

Comprehensive Annual Financial Report

of the
City of North Miami Beach, Florida
for the
Fiscal Year Ended
September 30, 2007



CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Prepared by:

Department of Finance

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	i-v
Certificate of Achievement for Excellence in Financial Reporting	vi
List of City Officials	vii
Organization Chart	viii
II. FINANCIAL SECTION	
Report of Independent Certified Public Accountants	1-2
Management's Discussion and Analysis	3-19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Government Funds	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets – Proprietary Funds	25-26
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28-29
Statement of Fiduciary Net Assets – Fiduciary Funds	30
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	31
Notes to Basic Financial Statements	32-71

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

(Continued)

	<u>PAGE</u>
II. FINANCIAL SECTION (Continued)	
Required Supplementary Information (Other than MD&A):	
Budgetary Comparison Schedule – General Fund	72-74
Notes to Budgetary Comparison Schedule	75-76
Schedule of Employer Contributions – General Employees	77
Schedule of Employer Contributions and Other Contributing Entities – Police Officers and Firefighters	78
Schedule of Employer Contributions – General Management Employees	79
Schedules of Funding Progress – General Employees	80
Schedules of Funding Progress – Police Officers and Firefighters	81
Schedules of Funding Progress – General Management Employees	82
Combining, Individual Fund Financial Statements and Schedules:	
Comparative Balance Sheets – General Fund	83
Combining Balance Sheet – Nonmajor Governmental Funds	84-86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	87-89
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transit Surtax Fund	90
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Redevelopment Agency	91
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 2000B	92
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 2002A	93
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 1997-98	94
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 1999 Note	95
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 2000A	96
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 2003B	97
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Funds – Series 2005C	98
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Alley Restoration Program	99
Combining Statement of Fiduciary Net Assets	100
Combining Statement of Changes in Fiduciary Net Assets	101
Statement of Changes in Assets and Liabilities – Agency Fund	102

CITY OF NORTH MIAMI BEACH, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

(Continued)

	<u>PAGE</u>
III. STATISTICAL SECTION	
Net Assets by Component – Last Six Fiscal Years	103
Changes in Net Assets – Last Six Fiscal Years	104
Fund Balances of Governmental Funds – Last Six Fiscal Years	105
Changes in Fund Balances of Governmental Funds – Last Six Fiscal Years	106
Net Assessed Value of Taxable Property – Last Ten Fiscal Years	107
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	108
Principal Property Taxpayers – Current and Nine Years Ago	109
Property Tax Levies and Collections – Last Ten Fiscal Years	110
Water Produced and Consumed – Last Ten Fiscal Years	111
Water Rate History – Last Ten Fiscal Years	112
Principal Water Customers	113
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	114
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	115
Direct and Overlapping Governmental Activities Debt	116
Pledged Revenue Coverage – Last Ten Fiscal Years	117
Demographic and Economic Statistics – Last Ten Fiscal Years	118
Principal Employees/Industries	119
Full-Time City Government Employees by Function – Last Ten Fiscal Years	120
Operating Indicators by Function/Program – Last Ten Fiscal Years	121
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	122
IV. COMPLIANCE SECTION	
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 Performed in Accordance with <i>Government Auditing Standards</i>	123-124
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	125-127
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	128-129
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	130-131
Note to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	132
Summary Schedule of Prior Audit Findings	133
Schedule of Findings and Questioned Costs	134-135

INTRODUCTORY SECTION

April 24, 2008

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

Issued herewith is the Comprehensive Annual Financial Report (CAFR) of the City of North Miami Beach for the fiscal year ended September 30, 2007. The CAFR is issued pursuant to the following requirements:

- ❑ The City's charter requires an annual audit of the books of account, financial records and transactions of all departments of the City by independent certified public accountants.
- ❑ State law requires that within one year of the close of each fiscal year all general purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.



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

Rachlin 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, 2007, 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, 2007, are fairly presented in conformity with GAAP. The report of the independent certified public accountants is presented as the first component of the financial section of this report.

