide temporary funding
Bond Debt Service - 1993/97/98 C	General	<u>30,843</u>	For operating purposes
Total due to/from other funds		<u>\$1,985,429</u>	

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Community Redevelopment Agency Fund	<u>\$77,400</u>	Startup funding

The amount payable to the General Fund represents a loan made to the CRA (special revenue fund) upon its creation. It is anticipated that \$17,200 will be collected in the subsequent year.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers:

	Transfers In			<u>Purpose</u>
	<u>General Fund</u>	Non- Major Governmental <u>Funds</u>	<u>Total</u>	
Transfers out:				
General fund	\$ -	\$ 546,729	\$ 546,729	Grant match funding
Water utility	3,240,430	-	3,240,430	Contributed and supplemental funding
Sewer utility	1,045,137	-	1,045,137	Contributed and supplemental funding
Stormwater utility	134,976	350,000	484,976	Contributed and supplemental funding
Nonmajor govern- mental funds	498,436	926,672	1,425,108	Supplemental and grant match funding
Total transfers out	\$4,918,979	\$ 1,823,401	\$ 6,742,380	

NOTE 7. LONG-TERM DEBT

Bonds Payable

1. Changes in Bonds Payable

The following is a summary of bond transactions for the City for the year ended September 30, 2006:

Balance, September 30, 2005	\$ 110,445,000
Bonds issued	-
Bonds retired	<u>(1,755,000)</u>
Balance, September 30, 2006	<u>\$ 108,690,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2006 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 \$125,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 1,105,000
\$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%.	725,000
\$300,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$13,208 to \$15,304 through April 1, 2010; interest at 4.3% to 6.0%.	56,813
\$17,305,000 Florida League of Cities, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$225,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 5.375%.	16,430,000
\$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 \$395,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	10,645,000
\$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 \$395,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	6,980,000
\$225,577 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond; secured by municipal bond insurance; due in annual installments of \$1,468 to \$25,996 from April 1, 2006 to April 1, 2020; interest at 3% to 4.125%.	221,384
Total capital improvement bonds	<u>36,163,197</u>

Revenue Bonds:

Water Utility System:

\$6,855,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$301,792 to \$349,696 from April 1, 2004 to April 1, 2010; interest at 4.3% to 6.0%	1,298,187
\$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 \$155,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	66,170,000
\$5,154,423 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond Secured by municipal bond insurance; due in annual installments of \$33,532 to \$594,004 from April 1, 2006 to April 1, 2020; interest at 3.0% to 4.125%	5,058,616
Total revenue bonds	<u>72,526,803</u>
Total bonds payable	<u>\$ 108,690,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
2007	\$ 125,000	\$ 53,593	\$ 178,593
2008	135,000	47,530	182,530
2009	140,000	40,983	180,983
2010	150,000	34,193	184,193
2011	160,000	26,918	186,918
2012	395,000	19,157	414,157
	<u>\$ 1,105,000</u>	<u>\$ 222,373</u>	<u>\$ 1,327,373</u>
Capital Improvements Bonds:			
1998 Series:			
2007	\$ 50,000	\$ 32,480	\$ 82,480
2008	50,000	30,240	80,240
2009	50,000	28,000	78,000
2010	50,000	25,760	75,760
2011	50,000	23,520	73,520
2012-2013	475,000	40,320	515,320
	<u>\$ 725,000</u>	<u>\$ 180,320</u>	<u>\$ 905,320</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
Capital:			
2007	\$ 13,208	\$ 2,810	\$ 16,018
2008	13,836	2,166	16,002
2009	14,465	1,488	15,953
2010	15,304	765	16,069
Subtotal Capital	<u>\$ 56,813</u>	<u>\$ 7,230</u>	<u>\$ 64,043</u>
Water revenue:			
2007	\$ 301,792	\$ 64,216	\$ 366,008
2008	316,164	49,504	365,668
2009	330,535	34,012	364,547
2010	349,696	17,485	367,181
Subtotal Water Revenue	<u>1,298,187</u>	<u>165,216</u>	<u>1,463,403</u>
Total 2000A Series	<u>\$ 1,355,000</u>	<u>\$ 172,446</u>	<u>\$ 1,527,446</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida League of Cities (Capital):			
2000 B Series:			
2007	\$ 225,000	\$ 868,703	\$ 1,093,703
2008	245,000	857,949	1,102,949
2009	270,000	846,036	1,116,036
2010	290,000	832,944	1,122,944
2011	315,000	818,648	1,133,648
2012-2016	2,025,000	3,807,758	5,832,758
2017-2021	2,985,000	3,123,550	6,108,550
2022-2026	4,220,000	2,170,963	6,390,963
2027-2031	5,855,000	827,077	6,682,077
	<u>\$ 16,430,000</u>	<u>\$ 14,153,628</u>	<u>\$ 30,583,628</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2007	\$ 395,000	\$ 532,144	\$ 927,144
2008	405,000	516,344	921,344
2009	425,000	500,144	925,144
2010	435,000	483,144	918,144
2011	455,000	465,744	920,744
2012-2016	2,625,000	1,971,200	4,596,200
2017-2021	3,415,000	1,172,225	4,587,225
2022-2024	2,490,000	253,000	2,743,000
	<u>\$ 10,645,000</u>	<u>\$ 5,893,944</u>	<u>\$ 16,538,944</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2007	\$ 155,000	\$ 3,253,831	\$ 3,408,831
2008	155,000	3,249,181	3,404,181
2009	280,000	3,244,221	3,524,221
2010	505,000	3,234,701	3,739,701
2011	1,445,000	3,216,521	4,661,521
2012-2016	8,175,000	15,165,575	23,340,575
2017-2021	11,160,000	12,870,331	24,030,331
2022-2026	17,205,000	9,428,950	26,633,950
2027-2031	22,005,000	4,680,000	26,685,000
2032	5,085,000	254,250	5,339,250
	<u>\$ 66,170,000</u>	<u>\$ 58,597,562</u>	<u>\$ 124,767,562</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

Florida Municipal Loan Council (Capital):

2003 B Series:

2007	\$ 395,000	\$ 290,210	\$ 685,210
2008	405,000	281,805	686,805
2009	415,000	272,163	687,163
2010	425,000	261,026	686,026
2011	440,000	248,475	688,475
2012-2016	2,450,000	963,000	3,413,000
2017-2020	<u>2,450,000</u>	<u>265,650</u>	<u>2,715,650</u>
	<u>\$ 6,980,000</u>	<u>\$ 2,582,329</u>	<u>\$ 9,562,329</u>

Florida Municipal Loan Council (Water & Capital):

2005 C Series:

Capital:

2007	\$ 1,468	\$ 9,349	\$ 10,817
2008	1,677	9,305	10,982
2009	1,677	9,250	10,927
2010	1,677	9,196	10,873
2011	17,820	9,137	26,957
2012-2016	99,371	39,507	138,878
2017-2020	<u>97,694</u>	<u>6,169</u>	<u>103,863</u>
Subtotal Capital	<u>\$ 221,384</u>	<u>\$ 91,912</u>	<u>\$ 313,296</u>

Water Revenue:

2007	\$ 33,532	\$ 213,620	\$ 247,152
2008	38,323	212,614	250,937
2009	38,323	211,369	249,692
2010	38,323	210,123	248,446
2011	407,180	208,782	615,962
2012-2016	2,270,629	807,468	3,078,097
2017-2020	<u>2,232,306</u>	<u>236,212</u>	<u>2,468,518</u>
Subtotal Water Revenue	<u>5,058,616</u>	<u>2,100,188</u>	<u>7,158,804</u>
Total 2005C Series	<u>\$ 5,280,000</u>	<u>\$ 2,192,100</u>	<u>\$ 7,472,100</u>

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

Governmental Activities

Defeasance of Long-Term Debt

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

NOTE 7. LONG-TERM DEBT (Continued)

Notes Payable

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program:

Draw A-1

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

Draw A-2

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

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate as of September 30, 2006 was 3.57239%. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2007	\$ 100,000	\$ 1,982,000	\$2,082,000
2008	250,000	52,000	302,000
2009	-	52,000	52,000
2010	-	52,000	52,000
2011	-	162,000	162,000
	<u>\$ 350,000</u>	<u>\$ 2,300,000</u>	<u>\$2,650,000</u>

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2006. During 2006, new lease purchases totaled \$1,830,500.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Master Leases (Continued)

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	\$ 2,894,226	\$ 1,627,351	\$4,521,577
Less accumulated depreciation	<u>(797,383)</u>	<u>(323,235)</u>	<u>(1,120,618)</u>
	<u>\$ 2,096,843</u>	<u>\$ 1,304,116</u>	<u>\$3,400,959</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, 2006 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2007	\$ 829,709	\$ 423,617	\$1,253,326
2008	633,754	397,952	1,031,706
2009	412,941	202,032	614,973
2010	<u>88,821</u>	<u>34,584</u>	<u>123,405</u>
Total minimum lease payments	1,965,225	1,058,185	3,023,410
Less amount representing interest	<u>(95,742)</u>	<u>(49,790)</u>	<u>(145,532)</u>
Present value of net minimum lease payments	<u>\$ 1,869,483</u>	<u>\$ 1,008,395</u>	<u>\$2,877,878</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2006 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$ 37,319,969	\$ -	\$ (1,156,772)	\$ 36,163,197	\$ 1,204,676
Notes payable	450,000	-	(100,000)	350,000	100,000
Total bonds and notes payable	37,769,969	-	(1,256,772)	36,513,197	1,304,676
Master leases	1,400,214	1,317,500	(848,231)	1,869,483	829,709
Estimated claims	2,065,000	620,000	(602,000)	2,083,000	661,000
Compensated absences	3,413,039	2,998,539	(2,930,317)	3,481,261	1,084,866
Governmental activities long-term liabilities	<u>\$44,648,222</u>	<u>\$4,936,039</u>	<u>\$ (5,637,320)</u>	<u>\$43,946,941</u>	<u>\$3,880,251</u>
Business-type activities:					
Notes payable	\$ 2,400,000	\$ 370,000	\$ (470,000)	\$ 2,300,000	\$ 1,982,000
Revenue bonds	73,125,031	-	(598,228)	72,526,803	490,324
Premium on revenue bonds	495,308	-	(23,714)	471,594	-
Investment premium	11,486	-	(4,830)	6,656	-
Total bonds and notes payable	76,031,825	370,000	(1,096,772)	75,305,053	2,472,324
Master leases	914,684	513,000	(419,289)	1,008,395	423,617
Compensated absences	641,020	602,277	(540,854)	702,443	177,018
Business-type activities long-term liabilities	<u>\$77,587,529</u>	<u>\$1,485,277</u>	<u>\$ (2,056,915)</u>	<u>\$77,015,891</u>	<u>\$3,072,959</u>

NOTE 8. OTHER INFORMATION

a. Risk Management

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. OTHER INFORMATION (Continued)

a. Risk Management (Continued)

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 insurance coverages from coverages in 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>2006</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$2,065,000	\$ 1,661,000
Incurred claims (including IBNRs)	620,000	1,106,000
Claim payments	<u>(602,000)</u>	<u>(702,000)</u>
Unpaid claims, end of fiscal year	<u>\$2,083,000</u>	<u>\$ 2,065,000</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 \$860,000 at September 30, 2006 and all non-self insurance cases would be paid from the City's general fund unreserved fund balance.

b. Litigation

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

c. Post Employment Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. Approximately 49 retirees participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$345-\$774 per month for single coverage, \$766-\$1,522 per month for couple and \$990-\$2,239 per month for family coverage, depending on plan selected. Nine of the 49 retirees received health insurance paid entirely by the City. Seven retirees received health insurance paid partially by the City.

Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$20,000 for the fiscal year ended September 30, 2006. The cost of life insurance for 189 retirees is paid for by the City at a rate of .36 per \$1,000 of insurance. Retirees receive \$10,000 to \$30,000 of life insurance coverage. At the end of the fiscal year, the City paid a set dollar subsidy of \$12 to \$15 of the monthly dental premium for 58 retirees. The City paid the entire dental premium for 29 retirees.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. OTHER INFORMATION (Continued)

d. Contingent Liabilities

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

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS

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

1. Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Interest and dividends are reported as investment earnings. As of September 30, 2006, no single investment exceeded 5% of total plan net assets.

2. Plan Description

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

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, 2005.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	\$ 12,749	\$ 8,115	\$ 2,412
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	191	106	4
Current employees:			
Vested	234	54	14
Non-vested	<u>90</u>	<u>46</u>	<u>16</u>
Total	<u>515</u>	<u>206</u>	<u>34</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.

Other Benefits

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

Employee Contributions

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

City Contributions

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for General Employees

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, 2006.

General Employees Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2006

Assets:	
Cash and cash equivalents	\$ 612
Investments	48,619,475
Receivables	<u>75,333</u>
Total assets	48,695,420
Liabilities	<u>32,150</u>
Net assets held in trust for pension benefits	<u>\$48,663,270</u>

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2006

Additions:	
Contributions	\$ 2,757,579
Investment income, net	<u>3,273,184</u>
Total additions	<u>6,030,763</u>
Deductions:	
Pension benefits	2,464,903
Refunds	51,571
Other	<u>116,727</u>
Total deductions	<u>2,633,201</u>
Change in net assets	3,397,562
Net assets, beginning	<u>45,265,708</u>
Net assets, ending	<u>\$48,663,270</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for Police Officers and Firefighters

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

Vesting

Benefits are fully vested after ten years of credited service.

Eligibility for Retirement

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

Annual Retirement Benefit

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

Other Benefits

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

Employee Contributions

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

City 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.

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 2006, the amounts were \$273,148 and \$242,298 for police and firefighters, respectively

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, 2006.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for Police Officers and Firefighters (Continued)

Police Officers and Firefighters Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2006

Assets:	
Cash and cash equivalents	\$ 1,325
Investments	51,426,410
Receivables	<u>176,652</u>
Total assets	51,604,387
Liabilities	
	<u>77,845</u>
Net assets held in trust for pension benefits	<u>\$51,526,542</u>

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2006

Additions:	
Contributions	\$ 5,169,862
Investment income, net	<u>3,214,859</u>
Total additions	<u>8,384,721</u>
Deductions:	
Pension benefits	4,462,111
Refunds	145,518
Other	<u>165,628</u>
Total deductions	<u>4,773,257</u>
Change in net assets	3,611,464
Net assets, beginning	<u>47,915,078</u>
Net assets, ending	<u>\$51,526,542</u>

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan and Trust for General Management Employees (Continued)

Eligibility for Retirement

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

Annual Retirement Benefit

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

Other Benefits

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

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

City Contributions

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

The General Management Retirement System does not issue separate stand-alone financial statements; therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the year ended September 30, 2006.

General Management Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2006

Assets:	
Investments	<u>\$8,780,349</u>
Net assets held in trust for pension benefits	<u>\$8,780,349</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan and Trust for General Management Employees (Continued)

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2006

Additions:	
Contributions	\$1,098,419
Investment income, net	<u>578,927</u>
Total additions	<u>1,677,346</u>
Deductions:	
Pension benefits	137,448
Refunds	12,576
Other	<u>12,606</u>
Total deductions	<u>162,630</u>
Change in net assets	1,514,716
Net assets, beginning	<u>7,265,633</u>
Net assets, ending	<u>\$8,780,349</u>

3. Annual Pension Cost and Net Pension Asset

General Employees

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

Annual required contribution	\$1,830,267
Interest on net pension obligation	(28,018)
Adjustment to annual required contribution	<u>20,973</u>
Annual pension cost	1,823,222
Contributions made	<u>1,858,727</u>
Increase in net pension asset	35,505
Net pension asset, beginning of year	<u>329,624</u>
Net pension asset, end of year	<u>\$ 365,129</u>

The annual required contribution for the current year was determined as part of the October 1, 2005 actuarial valuation using the entry age normal. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.5%.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

General Employees (Continued)

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.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>			<u>In Thousands</u> Net Pension Asset
	<u>In Thousands</u>	Percentage of APC Contributed	<u>In Thousands</u>	
	Annual Pension Cost (APC)		Net Pension Asset	
9/30/2004	\$ 1,697	102%	\$ 322	
9/30/2005	1,731	101%	330	
9/30/2006	1,823	102%	365	

Police and Firefighters

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

Annual required contribution	\$3,315,767
Interest on net pension asset	(35,650)
Adjustment to annual required contribution	<u>25,148</u>
Annual pension cost	3,305,265
Contributions made	<u>3,315,767</u>
Increase in net pension asset	10,502
Net pension asset, beginning of year	<u>445,621</u>
Net pension asset, end of year	<u>\$ 456,123</u>

The annual required contribution for the current year was determined as part of the October 1, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.5% to 8.7% per year. Both (a) and (b) included an inflation component of 4%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.5% per year. The actuarial value of assets was determined using the five year smoothed market method. The unfunded actuarial accrued liability is being amortized using the level percent open basis. The remaining amortization period was 30 years.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firefighters (Continued)

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>			<u>In Thousands</u> Net Pension Asset
	<u>In Thousands</u>	<u>Percentage</u>	<u>In Thousands</u>	
	Annual Pension Cost (APC)	of APC Contributed	Net Pension Asset	
9/30/2004	\$ 2,726	101%	\$ 538	
9/30/2005	2,679	97%	445	
9/30/2006	3,305	101%	456	

Management Employees

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

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

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

Annual required contribution	\$ 410,115
Interest on net pension asset	(3,492)
Adjustment to annual required contribution	<u>4,222</u>
Annual pension cost	410,845
Contributions made	<u>614,242</u>
Increase in net pension asset	203,397
Net pension asset, beginning of year	<u>88,824</u>
Net pension asset, end of year	<u>\$ 292,221</u>

The annual required contribution for the current year was determined as part of the October 1, 2005 actuarial valuation using the frozen entry age normal actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.0% to 4.5%. Both (a) and (b) included an inflation component of 3.75%.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Management Employees (Continued)

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 percentage open basis. The remaining amortization period was 40 years.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>In Thousands</u>		<u>In Thousands</u>
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
9/30/2004	\$ 519	100%	\$ -
9/30/2005	550	116%	89
9/30/2006	411	149%	292

NOTE 10. 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 9). 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, 2006 were approximately \$66,000 while the employee contributions were approximately \$31,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

NOTE 11. COMMUNITY REDEVELOPMENT AGENCY

North Miami Beach Community Redevelopment Agency (NMBCRA) Component Unit

The NMBCRA incurred the following expenditures during the fiscal year ended September 30, 2006:

Expenditures and transfers	<u>\$252,316</u>
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CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 11. COMMUNITY REDEVELOPMENT AGENCY (Continued)

North Miami Beach Community Redevelopment Agency (NMBCRA) Component Unit (Continued)

In 2006, the following projects were funded:

- Facilitated the appointment and initial meetings of a Redevelopment Advisory Board that has helped frame the CRA's program priorities.
- Funded an Infrastructure Master Plan that analyzed water, sewer and drainage improvements needed to support future development. Actual expenditures in FY06 for this item totaled \$87,360.
- Funded an Urban Design Plan to better define the character and density of future redevelopment in the district. Actual expenditures in FY06 for this item totaled \$4,555.
- Arranged for two bank loans to provide financing for property acquisition and street reconstruction.
- Established a financial incentive program to attract and support new private development.

In addition, \$2,953 was expended via CRA administrative allowance funds. Two City staff employees were dedicated to the administrative and operating functions of the CRA in order to accomplish the above projects and thus a portion of their salaries were allocated to and paid by the CRA. The CRA repaid the City \$8,600 from the advance as described below.

In the prior year, the following projects were funded by the City to be repaid by the CRA:

- Preparation of the CRA plan in order to meet the requirements of Chapter 163, part III, Florida Statutes and the requirements of the Miami-Dade Board of County Commissioners.
- Surveying of the CRA boundaries. The CRA area consists of 468 acres and contains commercial, institutional, recreational and multi-family residential uses.
- Printing and distribution of the "Finding of Necessity" report.
- Various required advertisements, legal notices and filing fees.

The City advanced the CRA \$86,000 to have this work performed with the understanding that the CRA will repay the City in future years as TIF revenues increase.