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

Profile of the Government

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

The City of North Miami Beach is a first-tier suburb located in northeastern Miami-Dade County, which is in the southeast part of Florida. Located midway between Miami and Fort



Lauderdale with excellent regional highway access, it is primarily a residential and shopping community. Single-family and multi-family residential uses amount to 38 percent and 12 percent, respectively, of the City's land area. Commercial uses represent 15 percent of the City's land area. Industrial development occupies only 5 percent of the City's land area. Actual manufacturing activities are limited to a few small fabricating enterprises. Recreational uses represent 10 percent of the City's land area. The remaining land area is occupied by schools, churches and other related establishments.

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

The *North Miami Beach Community Redevelopment Agency (the CRA)* was created by the Mayor and City Council on December 21, 2004 by adopting a resolution declaring the Mayor and City Council to be the Agency in accordance with Section 163.357 of the Florida Statutes under the Community Redevelopment Act of 1969, enacted by Florida Legislature. The CRA's board of directors is the City Council. The CRA's chairman is the City's Mayor and the CRA's administrator is the City Manager. The purpose of the CRA is the elimination and prevention of blight conditions within the designated community redevelopment area. The CRA is a special revenue fund of the City of North Miami Beach and, therefore, has been included as a component unit and integral part of the attached financial statements. Additional information on this component unit can be found in the notes to the financial statements starting on page 32.

The annual budget serves as the foundation for the City of North Miami Beach's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager, thereafter, proposes a budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department (e.g., police). No department may legally expend in excess of amounts appropriated for that department within an individual fund. The City Manager may make transfers of appropriations within a department and to a department from his contingency account. Transfers of appropriations between departments, however, require the approval of the City Council. The City Council approves supplemental appropriations; however, the City Manager is granted authority to amend, modify, or otherwise adjust the annual budget to a maximum limit of \$50,000 per individual occurrence. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 72-74 as part of the required supplementary information.

Factors Affecting Financial Condition

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

Local economy. The economy, in general, began to decline in FY 2007 and the decline continues as of the writing of this report. The local economy's difficulties are reflective of those on the national, state, and regional scales. The factors are accentuated in Florida and in the urbanized areas of the southeast Florida region in particular. What was a housing boom turned to a stagnant market and declining home prices in FY 2007. Foreclosures began to rise and ramifications of sub-prime mortgage company failures began directly affecting municipal governments, including North Miami Beach.

Meanwhile, debate and adoption by the legislature of property tax reform with substantial implications for the future of local government revenues took place in FY 2007. Before the close of FY 2007 local governments were mandated to reduce their millage rates.

Long-term financial planning. As a result of the economic downturn and property tax reform, it became evident during FY 2007 that the City's long term financial plans would require adjustment. The FY 2007 budget had placed a priority on enhancements in two functions: crime suppression through the addition of officers to the police force, and the facilitation of substantial new development via the addition of staff in the Building Division. These priorities, along with the activities of the CRA, formed the basis of a strategy which anticipated increased revenues for the City from development, investment, and increased economic activity.



The construction of large-scale projects for which additional staff positions in the building division had been budgeted, did not begin as anticipated in FY 2007. Meanwhile crime suppression continues to be a growing priority. The financial challenge of sustaining these efforts and retaining experienced officers in the face of declining revenues became evident as FY 2007 gave way to FY 2008.

Continuing initiatives. 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 close to final completion and the City will be pumping water from the Floridan Aquifer in FY 2008. Approximately 6 million gallons per day has already been produced from the new membrane system since August 2007.



The first phases of the sewer and stormwater projects in Highland Village were completed in fiscal year 2007. Homeowners within the area where sewers were installed are in the process of making the required connections. Funding to install sewers in the remaining portions of the neighborhood has been secured. In addition to sanitary sewers, this multi-phased project will include stormwater and street improvements in the area.



New initiatives. A resident-driven request for annexation into the City of the unincorporated Windward area near NE 10th Avenue and including the Mall at 163 Street was received by Miami-Dade County. On-going discussions, meetings and negotiations between the City, Miami-Dade County and the residents still remain to be completed.

Implementation of Governmental Accounting Standards Board Statement No. 45, also know as OPEB (other post employment benefits), began with a multi-department planning project headed by the Finance Department. The actuarial consultant was selected and the massive data collection process has been started. The information from the OPEB calculation will be included in next year's financial report.

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. At the end of fiscal year 2007, the unrestricted undesignated General Fund balance was equal to 33 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, 2006. This was the nineteenth 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 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. A special note of thanks and appreciation is also extended to our auditors, Rachlin 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.

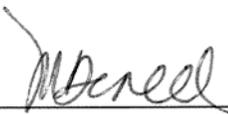
Respectfully submitted,



Keven Klopp
City Manager



Patricia Bliss
Interim Finance Director



Marcia Fennell
Assistant Finance Director

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, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF NORTH MIAMI BEACH, FLORIDA

LIST OF CITY OFFICIALS

SEPTEMBER 30, 2007

COUNCIL - MANAGER FORM OF GOVERNMENT

CITY COUNCIL

Raymond F. Marin, Mayor

Jay R. Chernoff Frantz Pierre

Philippe Derosé Myron Rosner

John P. Julien Phyllis S. Smith

CITY MANAGER

Keven R. Klopp

CITY ATTORNEY

Howard B. Lenard

FINANCE DIRECTOR

Patricia Bliss

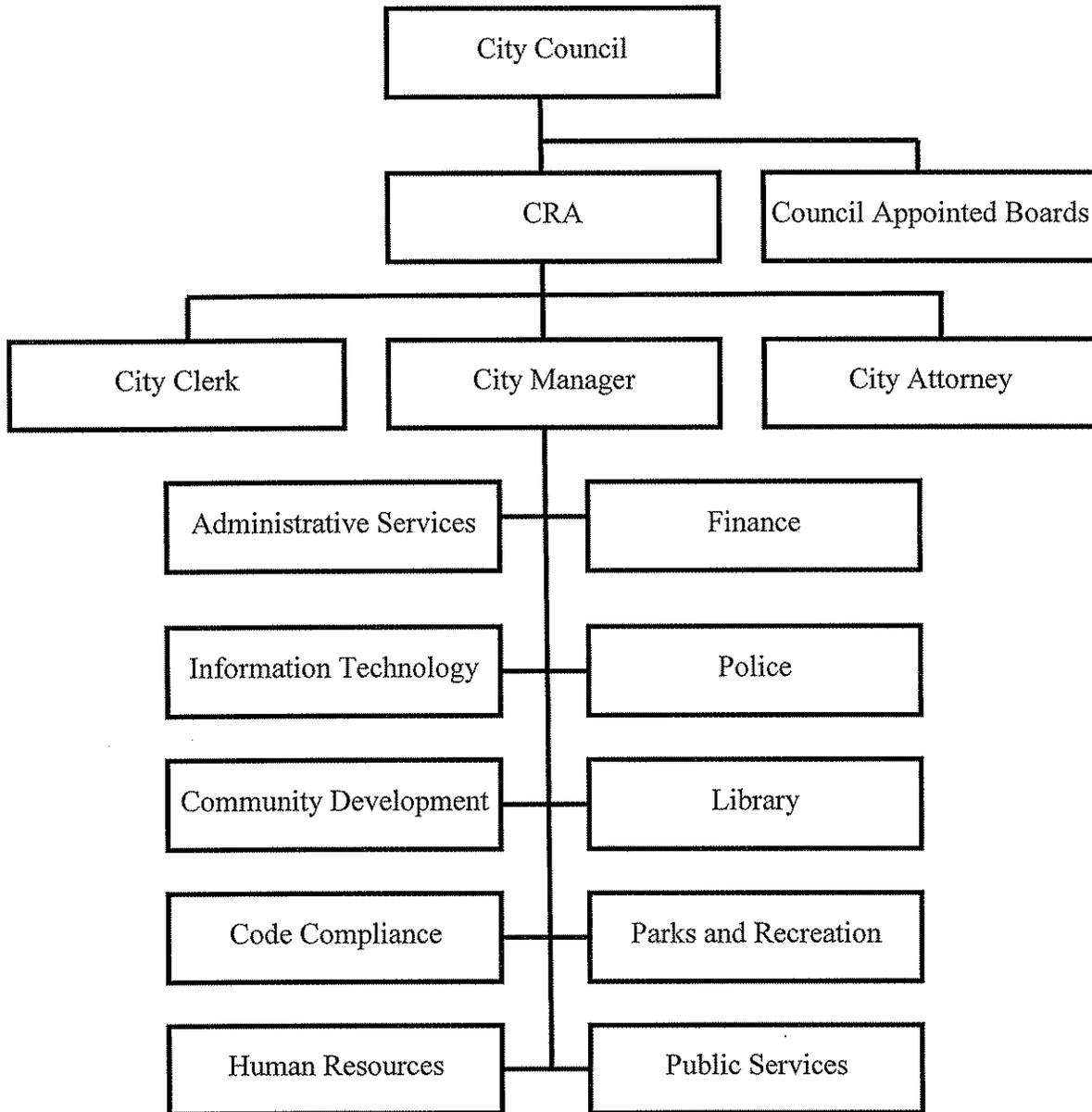
CITY AUDITORS

Rachlin LLP
Accountants ▪ Advisors

CITY OF NORTH MIAMI BEACH, FLORIDA

SEPTEMBER 30, 2007

ORGANIZATION CHART



FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information (including the community redevelopment agency special revenue fund) of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2007, 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 (including the community redevelopment agency special revenue fund) of the City, as of September 30, 2007, 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 April 23, 2008 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.



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 72-82, 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The 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 on them.

Rachlin LLP

Miami, Florida
April 23, 2008

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, 2007. 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 \$113.4 million (*net assets*). Of this amount, \$9.4 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 \$7.9 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 \$13.0 million, a decrease of \$1.5 million in comparison with the prior year. Approximately one third of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$4.7 million, or 9 percent of total *General Fund* expenditures