NOTE 12. SUBSEQUENT EVENT

On November 8, 2006, the City paid off and renewed the \$4,000,000 line of credit from a local lender. The funds can be used for any general operating expense, including hurricane related items. The variable interest rate (interest at 30 day LIBOR rate plus .35%; 5.68% at closing) note matures in 364 days and is secured by a pledge of ad valorem revenues.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Property taxes	\$ 13,793,715	\$ 13,793,715	\$ 13,771,827	\$ (21,888)
Franchise fees:				
Florida Power & Light	1,400,000	1,400,000	1,733,317	333,317
Towing	1,500	1,500	720	(780)
Gas and propane	53,000	53,000	66,187	13,187
Bus shelters	5,000	5,000	8,838	3,838
Total franchise fees	1,459,500	1,459,500	1,809,062	349,562
Utility taxes:				
Florida Power & Light	1,700,000	1,700,000	1,916,695	216,695
Gas, propane and oil	86,850	86,850	88,740	1,890
N.M.B. Water & Sewer	350,000	350,000	371,134	21,134
Total utility taxes	2,136,850	2,136,850	2,376,569	239,719
Communication service tax	1,850,125	1,850,125	2,168,247	318,122
Other taxes	21,000	21,000	37,834	16,834
Licenses and permits:				
Occupational licenses	894,800	894,800	864,318	(30,482)
Building permits and fees	2,203,220	2,203,220	2,238,225	35,005
Total licenses and permits	3,098,020	3,098,020	3,102,543	4,523
Intergovernmental:				
Sales tax	2,586,759	2,586,759	2,814,864	228,105
Shared revenues	805,230	805,230	823,560	18,330
Local option gas tax	918,004	918,004	896,945	(21,059)
Beverage licenses	30,000	30,000	33,072	3,072
Other state revenue	17,000	17,000	46,423	29,423
County revenue	67,000	67,000	108,202	41,202
Federal revenue	-	-	3,406,584	3,406,584
Total intergovernmental	4,423,993	4,423,993	8,129,650	3,705,657

(Continued)

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Charges for services:				
Sanitation fees	\$ 7,935,104	\$ 7,935,104	\$ 8,025,259	\$ 90,155
General services	973,656	974,256	1,035,502	61,246
Recreation fees	573,300	575,300	538,804	(36,496)
County sewer	110,000	110,000	109,816	(184)
Police services	131,600	131,600	143,546	11,946
Recycling and maintenance charges	136,700	136,700	186,364	49,664
Total charges for services	9,860,360	9,862,960	10,039,291	176,331
Fines and forfeitures:				
Traffic and parking	134,000	134,000	229,426	95,426
Local ordinance violations	85,000	85,000	105,400	20,400
Library	21,500	21,500	20,640	(860)
Total fines and forfeitures	240,500	240,500	355,466	114,966
Other:				
Billing surcharge (F.S. 180.191)	4,228,065	4,228,065	4,207,537	(20,528)
Pension contributions	273,050	273,050	515,447	242,397
Impact fees	78,000	78,000	2,901	(75,099)
Interest	165,500	165,500	253,724	88,224
Miscellaneous	430,200	570,710	779,019	208,309
Use of surplus	1,000,000	1,033,947	-	(1,033,947)
Total other	6,174,815	6,349,272	5,758,628	(590,644)
Total revenues	43,058,878	43,235,935	47,549,117	4,313,182
Current expenditures:				
General government:				
Administrative	1,481,912	1,538,180	1,516,595	21,585
Legislative	532,836	560,436	552,666	7,770
Executive	6,764,788	5,967,231	5,366,404	600,827
Human resources	2,243,453	2,340,533	2,492,239	(151,706)
Finance	2,789,889	2,775,347	2,761,787	13,560
Total general government	13,812,878	13,181,727	12,689,691	492,036
Police services	18,608,440	18,732,930	18,736,525	(3,595)
Library	982,787	981,094	932,458	48,636
Parks and recreation	4,752,992	4,745,277	4,530,620	214,657
Public services	9,850,839	9,990,542	13,131,756	(3,141,214)
Total current expenditures	48,007,936	47,631,570	50,021,050	(2,389,480)

(Continued)

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
Capital outlay:				
General government:				
Administrative	\$ 8,000	\$ 6,336	\$ 971	\$ 5,365
Executive	43,000	80,165	76,959	3,206
Human resources	1,000	19,120	19,033	87
Finance	45,500	134,942	131,006	3,936
Total general government	97,500	240,563	227,969	12,594
Police services	1,267,239	1,385,539	1,250,794	134,745
Library	112,500	114,193	100,915	13,278
Parks and recreation	105,700	149,937	128,852	21,085
Public services	688,000	916,194	727,247	188,947
Total capital outlay	2,270,939	2,806,426	2,435,777	370,649
Debt service:				
Principal	879,673	877,631	808,649	68,982
Interest	219,556	219,726	87,274	132,452
Total debt service	1,099,229	1,097,357	895,923	201,434
Total expenditures	51,378,104	51,535,353	53,352,750	(1,817,397)
Other financing sources (uses):				
Transfers in	4,883,808	4,883,808	4,918,979	35,171
Transfers out	(528,227)	(548,035)	(546,729)	1,306
Financing proceeds - master lease	3,963,645	3,963,645	1,317,500	(2,646,145)
Total other financing sources	8,319,226	8,299,418	5,689,750	(2,609,668)
Net change in fund balance	\$ -	\$ -	\$ (113,883)	\$ 113,883

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to July 1, the City Manager submits to the City Council a budget estimate of the revenues and expenditures for all City departments and divisions for the fiscal year commencing the following October 1.
2. Upon receipt of the annual budget estimates, the City Council holds various budget workshops to review and amend the proposed budget.
3. Public hearings are held to obtain taxpayers' comments.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance.
5. No department or division may legally expend or contract to expend amounts in excess of amounts appropriated for any department within an individual fund. Budget appropriations lapse at year end.
6. The adopted budget may be amended as follows:
 - a) The City Manager can approve line item adjustments within a department. The legal level of budgetary control is at the departmental level. The City Council approves all other budget amendments.
 - b) The City Council approves supplemental appropriations. However, the City Manager is granted authority to amend, modify or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. There was \$177,057 of supplemental appropriations in the general fund during the year ended September 30, 2006.
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. For the fiscal year ended September 30, 2006, expenditures exceeded appropriations in human resources by \$151,706, police services by \$3,595 and public services by \$3,141,214. There were significant costs related to hurricane preparation, debris removal, and recovery activities especially from Hurricane Wilma during the 2006 hurricane season. These over expenditures were funded by FEMA (intergovernmental federal revenue), which had a positive variance balance of \$3,406,584. Approximately \$242,000 was received from the State contributions for firefighters which funded the over expenditures in human resources.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE (Continued)

NOTE 3. BUDGET/GAAP RECONCILIATION

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

	<u>General Fund</u>
Net change in fund balance - actual amounts - budgetary basis - as reported on the budgetary comparison schedule (Page 72)	\$ (113,883)
Differences - budget to GAAP:	
Uses/outflows of resources:	
Encumbrances for equipment and supplies ordered but not received are reported in the year that orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes	<u>1,221,143</u>
Net change in fund balance - General Fund - GAAP basis - as reported on the statement of revenues, expenditures and changes in fund balances governmental funds (Page 23)	<u>\$ 1,107,260</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2006

RETIREMENT PLAN FOR GENERAL EMPLOYEES

<u>Fiscal Year Ended September 30.</u>	<u>In Thousands Annual Required Contribution</u>	<u>Percentage Contributed</u>
2001	\$ 576	110%
2002	652	107%
2003	1,548	98%
2004	1,695	102%
2005	1,739	100%
2006	1,830	102%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND OTHER CONTRIBUTING ENTITIES

SEPTEMBER 30, 2006

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Fiscal Year	In Thousands				
	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>State Contributions</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
2001	\$ 1,129	\$ 1,129	\$ 227	\$ 1,356	120%
2002	1,168	1,300	237	1,537	132%
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%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2006

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

<u>Fiscal Year Ended September 30.</u>	<u>In Thousands Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 345	121%
2004	519	100%
2005	550	116%
2006	410	150%

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

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2006

RETIREMENT PLAN FOR GENERAL EMPLOYEES

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2000	\$ 43,651	\$ 37,968	\$ (5,683)	115.0%	\$ 8,875	-64.0%
10/1/2001	44,382	41,803	(2,579)	106.2%	9,708	-26.6%
10/1/2002	39,872	46,110	6,238	86.5%	10,842	57.5%
10/1/2003	44,423	50,447	6,024	88.1%	12,035	50.1%
10/1/2004	44,968	54,772	9,804	82.1%	12,467	78.6%
10/1/2005	45,628	58,943	13,315	77.4%	12,749	104.4%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2006

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2000	\$ 48,928	\$ 56,485	\$ 7,557	86.6%	\$ 5,782	130.7%
10/1/2001	48,495	59,272	10,777	81.8%	6,909	156.0%
10/1/2002	42,552	62,481	19,929	68.1%	7,656	260.3%
10/1/2003	46,360	70,330	23,970	65.9%	7,767	308.6%
10/1/2004	46,762	77,714	30,952	60.2%	8,137	380.4%
10/1/2005	47,170	84,260	37,090	56.0%	8,115	457.1%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2006

RETIREMENT PLAN FOR GENERAL MANAGEMENT EMPLOYEES

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2003	\$ 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%

Note: Dollar amounts in thousands

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



**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2006
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2005)

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ 6,427,819	\$ 3,959,124
Accounts receivable	4,385,527	4,710,391
Due from other funds	1,635,076	1,318,097
Advances to other funds	77,400	-
Inventories	236,831	163,963
Prepaid costs	320,412	98,228
Escrow funds held by lessor	1,232,956	373,667
Other assets	35,100	35,100
Total assets	<u>\$ 14,351,121</u>	<u>\$ 10,658,570</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	3,928,374	\$ 1,449,122
Deposits held in trust	886,176	793,712
Due to other funds	36,928	56,015
Deferred revenues	836,954	804,292
Total liabilities	<u>5,688,432</u>	<u>3,103,141</u>
Fund balances:		
Reserved:		
Encumbrances	2,079,431	968,411
Inventories	236,831	163,963
Prepaid costs	320,412	98,228
Impact fees	2,781	-
Advances	77,400	-
Unreserved:		
Undesignated	4,821,988	5,217,339
Designated for liability claims	353,585	468,678
Designated for workers' compensation claims	439,265	413,314
Designated for land acquisition	330,996	225,496
Total fund balances	<u>8,662,689</u>	<u>7,555,429</u>
Total liabilities and fund balances	<u>\$ 14,351,121</u>	<u>\$ 10,658,570</u>



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Community Redevelopment Agency – This fund is used to account for the 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.

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

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

Series 2000B – This fund is used to account for the debt service of the \$17,305,000 Florida Municipal Loan Council, Series 2000B bonds issued by the City to fund neighborhood improvements related to the “Proud Neighborhood” plan.

Series 2002A – This fund is used to account for the principal and interest payments relating to the \$11,510,000 Florida Municipal Loan Council, 2002A Series Capital Appreciation and Term Bonds. The bond proceeds were used to defease the Series 1994 bonds originally issued to fund the expansion of the police station and various neighborhood improvements.