- At the end of the current fiscal year, unrestricted net assets for the Water Fund were \$4.0 million. This was a significant improvement over last year's negative \$0.7 million.

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).

Management's Discussion and Analysis (continued)

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.

Management's Discussion and Analysis (continued)

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 12 contains information regarding the Community Redevelopment Agency, which is a component unit.

The notes to the basic financial statements can be found on pages 32-71 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 72-82 of this report.

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

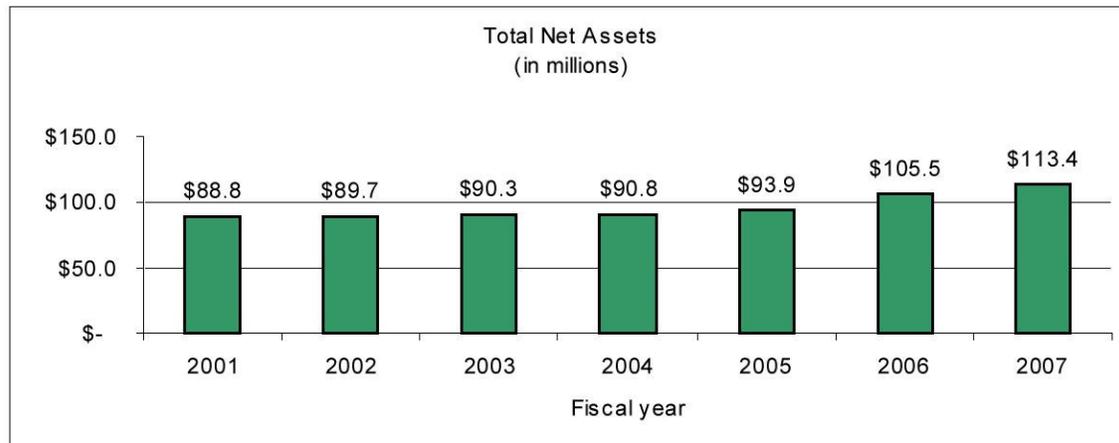
Combining and individual fund statements and schedules can be found on pages 83-102 of this report.

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 \$113.4 million at the close of this fiscal year. This was an increase of seven percent compared to last year's net assets of \$105.5 million. The chart below shows a steady and gradual increase over the last seven fiscal years.

Management's Discussion and Analysis (continued)

City of North Miami Beach's Total Net Assets



The largest portion of the City's net assets (84 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 (8 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, implant, debt service payments, or law enforcement and grant related expenditures.

The remaining balance of unrestricted net assets (8 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 \$4.9 million compared to last fiscal year with the bulk of the increase occurring in the water utility system.