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects Funds

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

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

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

Safe Neighborhood Parks – This fund is used to account for money received from the SNP Bond program.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

Special Revenue

	<u>Grants</u>	<u>Transit Surtax</u>	<u>Community Redevelopment Agency</u>	<u>Handicapped Parking Fines</u>	<u>164th Street Guardhouse</u>	<u>35th Avenue Guardhouse</u>	<u>Federal Forfeitures</u>	<u>State Forfeitures</u>	<u>U.S. Treasury</u>	<u>Total</u>
<u>ASSETS</u>										
Pooled cash and investments	\$ 514,316	\$ 206,481	\$ 212,168	\$ 1,582	\$ 25,729	\$ 68,001	\$ 251,089	\$ 101,546	\$ 12,180	\$ 1,393,092
Accounts receivable:										
Intergovernmental	-	330,497	-	-	110,084	21,787	-	-	-	462,368
Grants	387,943	-	-	-	-	-	-	-	-	387,943
Other receivables	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	6,085	-	-	-	-	22,782	290,643	319,510
Prepays	-	-	295	-	-	-	-	-	-	295
Restricted pooled cash and equivalents	-	-	-	-	-	-	-	-	-	-
Escrow funds held by agent	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 902,259</u>	<u>\$ 536,978</u>	<u>\$ 218,548</u>	<u>\$ 1,582</u>	<u>\$ 135,813</u>	<u>\$ 89,788</u>	<u>\$ 251,089</u>	<u>\$ 124,328</u>	<u>\$ 302,823</u>	<u>\$ 2,563,208</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>										
Liabilities:										
Vouchers payable and accrued liabilities	\$ 39,700	\$ 8,501	\$ 9,421	\$ -	\$ 2,656	\$ 6,798	\$ -	\$ -	\$ 682	\$ 67,758
Due to other funds	337,010	-	-	-	-	-	-	-	-	337,010
Advances from other funds	-	-	77,400	-	-	-	-	-	-	77,400
Deferred revenue	470,619	-	-	-	-	-	-	-	-	470,619
Total liabilities	<u>847,329</u>	<u>8,501</u>	<u>86,821</u>	<u>-</u>	<u>2,656</u>	<u>6,798</u>	<u>-</u>	<u>-</u>	<u>682</u>	<u>952,787</u>
Fund balances:										
Reserved:										
Encumbrances	-	42,971	129,414	1,582	9,039	232	-	-	-	183,238
Grant related	54,930	-	-	-	-	-	-	-	-	54,930
Law enforcement	-	-	-	-	-	-	251,089	124,328	302,141	677,558
Prepaid costs	-	-	295	-	-	-	-	-	-	295
Debt service	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	485,506	2,018	-	124,118	82,758	-	-	-	694,400
Total fund balances	<u>54,930</u>	<u>528,477</u>	<u>131,727</u>	<u>1,582</u>	<u>133,157</u>	<u>82,990</u>	<u>251,089</u>	<u>124,328</u>	<u>302,141</u>	<u>1,610,421</u>
Total liabilities and fund balances	<u>\$ 902,259</u>	<u>\$ 536,978</u>	<u>\$ 218,548</u>	<u>\$ 1,582</u>	<u>\$ 135,813</u>	<u>\$ 89,788</u>	<u>\$ 251,089</u>	<u>\$ 124,328</u>	<u>\$ 302,823</u>	<u>\$ 2,563,208</u>

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2006

	Debt Service						Total
	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A	Series 2003B	
<u>ASSETS</u>							
Pooled cash and investments	\$ -	\$ 17,945	\$ 152,157	\$ 504	\$ -	\$ 208	\$ -
Accounts receivable:							
Intergovernmental	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Other receivables	380,000	-	-	-	-	-	380,000
Due from other funds	-	-	30,843	-	-	-	30,843
Prepays	-	-	-	-	-	-	-
Restricted pooled cash and equivalents	-	-	-	-	-	-	-
Escrow funds held by agent	-	-	-	-	-	-	-
Total assets	\$ 380,000	\$ 17,945	\$ 183,000	\$ 504	\$ -	\$ 208	\$ -
							\$ 581,657

LIABILITIES AND FUND BALANCES

Liabilities:							
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	373,027	-	-	-	-	-	373,027
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	373,027	-	-	-	-	-	373,027
Fund balances:							
Reserved:							
Encumbrances	-	-	-	-	-	-	-
Grant related	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-	-
Debt service	6,973	17,945	183,000	504	208	-	208,630
Construction	-	-	-	-	-	-	-
Unreserved, undesignated	-	-	-	-	-	-	-
Total fund balances	6,973	17,945	183,000	504	208	-	208,630
Total liabilities and fund balances	\$ 380,000	\$ 17,945	\$ 183,000	\$ 504	\$ -	\$ 208	\$ -
							\$ 581,657

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2006

	Capital Projects						Total Nonmajor Governmental Funds
	Alley Restoration Program	2004 BBC Program	Safe Neighborhood Parks	Proud Neighborhood	2003B Surtax	Total	
ASSETS							
Pooled cash and investments	\$ 8,545	\$ -	\$ -	\$ -	\$ -	\$ 8,545	\$ 1,572,451
Accounts receivable:							
Intergovernmental	-	-	-	-	-	-	462,368
Grants	-	333,086	-	-	-	333,086	721,029
Other receivables	-	-	-	-	20,244	20,244	400,244
Due from other funds	-	-	-	-	-	-	350,353
Prepays	-	-	-	-	-	-	295
Restricted pooled cash and investments	-	-	-	47,447	-	47,447	47,447
Escrow funds held by agent	-	-	-	30,221	4,268,995	4,299,216	4,299,216
Total assets	\$ 8,545	\$ 333,086	\$ -	\$ 77,668	\$ 4,289,239	\$ 4,708,538	\$ 7,853,403

LIABILITIES AND FUND BALANCES

Liabilities:							
Vouchers payable and accrued liabilities	\$ -	\$ 4,459	\$ -	\$ 39,963	\$ 3,584	\$ 48,006	\$ 115,764
Due to other funds	-	328,627	-	-	295,187	623,814	1,333,851
Advances from other funds	-	-	-	-	-	-	77,400
Deferred revenue	-	-	-	-	-	-	470,619
Total liabilities	-	333,086	-	39,963	298,771	671,820	1,997,634
Fund balances:							
Reserved:							
Encumbrances	-	-	-	-	-	-	183,238
Grant related	-	-	-	-	-	-	54,930
Law enforcement	-	-	-	-	-	-	677,558
Prepaid costs	-	-	-	-	-	-	295
Debt service	-	-	-	-	-	-	208,630
Construction	8,545	-	-	37,705	3,990,468	4,036,718	4,036,718
Unreserved, undesignated	-	-	-	-	-	-	694,400
Total fund balances	8,545	-	-	37,705	3,990,468	4,036,718	5,855,769
Total liabilities and fund balances	\$ 8,545	\$ 333,086	\$ -	\$ 77,668	\$ 4,289,239	\$ 4,708,538	\$ 7,853,403

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Special Revenue

	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	U.S. Treasury	Total
Revenues:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,415,678	196,863	13,286	110,084	247,595	-	-	-	1,983,506
Grants	2,058,674	-	-	-	-	-	-	-	-	2,058,674
Fines and forfeitures	-	-	-	-	-	-	227,886	341,814	149,548	719,248
Other	24,407	-	-	-	-	250	-	14,586	91,925	131,168
Interest	13,670	18,313	13,115	304	3,111	2,467	3,183	5,819	12,242	72,224
Total revenues	<u>2,096,751</u>	<u>1,433,991</u>	<u>209,978</u>	<u>13,590</u>	<u>113,195</u>	<u>250,312</u>	<u>231,069</u>	<u>362,219</u>	<u>253,715</u>	<u>4,964,820</u>
Expenditures:										
Current:										
General government	247,981	63,505	251,222	13,859	-	-	-	-	-	576,567
Police services	710,058	-	-	-	100,512	235,022	195	18,805	118,923	1,183,515
Library	2,538	-	-	-	-	-	-	-	-	2,538
Parks	12,952	184,836	-	-	-	-	-	-	-	197,788
Public services	57,960	-	-	-	-	-	-	-	-	57,960
Capital outlay	1,270,674	501,139	-	-	-	-	-	-	-	1,771,813
Debt service:	-	-	-	-	-	-	-	-	39,682	39,682
Principal	-	-	-	-	-	-	-	-	489	489
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>2,302,163</u>	<u>749,480</u>	<u>251,222</u>	<u>13,859</u>	<u>100,512</u>	<u>235,022</u>	<u>195</u>	<u>18,805</u>	<u>159,094</u>	<u>3,830,352</u>
Excess (deficiency) of revenues over expenditures	<u>(205,412)</u>	<u>684,511</u>	<u>(41,244)</u>	<u>(269)</u>	<u>12,683</u>	<u>15,290</u>	<u>230,874</u>	<u>343,414</u>	<u>94,621</u>	<u>1,134,468</u>
Other financing sources (uses):										
Transfers in	252,470	50,000	253,980	-	-	-	-	-	-	556,450
Transfers out	-	(763,862)	(1,094)	-	(5,000)	(5,000)	-	(231,076)	-	(1,006,032)
Total other financing sources (uses)	<u>252,470</u>	<u>(713,862)</u>	<u>252,886</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(231,076)</u>	<u>-</u>	<u>(449,582)</u>
Net changes in fund balances	47,058	(29,351)	211,642	(269)	7,683	10,290	230,874	112,338	94,621	684,886
Fund balances, beginning	7,872	557,828	(79,915)	1,851	125,474	72,700	20,215	11,990	207,520	925,535
Fund balances, ending	<u>\$ 54,930</u>	<u>\$ 528,477</u>	<u>\$ 131,727</u>	<u>\$ 1,582</u>	<u>\$ 133,157</u>	<u>\$ 82,990</u>	<u>\$ 251,089</u>	<u>\$ 124,328</u>	<u>\$ 302,141</u>	<u>\$ 1,610,421</u>