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

	2007			2006		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 17.0	\$ 9.1	\$ 26.1	\$ 16.3	\$ 11.7	\$ 28.0
Restricted assets	1.7	6.3	8.0	5.5	19.9	25.4
Capital assets, net	<u>65.4</u>	<u>148.0</u>	<u>213.4</u>	<u>58.9</u>	<u>135.2</u>	<u>194.1</u>
Total assets	<u>84.1</u>	<u>163.4</u>	<u>247.5</u>	<u>80.7</u>	<u>166.8</u>	<u>247.5</u>
Long-term liabilities	43.2	76.3	119.5	44.0	77.0	121.0
Other liabilities	<u>4.9</u>	<u>9.7</u>	<u>14.6</u>	<u>6.9</u>	<u>14.1</u>	<u>21.0</u>
Total liabilities	<u>48.1</u>	<u>86.0</u>	<u>134.1</u>	<u>50.9</u>	<u>91.1</u>	<u>142.0</u>
Net Assets:						
Invested in capital assets, net of related debt	27.8	67.7	95.5	20.8	60.4	81.2
Restricted	3.4	5.1	8.5	5.0	14.8	19.8
Unrestricted	<u>4.8</u>	<u>4.6</u>	<u>9.4</u>	<u>4.0</u>	<u>0.5</u>	<u>4.5</u>
Total net assets	<u>\$ 36.0</u>	<u>\$ 77.4</u>	<u>\$ 113.4</u>	<u>\$ 29.8</u>	<u>\$ 75.7</u>	<u>\$ 105.5</u>

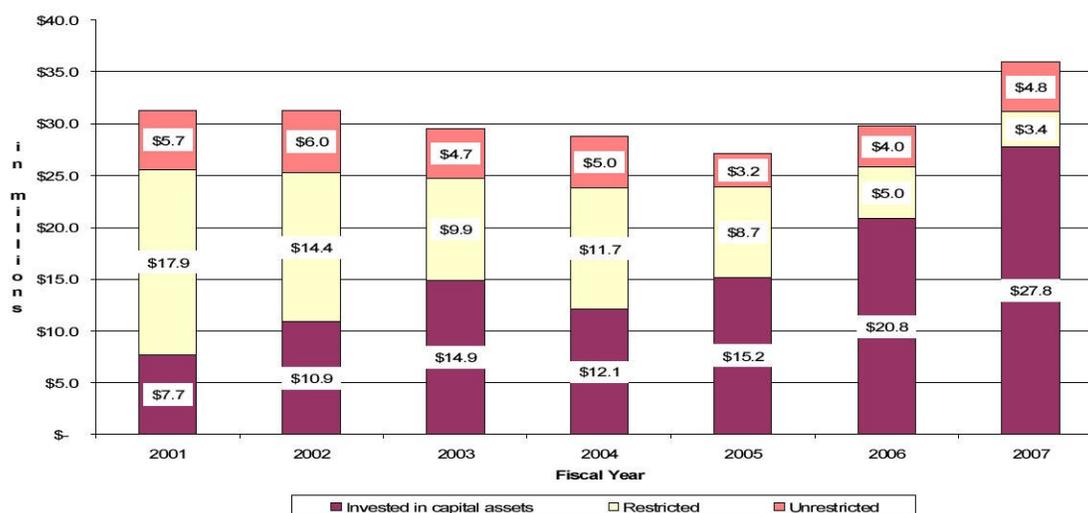
Management's Discussion and Analysis (continued)

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

	2007			2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 19.3	\$ 25.2	\$ 44.5	\$ 18.4	\$ 24.5	\$ 42.9
Operating grants & contributions	3.5	1.3	4.8	2.2	4.4	6.6
Capital grants & contributions	0.1	3.5	3.6	0.1	7.6	7.7
General Revenues:						
Property taxes	19.2	-	19.2	15.8	-	15.8
Other taxes	6.7	-	6.7	6.4	-	6.4
Intergovernmental (including sales tax)	8.1	-	8.1	11.3	-	11.3
Other miscellaneous	2.0	1.3	3.3	1.9	1.8	3.7
Total revenues	58.9	31.3	90.2	56.1	38.3	94.4
Expenses:						
General government	17.4	-	17.4	15.3	-	15.3
Public safety	21.6	-	21.6	20.3	-	20.3
Library	1.2	-	1.2	1.1	-	1.1
Parks and recreation	4.8	-	4.8	4.8	-	4.8
Public services	10.7	-	10.7	14.0	-	14.0
Interest on long-term debt	2.0	-	2.0	2.7	-	2.7
Water	-	19.6	19.6	-	20.1	20.1
Sewer	-	4.2	4.2	-	3.8	3.8
Stormwater	-	0.8	0.8	-	0.7	0.7
Total Expenses	57.7	24.6	82.3	58.2	24.6	82.8
Increase (Decr) in net assets before transfers	1.2	6.7	7.9	(2.1)	13.7	11.6
Transfers	5.0	(5.0)	-	4.8	(4.8)	-
Change in net assets	6.2	1.7	7.9	2.7	8.9	11.6
Net assets - beginning	29.8	75.7	105.5	27.1	66.8	93.9
Net assets - ending	\$ 36.0	\$ 77.4	\$ 113.4	\$ 29.8	\$ 75.7	\$ 105.5

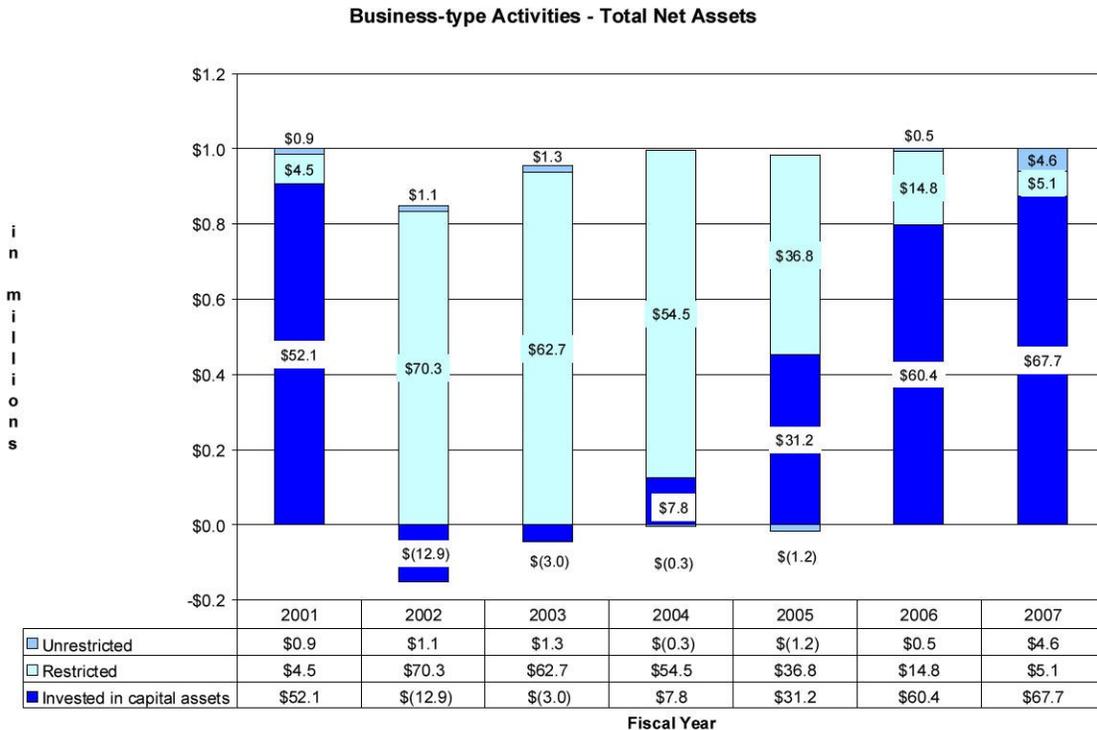
Governmental activities. Net assets of the City's governmental activities increased by twenty-one percent from \$29.8 million in the last fiscal year compared to \$36.0 million in the current fiscal year. Over one-half of the increase was due to revenues received from property taxes which increased by \$3.4 million. The City received an additional \$1.2 million in forfeitures as police related surveillance and task force activities have resumed. Intergovernmental revenue decreased by \$3.2 million mostly due to a reduction in FEMA storm-related reimbursements. Accordingly, storm-related expenditures also decreased. Under an operating grant from Miami-Dade County for its Building Better Communities Grant Program, the City increased its expenditures \$2.0 million while also increasing its revenues by a comparable amount.