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

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

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Debt Service			Series 2005C	Total
					Series 2000A	Series 2003B	Series 2005C		
Revenues:									
Property taxes	\$ 1,101,350	\$ 937,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,038,600
Intergovernmental	-	-	642,052	-	-	-	-	-	642,052
Grants	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Interest	1,027	10,276	9,895	-	285	384	-	-	21,867
Total revenues	1,102,377	947,526	651,947	-	285	384	-	-	2,702,519
Expenditures:									
Current:									
General government	64	644	657	-	-	-	-	-	1,365
Police services	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	205,000	375,000	170,000	100,000	12,579	390,000	4,193	-	1,256,772
Interest and fiscal charges	892,809	561,079	94,067	22,230	3,120	305,882	9,662	-	1,888,849
Total expenditures	1,097,873	936,723	264,724	122,230	15,699	695,882	13,855	-	3,146,986
Excess (deficiency) of revenues over expenditures	4,504	10,803	387,223	(122,230)	(15,414)	(695,498)	(13,855)	-	(444,467)
Other financing sources (uses):									
Transfers in	-	-	-	122,086	15,414	695,596	13,855	-	846,951
Transfers out	-	-	(404,223)	-	-	-	-	-	(404,223)
Total other financing sources (uses)	-	-	(404,223)	122,086	15,414	695,596	13,855	-	442,728
Net changes in fund balances	4,504	10,803	(17,000)	(144)	-	98	-	-	(1,739)
Fund balances, beginning	2,469	7,142	200,000	648	-	110	-	-	210,369
Fund balances, ending	\$ 6,973	\$ 17,945	\$ 183,000	\$ 504	\$ -	\$ 208	\$ -	\$ -	\$ 208,630

CITY OF NORTH MIAMI BEACH, FLORIDA

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

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Capital Projects						Total Nonmajor Governmental Funds
	Alley Restoration Program	2004 BBC Program	Safe Neighborhood Parks	Proud Neighborhood	2003B Surtax	Total	
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,038,600
Intergovernmental	-	-	-	-	-	-	2,625,558
Grants	-	544,937	70,044	-	-	614,981	2,673,655
Fines and forfeitures	-	-	-	-	-	-	719,248
Other	-	-	-	-	-	-	131,168
Interest	113	-	-	32,650	256,610	289,373	383,464
Total revenues	<u>113</u>	<u>544,937</u>	<u>70,044</u>	<u>32,650</u>	<u>256,610</u>	<u>904,354</u>	<u>8,571,693</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	577,932
Police services	-	-	-	-	-	-	1,183,515
Library	-	-	-	-	-	-	2,538
Parks	-	-	-	-	-	-	197,788
Public services	13	225,986	-	748	165,888	392,635	450,595
Capital outlay	419,178	318,951	70,044	1,368,862	2,907,342	5,084,377	6,856,190
Debt service:							
Principal	-	-	-	-	-	-	1,296,454
Interest and fiscal charges	-	-	-	-	-	-	1,889,338
Total expenditures	<u>419,191</u>	<u>544,937</u>	<u>70,044</u>	<u>1,369,610</u>	<u>3,073,230</u>	<u>5,477,012</u>	<u>12,454,350</u>
Excess (deficiency) of revenues over expenditures	<u>(419,078)</u>	<u>-</u>	<u>-</u>	<u>(1,336,960)</u>	<u>(2,816,620)</u>	<u>(4,572,658)</u>	<u>(3,882,657)</u>
Other financing sources (uses):							
Transfers in	420,000	-	-	-	-	420,000	1,823,401
Transfers out	-	-	-	-	(14,853)	(14,853)	(1,425,108)
Total other financing sources (uses)	<u>420,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,853)</u>	<u>405,147</u>	<u>398,293</u>
Net changes in fund balances	922	-	-	(1,336,960)	(2,831,473)	(4,167,511)	(3,484,364)
Fund balances, beginning	<u>7,623</u>	<u>-</u>	<u>-</u>	<u>1,374,665</u>	<u>6,821,941</u>	<u>8,204,229</u>	<u>9,340,133</u>
Fund balances, ending	<u>\$ 8,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,705</u>	<u>\$ 3,990,468</u>	<u>\$ 4,036,718</u>	<u>\$ 5,855,769</u>

FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2006

	Pension Trust Funds			<u>Totals</u>
	<u>General Employees</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>	
<u>ASSETS</u>				
Cash held with trustee	\$ 612	\$ 1,325	\$ -	\$ 1,937
Investments:				
Cash management funds	1,130,905	1,868,224	-	2,999,129
Mutual funds	9,752,030	12,312,476	8,780,349	30,844,855
U.S. Government securities	-	12,123,464	-	12,123,464
Corporate bonds	-	3,832,303	-	3,832,303
Common stocks	37,736,540	21,289,943	-	59,026,483
Accrued interest and dividends	<u>75,333</u>	<u>176,652</u>	<u>-</u>	<u>251,985</u>
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>48,695,420</u>	<u>51,604,387</u>	<u>8,780,349</u>	<u>109,080,156</u>
<u>LIABILITIES AND NET ASSETS</u>				
Vouchers payable and accrued liabilities	<u>32,150</u>	<u>77,845</u>	<u>-</u>	<u>109,995</u>
Total liabilities	<u>32,150</u>	<u>77,845</u>	<u>-</u>	<u>109,995</u>
Net assets held in trust for pension benefits	<u>\$48,663,270</u>	<u>\$51,526,542</u>	<u>\$ 8,780,349</u>	<u>\$ 108,970,161</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Pension Trust Funds			<u>Totals</u>
	General	Police	General	
	<u>Employees</u>	<u>Officers and Firefighters</u>	<u>Management Employees</u>	
ADDITIONS				
Contributions:				
Employees	\$ 898,852	\$ 1,338,648	\$ 423,396	\$ 2,660,896
Employer	1,858,727	3,315,767	675,023	5,849,517
State/County	-	515,447	-	515,447
Total contributions	<u>2,757,579</u>	<u>5,169,862</u>	<u>1,098,419</u>	<u>9,025,860</u>
Investment income:				
Net appreciation in fair value of investments	2,019,463	1,851,078	-	3,870,541
Interest and dividends	1,356,711	1,491,550	578,927	3,427,188
Investment expenses	(102,990)	(127,769)	-	(230,759)
Net investment income	<u>3,273,184</u>	<u>3,214,859</u>	<u>578,927</u>	<u>7,066,970</u>
Total additions	<u>6,030,763</u>	<u>8,384,721</u>	<u>1,677,346</u>	<u>16,092,830</u>
DEDUCTIONS				
Pension benefits	2,464,903	4,462,111	137,448	7,064,462
Refunds of contributions	51,571	145,518	12,576	209,665
Administrative expenses	116,727	165,628	12,606	294,961
Total deductions	<u>2,633,201</u>	<u>4,773,257</u>	<u>162,630</u>	<u>7,569,088</u>
Change in net assets	3,397,562	3,611,464	1,514,716	8,523,742
Net assets held in trust for pension benefits:				
Beginning	<u>45,265,708</u>	<u>47,915,078</u>	<u>7,265,633</u>	<u>100,446,419</u>
Ending	<u>\$48,663,270</u>	<u>\$51,526,542</u>	<u>\$ 8,780,349</u>	<u>\$108,970,161</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2006</u>
<u>ASSETS</u>				
Cash	<u>199,785</u>	<u>\$ 409,175</u>	<u>\$ 306,299</u>	<u>\$ 302,661</u>
<u>LIABILITIES</u>				
Deposits held in trust	<u>199,785</u>	<u>\$ 409,175</u>	<u>\$ 306,299</u>	<u>\$ 302,661</u>



STATISTICAL SECTION

STATISTICAL SECTION

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.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	91-94
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	95-98
Debt Capacity <i>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.</i>	99-102
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	103-104
Operating Information <i>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.</i>	105-107

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 SIX FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 7,703	\$ 10,870	\$ 14,888	\$ 12,088	\$ 15,239	\$ 20,831
Restricted	17,878	14,418	9,908	11,775	8,662	4,978
Unrestricted	<u>5,719</u>	<u>6,000</u>	<u>4,680</u>	<u>4,976</u>	<u>3,206</u>	<u>4,045</u>
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>
Business-type activities:						
Invested in capital assets, net of related debt	52,082	53,019	55,829	57,376	61,584	60,373
Restricted	4,528	4,417	3,932	4,988	6,371	14,794
Unrestricted	<u>872</u>	<u>1,131</u>	<u>1,275</u>	<u>(326)</u>	<u>(1,164)</u>	<u>490</u>
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>
Total government:						
Invested in capital assets, net of related debt	59,785	63,889	70,717	69,464	76,823	81,204
Restricted	22,406	18,835	13,840	16,763	15,033	19,772
Unrestricted	<u>6,591</u>	<u>7,131</u>	<u>5,955</u>	<u>4,650</u>	<u>2,042</u>	<u>4,535</u>
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>

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 SIX FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Expenses:						
Governmental activities:						
General government	\$ 12,626	\$ 10,823	\$ 13,682	\$ 13,966	\$ 15,063	\$ 15,258
Public safety	14,639	15,784	15,932	17,655	18,678	20,340
Library	968	998	1,040	1,089	1,037	1,070
Parks and recreation	3,648	3,993	4,278	4,456	4,676	4,827
Public works	7,487	8,933	9,571	10,174	11,147	13,977
Interest on long-term debt	2,023	1,758	1,717	1,980	1,998	2,672
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>
Business-type activities:						
Water	16,820	15,005	18,466	18,471	19,381	20,124
Sewer	5,371	4,326	3,746	3,423	3,642	3,801
Stormwater	690	795	750	690	663	738
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>
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>
Program revenues:						
Governmental activities:						
Charges for services:						
General government	\$ 6,660	\$ 3,903	\$ 4,494	\$ 6,542	\$ 7,338	\$ 8,561
Public safety	345	2,398	1,769	1,239	1,164	1,092
Public works	7,060	7,585	7,507	7,684	7,998	8,212
Other governmental activities	553	651	651	588	568	559
Operating grants and contributions	4,084	396	2,086	1,135	1,470	2,196
Capital grants and contributions	1,417	1,249	389	163	168	16
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>
Business-type activities:						
Charges for services:						
Water	14,250	15,509	16,215	17,375	17,251	18,154
Sewer	4,398	4,669	4,707	4,919	4,854	5,128
Stormwater	1,015	1,016	1,019	1,024	1,037	1,140
Operating grants and contributions	-	-	1,544	1,332	3,809	4,414
Capital grants and contributions	2,079	2,471	5,781	1,954	4,345	7,648
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>
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>
Net (expense) revenue:						
Governmental activities	\$ (21,272)	\$ (26,107)	\$ (29,324)	\$ (31,969)	\$ (33,893)	\$ (37,508)
Business-type activities	(1,139)	3,539	6,304	4,020	7,610	11,821
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>
General revenues:						
Governmental activities:						
Taxes:						
Property taxes	\$ 13,316	\$ 16,448	\$ 17,463	\$ 18,571	\$ 19,329	\$ 22,164
Sales and other taxes	-	22	2,418	2,559	2,633	2,853
State and local shared revenue	4,890	3,823	2,837	3,566	4,164	8,464
Unrestricted interest earnings	1,472	1,075	78	535	542	637
Miscellaneous	1,505	990	743	973	1,040	1,367
Transfers	634	3,738	4,143	4,339	4,453	4,771
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>
Business-type activities:						
Unrestricted interest earnings	376	434	42	965	1,297	1,445
Miscellaneous	325	850	265	355	300	369
Transfers	(634)	(3,738)	(4,143)	(4,339)	(4,453)	(4,771)
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>
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>
Change in net assets:						
Governmental activities	\$ 545	\$ (11)	\$ (1,642)	\$ (1,426)	\$ (1,732)	\$ 2,748
Business-type activities	(1,072)	1,085	2,468	1,001	4,754	8,864
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>