Governmental Activities - Total Net Assets



Management's Discussion and Analysis (continued)

Business-type activities. The City's net assets of the business-type activities increased by two percent from \$75.7 million in last fiscal year compared to \$77.4 million in the current fiscal year. A significant decrease of \$9.7 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. The primary decrease in intergovernmental revenue of 66% or \$2.9 million was due to the completion of the Highland Village sewer and stormwater improvement project. 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 slightly increased as new private development in the water and sewer service areas 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

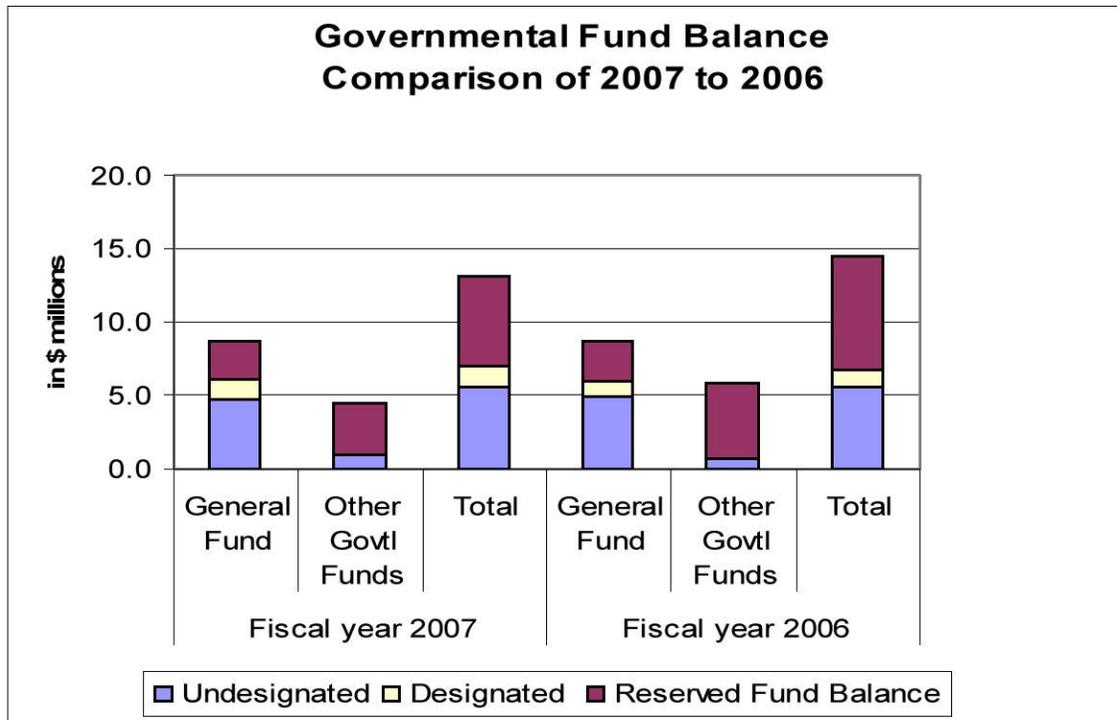
The City of North Miami Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

Management's Discussion and Analysis (continued)

As of the end of the current fiscal year, the City's *governmental funds* reported combined ending fund balances (reserved, designated, and undesignated) of \$13 million, a decrease of \$1.5 million in comparison with the prior year. The decrease was due to several factors including a decrease of \$3.2 million in the 2003B Surtax Fund as transportation construction projects were completed and a net increase of \$1.2 million in seized assets received from criminal activities and held in the three police forfeiture funds.