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

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SIX FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General fund:						
Reserved	\$ 2,815	\$ 2,998	\$ 3,169	\$ 3,017	\$ 2,338	\$ 2,717
Unreserved	<u>5,828</u>	<u>6,204</u>	<u>5,462</u>	<u>5,555</u>	<u>5,217</u>	<u>5,946</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>
All other governmental funds:						
Reserved	17,863	14,421	9,910	11,777	8,663	5,161
Unreserved, reported in:						
Special revenue funds	650	712	881	858	678	694
Capital projects funds	<u>15</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</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>
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>

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 SIX FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:						
Ad valorem taxes	\$ 8,033	\$10,832	\$11,858	\$12,640	\$13,769	\$15,810
Franchise fees	1,772	1,418	1,443	1,591	1,454	1,809
Utility taxes	3,511	2,297	2,377	2,349	2,243	2,377
Communication service tax	-	1,901	1,785	1,990	1,863	2,168
Other taxes	32	22	19	18	21	38
Licenses and permits	1,429	1,458	1,485	1,795	2,201	3,103
Intergovernmental	7,381	5,412	6,885	7,391	7,306	10,755
Charges for services	8,102	8,556	8,970	9,046	9,771	10,039
Fines and forfeitures	3,128	2,396	1,763	1,298	1,207	1,075
Other	3,491	3,173	3,076	4,902	6,037	8,310
Interest	1,472	1,075	774	535	542	637
Total revenues	<u>38,351</u>	<u>38,540</u>	<u>40,435</u>	<u>43,555</u>	<u>46,414</u>	<u>56,121</u>
Expenditures:						
Current:						
General government	10,545	9,779	11,866	11,831	12,814	13,230
Police	13,706	14,380	14,926	16,852	17,878	19,805
Library	788	823	867	904	881	926
Parks and recreation	3,573	3,709	4,035	4,307	4,453	4,720
Public services	7,401	7,719	8,168	9,547	10,315	13,487
Capital outlay	4,740	6,020	7,448	8,033	5,738	8,336
Debt service:						
Principal	1,773	1,733	1,654	1,509	1,970	2,105
Interest and other fiscal charges	2,023	1,758	1,717	1,980	1,998	1,977
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>
Deficiency of revenues over expenditures	<u>(6,198)</u>	<u>(7,381)</u>	<u>(10,246)</u>	<u>(11,408)</u>	<u>(9,633)</u>	<u>(8,465)</u>
Other financing sources (uses):						
Transfers in	5,928	5,208	5,976	6,044	6,686	6,742
Transfers out	(2,343)	(1,470)	(1,833)	(1,705)	(2,233)	(1,972)
Lease proceeds	-	942	547	719	864	1,317
Debt issuance	17,983	11,510	-	7,765	226	-
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>
Net change in fund balances	15,370	(2,843)	(5,556)	1,785	(4,311)	(2,378)
Fund balances - beginning	11,801	27,171	24,328	19,422	21,207	16,896
Cumulative effect of a change in accounting principle	-	-	650	-	-	-
Fund balances - ending	<u>\$27,171</u>	<u>\$24,328</u>	<u>\$19,422</u>	<u>\$21,207</u>	<u>\$16,896</u>	<u>\$14,518</u>
Debt service as a percentage of non-capital expenditures	8.52%	7.60%	6.65%	6.35%	7.08%	6.32%

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
(IN THOUSANDS OF DOLLARS)

Fiscal Year Ended September 30.	Real Property	Personal Property	Centrally Assessed	Total Gross Assessed Value	Real Estate Exempt Properties	Total Net Assessed Value	Total Direct Tax Rate
1997	\$ 938,540	\$ 124,950	\$ 618	\$1,064,108	\$ 1,395	\$1,062,713	8.553
1998	973,907	126,169	840	1,100,916	18,372	1,082,544	8.423
1999	990,457	133,200	816	1,124,473	15,923	1,108,550	8.404
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

Note: Property in the City is reassessed each year. Property is assessed at actual value, therefore, the assessed 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

Overlapping Rates (1)

Fiscal Year	City of North Miami Beach			Miami-Dade County			Miami-Dade County School Board			Water Management District			Special District	Children's Trust	Fire and Rescue	Fire Debt	Everglades C.P.	Total Direct and Overlapping Rates
	Operating Millage	Service Millage	Total City Millage	Operating Millage	Service Millage	Total County Millage	Operating Millage	Service Millage	Debt Total School Millage	District	Management District	District						
1997	7.7000	0.8530	8.5530	6.0230	0.9290	6.9520	9.3560	1.1060	10.4620	0.6220	0.0500	0.0000	2.6830	0.0000	0.0000	0.1000	29.4220	
1998	7.6000	0.8230	8.4230	6.0230	0.8370	6.8600	9.1820	0.9780	10.1600	0.6220	0.0470	0.0000	2.6830	0.0000	0.1560	0.1000	29.0510	
1999	7.5000	0.9040	8.4040	5.8090	0.8160	6.6250	8.6540	0.9900	9.6440	0.5970	0.0440	0.0000	2.6830	0.0000	0.0690	0.1000	28.1660	
2000	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	0.0000	0.0690	0.1000	27.9060	
2001	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	0.0000	0.0690	0.1000	28.4195	
2002	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	0.0000	0.0790	0.1000	28.0225	
2003	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	0.0000	0.0790	0.1000	28.1462	
2004	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	0.0000	0.0690	0.1000	27.5629	
2005	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	0.0000	0.0520	0.1000	26.9917	
2006	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	0.0000	0.0420	0.1000	26.3492	

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).

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO
(AMOUNTS EXPRESSED IN THOUSANDS)

Taxpayer	Type of Business	2006			1997		
		Net Assessed Value	Rank	Percent of Total City Net Assessed Value	Net Assessed Value	Rank	Percent of Total City Net Assessed Value
RHC Parkway, Inc.	Hospital	\$ 38,667	1	1.63%	\$ 51,777	1	4.87%
Florida Power & Light Co.	Utility	34,257	2	1.44%	20,861	3	1.96%
MSW Intracoastal Mall, LLC	Shopping Mall	28,904	3	1.22%	-	-	0.00%
Inland Towers Condo, LLC	Condo	23,770	4	1.00%	-	-	0.00%
Biscayne Commons	Office Building	19,908	5	0.84%	-	-	0.00%
Klein Motors	Retail	17,873	6	0.75%	-	-	0.00%
Costco Wholesaler	Retail	17,070	7	0.72%	7,907	8	0.74%
Arch Creek Warehouse	Warehouse	16,651	8	0.70%	-	-	0.00%
Dayton Hudson Corp (Target)	Retail	14,069	9	0.59%	12,950	5	1.22%
Sonic Ward, Inc. (K-Mart)	Retail	12,700	10	0.53%	-	-	0.00%
Southern Bell Telephone	Utility	-	-	0.00%	25,993	2	2.45%
Intracoastal Pacific	Shopping Mall	-	-	0.00%	14,649	4	1.38%
Helen Doroshow Trust	Land	-	-	0.00%	9,200	6	0.87%
Nova Southeastern	Education	-	-	0.00%	8,586	7	0.81%
1551 NE 167th Street, Inc.	Real Estate	-	-	0.00%	6,180	9	0.58%
Martin Osher	Real Estate	-	-	0.00%	5,860	10	0.55%
		<u>\$ 223,869</u>		<u>9.42%</u>	<u>\$ 163,963</u>		<u>15.43%</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)

Fiscal Year Ended September 30,	Total Taxes Levied for Fiscal Year	Levied Taxes Collected within the Fiscal Year		Delinquent Tax Collections	Total Tax Collections	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	\$ 7,957	N/A	0%	N/A	\$7,413	93%
1998	8,087	N/A	0%	N/A	7,630	94%
1999	8,257	N/A	0%	N/A	7,863	95%
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%

Source: City of North Miami Beach

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)

Fiscal Year	Governmental Activities			Business-type Activities			Total	Percentage of Personal Income (1)	Per Capita (1)
	Obligation	Notes Payable	Capital Leases	Water Bonds	Notes Payable	Capital Leases			
1997	\$ 15,545	\$ -	\$ 734	\$8,290	\$2,280	\$ 764	\$ 27,613	5.77%	\$ 781
1998	16,170	733	1,369	7,550	3,000	1,040	29,862	6.24%	845
1999	15,695	1,307	1,886	6,750	2,900	1,845	30,383	6.35%	859
2000	15,495	1,307	1,829	6,855	2,800	1,774	30,060	6.28%	850
2001	32,280	880	1,469	6,855	2,700	985	45,169	9.44%	1,277
2002	31,418	749	1,529	73,240	2,650	776	110,362	23.07%	3,121
2003	31,330	647	1,305	73,240	2,600	498	109,620	22.91%	3,100
2004	38,413	550	1,294	72,977	2,500	328	116,062	24.26%	3,282
2005	37,320	450	1,400	73,125	2,400	915	115,610	24.16%	3,270
2006	36,163	350	1,869	72,527	2,300	1,008	114,217	23.87%	3,230

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 103 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)

Fiscal Year	General Bonded Debt Outstanding				Percentage of	
	General Obligation Bonds	Notes Payable	Capital Leases	Total	Net Assessed Property Value (1)	Per Capita (2)
1997	\$ 15,545	\$ -	\$ 734	\$ 16,279	1.53%	\$ 460
1998	16,170	733	1,369	18,272	1.72%	517
1999	15,695	1,307	1,886	18,888	1.78%	534
2000	15,495	1,306	1,829	18,630	1.75%	527
2001	32,280	880	1,469	34,629	3.26%	979
2002	31,418	749	1,529	33,696	3.17%	953
2003	31,330	647	1,305	33,282	3.13%	941
2004	38,413	550	1,294	40,257	3.79%	1,139
2005	37,320	450	1,400	39,170	3.69%	1,108
2006	36,163	350	1,869	38,382	3.61%	1,085

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 95 for net assessed property value data.

(2) See the Schedule of Demographic and Economic Statistics on page 103 for population data.

CITY OF NORTH MIAMI BEACH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2006

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Government Unit</u>	2006		
	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of North Miami Beach (1)</u>	<u>Amount Applicable to the City of North Miami Beach</u>
Debt repaid with property taxes:			
Miami Dade County	\$ 478,471	0.91%	\$ 4,356
Miami Dade County School Board	903,577	0.91%	8,181
Other debt:			
Miami Dade County	1,452,284	0.91%	13,221
Miami Dade County School Board	490,730	0.91%	<u>4,443</u>
Subtotal, Overlapping Debt			30,201
City of North Miami Beach Direct Debt			<u>38,382</u>
Total Direct and Overlapping Debt			<u>\$ 68,583</u>

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

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

PLEGGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(AMOUNTS EXPRESSED IN THOUSANDS)

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		Less		Net		County		Debt Service		Coverage	Transit		Debt Service		Coverage	Municipal		Debt Service		Coverage	
	Charges and Other	Operating Expenses	Operating Revenue	Available Revenue	Debt Principal	Debt Interest	Surtax	Surtax	Principal	Interest		Principal	Interest	Revenue Sharing	Principal		Interest					
1997	\$ 14,360	\$ 11,873	\$ 2,487	\$ 8,290	\$ 905	0.27	\$ -	\$ -	\$ -	-	-	933	\$ 2,925	\$ 1,126	0.23							
1998	15,452	13,335	2,117	7,550	509	0.26	-	-	-	-	-	999	3,755	1,468	0.19							
1999	15,058	13,376	1,682	6,750	155	0.24	-	-	-	-	-	924	3,495	1,287	0.19							
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	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	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	0.14	1,466	1,830	402	0.66							

Source: City Finance Department

CITY OF NORTH MIAMI BEACH, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (Amounts Expressed in Thousands)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
1997	35,359	\$ 478,443	\$ 13,531	34.5	8.4%
1998	35,359	478,443	13,531	34.5	8.0%
1999	35,359	478,443	13,531	34.5	7.3%
2000	40,786	1,731,039	42,442	34.5	6.1%
2001	40,786	1,731,039	42,442	34.5	6.2%
2002	40,786	1,731,039	42,442	34.5	7.3%
2003	42,000	1,782,564	42,442	34.5	7.9%
2004	42,000	1,782,564	42,442	34.5	7.2%
2005	42,000	1,782,564	42,442	34.5	6.8%
2006	42,000	1,782,564	42,442	34.5	5.9%

Sources:

(1) United States Census Bureau (for years 1997 through 2002). Estimated by City of North Miami Beach Economic Development (for years 2003 to 2006).

(2) United States Census Bureau

(3) U.S. Department of Labor

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL EMPLOYERS AND INDUSTRIES

FISCAL YEAR 2006

<u>Employer</u>	<u>Type of Business</u>	<u>2006</u>	
		<u>Employees</u>	<u>Rank</u>
Publix Super Markets	Warehouse/Distribution	2,100	1
Parkway Regional Medical Center	Hospital/Medical	1,200	2
Aventura Columbia Medical Center	Hospital/Medical	1,150	3
FMS Management Systems	Licensing	1,070	4
Sysco Food Services	Food Distribution	750	5
City of North Miami Beach	Municipal Government	650	6
Southern Wine & Spirits	Beverage Distribution	600	7
Nabi	Laboratory Apparatus	500	8
Turnberry Associates	Developers/Property Mgmt	470	9
Perko	Marine Hardware	450	10
Total		<u>8,940</u>	

Special Note: The above list includes private employers in the Greater North Miami Beach area. As an employer, the City of North Miami Beach is included; however, other area municipal employers are not included.

<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>
Wholesale trade	22%	1	237	2
Health services	19%	2	176	4
Finance/insurance/real estate	16%	3	211	3
Other	16%	3	315	1
Manufacturing	13%	5	130	6
Business services	10%	6	149	5
Construction	4%	7	99	7
Total	<u>100%</u>		<u>1,317</u>	

Special note: The retail sector in the Greater North Miami Beach area employs over 12,000 people at 1,000 stores.

Note: Information is not available for fiscal year 1997 comparison.

Source: City of North Miami Beach Economic Development compiled the data which included using data from Dun & Bradstreet and the Beacon Council.

CITY OF NORTH MIAMI BEACH, FLORIDA

FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Number of employees:										
Attorney's office	6	6	5	5	5	5	5	5	5	5
Clerk's office	6	6	6	7	7	7	7	7	7	7
Mayor and council's office	9	9	9	9	9	9	9	9	9	10
Executive	19	34	37	40	38	45	45	46	50	49
Human resources	6	6	6	7	7	7	8	8	7	7
Finance	38	34	36	37	35	36	36	37	37	37
Police:										
Police officers	106	99	102	104	105	109	107	105	108	110
Civilians	64	69	80	81	81	72	53	58	38	45
Library	15	15	14	14	14	13	13	13	12	12
Parks and recreation	28	29	49	48	50	47	50	50	51	52
Public services	94	91	99	97	94	92	90	90	91	91
Water	76	90	99	111	117	110	109	112	113	112
Sewer	14	14	15	14	22	15	22	19	21	25
Stormwater	25	12	7	8	6	6	7	7	7	8
Total number of employees	<u>506</u>	<u>514</u>	<u>564</u>	<u>582</u>	<u>590</u>	<u>573</u>	<u>561</u>	<u>566</u>	<u>556</u>	<u>570</u>

Source: City of North Miami Beach annual budgets

CITY OF NORTH MIAMI BEACH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety:										
Police:										
Police calls for service	n/a	n/a	n/a	n/a	n/a	n/a	85,611	80,486	81,137	86,685
Parking citations	n/a	n/a	n/a	n/a	n/a	n/a	2,250	3,030	2,532	2,011
Traffic citations	n/a	n/a	n/a	n/a	n/a	n/a	10,360	11,855	12,192	12,043
Arrests	n/a	n/a	n/a	n/a	n/a	n/a	2,185	2,124	2,099	2,266
SRT call outs	n/a	n/a	n/a	45	21	15	17	10	27	26
Community development:										
Building permits issued	2,359	2,603	2,283	2,450	2,212	2,181	2,204	2,376	3,199	3,684
Library:										
Number of registered borrowers	9,404	11,388	14,306	16,243	18,226	20,413	13,170	18,233	22,677	27,096
Total annual circulation	129,051	134,334	143,927	139,084	127,471	135,912	154,987	176,341	159,353	141,858
Total reference transactions	41,441	51,125	46,795	79,936	41,828	111,857	135,836	125,021	137,249	137,683
Annual number of users of public internet computers	n/a	61,531	75,448	73,171						
Parks and recreation:										
After school program enrollment	n/a	n/a	215	254	318	312	283	328	303	312
Summer camp program enrollment	n/a	n/a	n/a	381	374	362	383	406	416	413
Camp No-Mi-Be enrollment (1)	n/a	n/a	n/a	447	454	439	422	370	234	463
Theater camp enrollment	n/a	46	37	26						
Playschool enrollment	n/a	n/a	42	44	38	42	44	35	26	-
Sanitation:										
Refuse collected (tons / year)	n/a	n/a	n/a	n/a	n/a	n/a	40,445	41,612	42,504	53,701
Water:										
Number of customers	30,957	31,041	31,324	31,543	31,730	31,906	32,065	32,164	34,412	32,355
Average daily water consumption (millions of gallons)	28.8	24.9	24.9	25.6	24.5	24.5	24.5	24.5	24.5	24.5
Annual water produced (millions of gallons)	n/a	n/a	n/a	n/a	n/a	5,498	5,500	5,289	4,982	5,391
Sewer:										
Number of customers	6,575	6,552	6,698	6,752	6,877	6,923	6,980	7,010	7,065	7,047
Sources: Various city departments										

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

(1) Drop in enrollment for Camp No-Mi-Be in 2004 & 2005 was because the Highland Oaks middle school facility was closed for remodeling. The North Miami Beach senior high school was used for camp in those years. Camp has resumed at it's previous location and enrollment has increased.

CITY OF NORTH MIAMI BEACH, FLORIDA

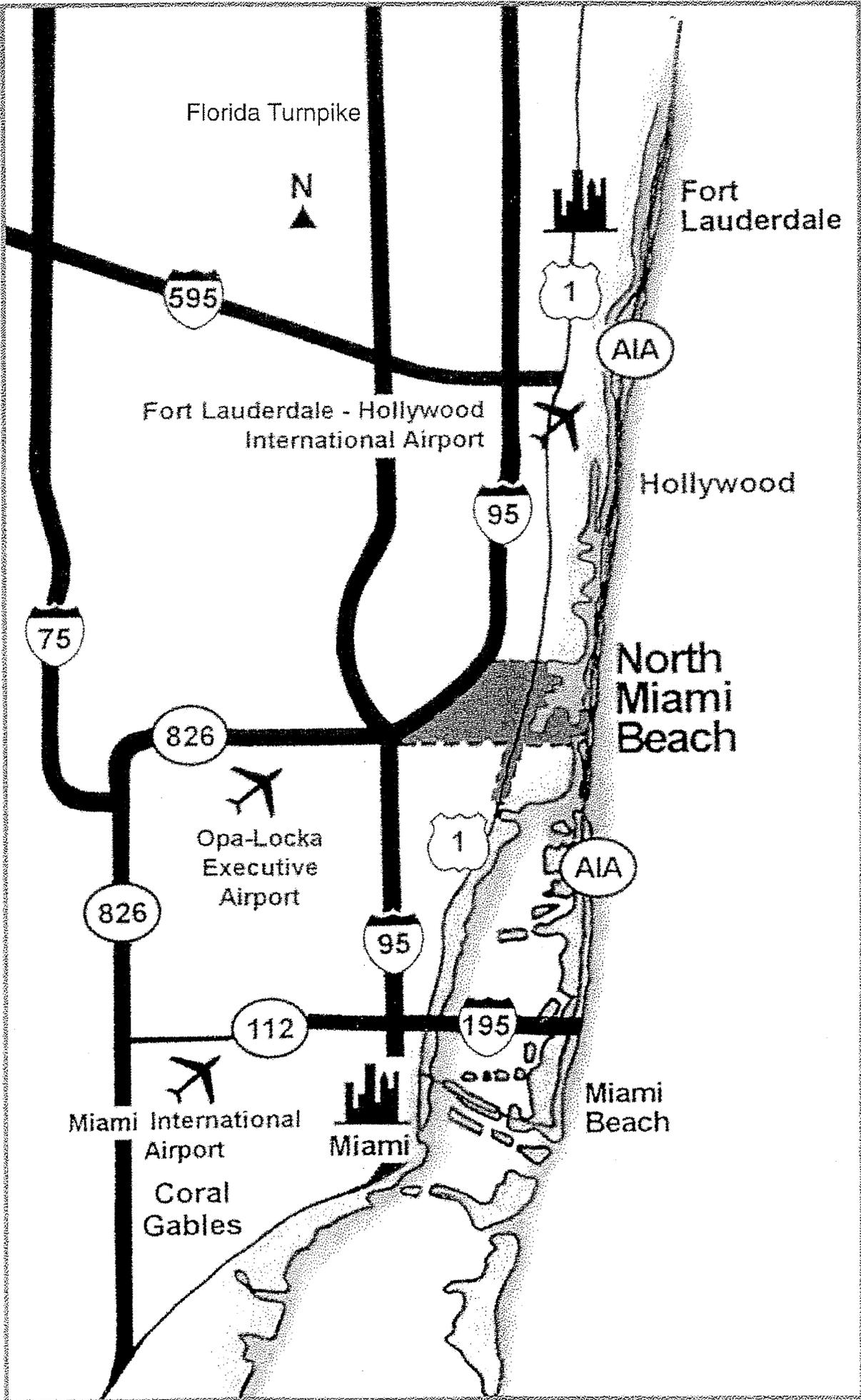
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</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	47966	51,872	53,663	55,433	56,168	53,631	50,724	53,212	51,651	58,523
Number of licensed databases	n/a	n/a	n/a	n/a	n/a	n/a	20	15	15	37
Audio materials volumes	1663	1,754	1,861	2,063	2,018	2,420	2,502	2,972	3,618	3,727
Video materials volumes	1744	1,965	2,587	2,828	3,230	3,538	3,444	4,106	4,005	4,298
Parks and recreation:										
Parks	8	9	9	9	9	9	9	9	9	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	4	4	4	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	n/a	n/a	n/a	49.0	49.0	49.0	49.0
Streets:										
Miles of streets	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0
Water:										
Water mains (miles)	509	515	515	515	515	515	515	515	515	515
Fire hydrants	2,161	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Valves	8,122	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160
Sewer:										
Lift stations	28	29	29	29	29	29	29	29	29	29
Sewer mains (miles)	90	90	90	90	90	90	90	90	90	90

Sources: Various city departments

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



COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund (including the community redevelopment agency special revenue 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

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

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

Rachlin Cohen & Holtz LLP

Miami, Florida
February 17, 2007

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 basic financial statements of the governmental activities, the business-type activities and each major fund (including the community redevelopment agency special revenue fund) and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2007.

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 on Compliance and Other Matters Based on an Audit of Financial Statements, Report of Independent Certified Public Accountants on Compliance and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 16, 2007, 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 govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial report have been followed. The recommendations made in the preceding annual financial audit report have been addressed.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included 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 of North Miami Beach complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, one matter is reported in the schedule of findings and questioned costs.

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Honorable Mayor, City Council and City Manager
City of North Miami Beach, Florida
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The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit found no matters that were required to be disclosed.

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of North Miami Beach was incorporated pursuant to Chapter 15824, 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.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. 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.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the City of North Miami Beach for the fiscal year ended September 30, 2006, 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, 2006.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity'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. The assessment was done as of the fiscal year end. There were no findings that identified deteriorating financial conditions.

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

Rachlin Cohen & Holtz LLP

Miami, Florida
February 17, 2007

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

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

Compliance

We have audited the compliance of the City of North Miami Beach, Florida (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and its state financial assistance projects for the fiscal year ended September 30, 2006. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and its state financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and its state financial assistance projects for the fiscal year ended September 30, 2006.

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Internal Control over Compliance

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

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

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

Rachlin Cohen + Holtz LLP

Miami, Florida
February 16, 2007

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<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 FY2005	\$ 37,871
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2006	<u>84,550</u>
			<u>122,421</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	N/A	N/A	196
Forfeiture Fund - U.S. Treasury Equitable Sharing	N/A	N/A	159,095
Solving Cold Cases with DNA	16.564	2005-DN-BX-K023	16,614
Domestic Violence Grant	16.579	06-JAGC-DADE-30-MB-074	29,220
FY 2004 Weed & Seed Program	16.595	2005-WS-Q5-0042	152,787
FY 2005 Weed & Seed Program	16.595	2005-WS-Q5-0225	43,985
C.O.P.S. Universal Hiring Award	16.710	2003-UM-WX-0025	172,173
C.O.P.S In School Award	16.710	FL01310-2004SHWX0157	88,493
Facility Security and Management (FSM) Project	16.738	2006-DJ-BX-0639	16,478
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	2005-DJ-BX-0935	24,224
Gang Resistance & Training Grant (GREAT Grant)	16.544	2004-JV-FX-0135	17,053
Bulletproof Vest	16.607	N/A	<u>5,820</u>
Subtotal - direct awards			<u>726,138</u>
Passed through the Office of the Attorney General - State of Florida:			
2005-2006 Victims of Crime Act Agreement	16.575	V5232	37,235
Passed through the State of Florida Department of Juvenile Justice:			
GRP Grant - Strengthening Family Program	16.541	N/A	38,087
PanZOu Project - Grant #2	16.541	N/A	9,173
Gang Reduction Grant - FY 2006-07	16.544	D0292834/D0292837	15,904
Gang Reduction Grant - FY 2005-06	16.544	D0139919	<u>80,125</u>
Total U.S. Department of Justice			<u>906,662</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation:			
Lets Eliminate Aggressive Driving	20.600	FS-06-27-09	<u>184,167</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Special Water Infrastructure Award	66.606	XP97428601-2	<u>651,205</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Florida Department of Community Affairs:			
FEMA-1345-DR-FL (Disaster Relief - South Florida Floods of 2000)	83.544	#OIRM-L5-11-23-02-064	865,381
Disaster Relief - Hurricane Wilma	97.036	086-49475-00	3,460,331
Hurricane Wilma Repair Project	97.036	FEMA 1609 DR FL	171,432
North Miami Beach Hurricane Shutters/FEMA Project 1345-0030	97.039	04HM-M5-11-23-02-004	<u>19,893</u>
Total Federal Emergency Management Agency			<u>4,517,037</u>
US DEPARTMENT OF AGRICULTURE			
Natural Resources Conservation Services Grant			
Emergency Watershed Protection Program			
NCRS-USDA Debris Removal Grant - Snake Creek Canal	10.904	69-4209-6-1633	<u>57,928</u>
			<u>\$ 6,439,420</u>

N/A - Not available.

(Continued)

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

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>State Agency/Pass-Through Grantor/Program Title</u>	<u>State CFSA Number</u>	<u>State Grant Number</u>	<u>Expenditures</u>
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Highland Village Wastewater and Stormwater Improvements	37.039	LP6039	\$ 355,630
Highland Village Wastewater and Stormwater Improvements	37.039	LP6039/1	<u>300,000</u>
			<u>655,630</u>
Snake Creek Park Enhancement	37.017	DEP Agreement No. F6137	<u>49,604</u>
Total Florida Department of Environmental Protection			<u>705,234</u>
FLORIDA DEPARTMENT OF STATE - DIVISION OF LIBRARY AND INFORMATION			
State Aid to Libraries Grant Program	45.030	04-ST-36	196
State Aid to Libraries Grant Program	45.030	05-ST-36	<u>33,192</u>
Total Florida Department of State			<u>33,388</u>
Total Expenditures of State Financial Assistance Projects			<u>\$ 738,622</u>

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

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance projects includes the federal and state grant activity of the City of North Miami Beach and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

PRIOR YEAR COMMENTS AND STATUS

Financial Statement Findings

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2005 schedule of findings and questioned costs:

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

- Capital Assets (see item 05-01)
- Inventory Documentation (see item 05-02)

Federal Award and State Financial Assistance Findings and Questioned Costs

There were no federal award or state financial assistance findings and questioned costs reported in the fiscal year ended September 30, 2005 schedule of findings and questioned costs.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Unqualified Opinion

Type of auditor’s report issued:

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weakness? Yes None reported

Non-compliance material to financial statements noted? Yes No

Federal Awards Programs and State Financial Assistance Projects

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

Material weakness(es) identified? Yes No

Reportable condition(s) identified not considered to be material weakness? Yes None reported

Type of auditor’s report issued on compliance for major federal awards programs and state financial assistance projects:

Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Chapter 10.550, Rules of the Auditor General? Yes No

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

<u>Federal Awards Programs</u>	<u>Federal CFDA No.</u>
FEMA-1345-DR-FL (Disaster Relief - South Florida Floods of 2000)	83.544
Disaster Relief - Hurricane Wilma	97.036

State Assistance Projects

Highland Village Improvements	37.039
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Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$300,000
State \$221,587

Auditee qualified as low-risk auditee? Yes no

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

Other Matters

06-01. Disaster Recovery Plan

We noted during our inquiries of the information technologies department that the City has a formal written disaster preparation plan in place for the City's IT systems. While the City formally addresses preparation in its plan, the plan does not address recovery from disasters. The plan should be more comprehensive to include recovery during the time after the event. It is important to have a formal recovery plan in place with all of the hurricanes that have threatened and passed through South Florida over the last few years. Although the City has recovered from the recent hurricanes, it is still important to be prepared to recover from all possible disaster situations.

Cause

The City has not included recovery in its written disaster preparation plan for its computer systems.

Effect

If the City does not have a formal recovery plan in place to get things back up and running, in addition to its preparation plan, it risks not being fully prepared to recover in the event that a disaster occurs.

Recommendation

The City should draft a more comprehensive disaster plan to include recovery. It is as important to address recovery as it is to address preparation in the plan. We did note that the City has recovered from the recent hurricanes but this will ensure the efficient and effective recovery from disasters that the City may face in future years.

View of Responsible Officials and Planned Corrective Actions

The City of North Miami Beach Information Technologies Department does have written Disaster Preparation Procedures, which have been developed during the past several years of hurricane events. These procedures while certainly not exhaustive do provide procedures that secure existing data and voice infrastructure when followed by experienced staff. Full system backup files are regularly secured off-site on a weekly basis and during emergency events are secured off-site on demand.

Our plans are to establish a backup data and voice systems facility at the as yet uncompleted Norwood Water Treatment Plant Expansion Project. This facility is being constructed with this in mind. Upon completion this will provide the opportunity for local redundancy in a relatively "hardened" structure with backup power. Budget requests will be prepared during FY 2007-08 to equip this facility.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.