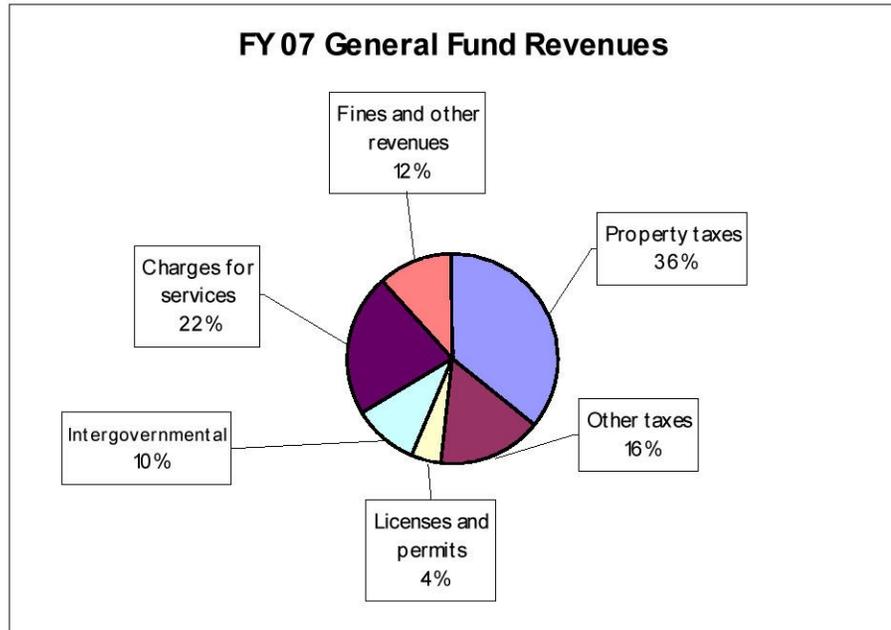
Unreserved fund balance is the portion of what is available for spending at the City's discretion. This year, 54 percent of fund balance (\$7 million) constitutes unreserved fund balance. Of this amount, the Council has designated \$1.4 million for land acquisition, liability and workers' compensation claims and an additional \$0.9 million has been set aside for special grant and transportation purposes. 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.



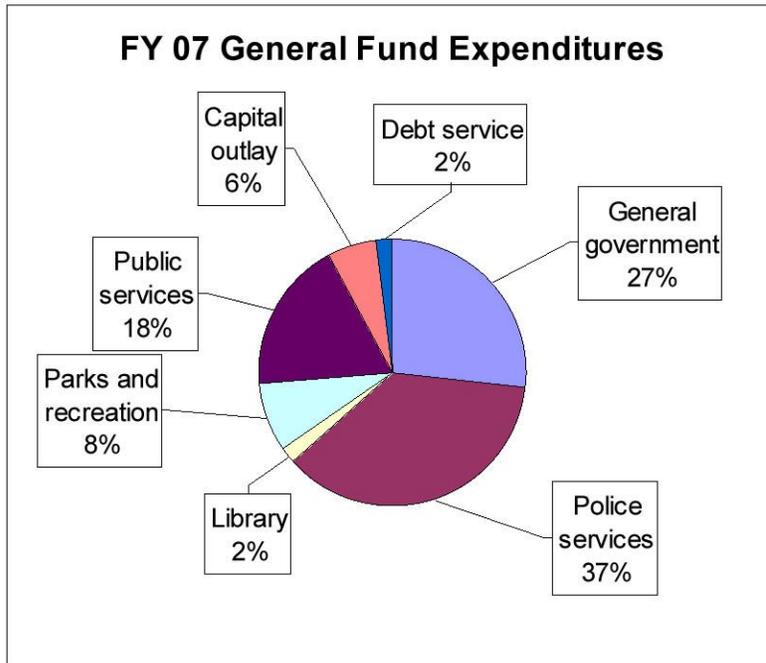
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$4.7 million, unreserved designated fund balance was \$1.4 million and reserved fund balance was \$2.5 million, for a total fund balance of \$8.6 million. Last fiscal year the General Fund's total fund balance was \$8.7 million.

Management's Discussion and Analysis (continued)

Total General Fund revenue increased by a nominal \$100,000 compared to the prior fiscal year. Increases in property valuation increased property tax revenue by \$3.3 million or 24 percent as the housing market in south Florida especially along waterfront properties continued to rise. Mercifully, the fiscal year 2007 hurricane season was mild. The lack of FEMA storm related reimbursements attributed to \$3.1 million of the overall \$3.2 million decrease in intergovernmental revenues.



Total General Fund expenditures also increased by a nominal amount compared to the prior year. Storm-related expenses especially in the Public Services area decreased significantly due to the mild hurricane season. This impacted all expenditures including overtime, contractual services,



tipping fees, fuels and lubricants and operating supplies as well as maintenance and repair accounts. Normal salary and benefit costs also continued to rise. The City's required contribution to the pension plans increased by \$0.8 million compared to last year. Additionally, the three-year IUPA (police) union contract that was negotiated went into effect starting fiscal year 2007. Both IUPA and AFSCME union employees received a 4.5% wage increase during fiscal year 2007.

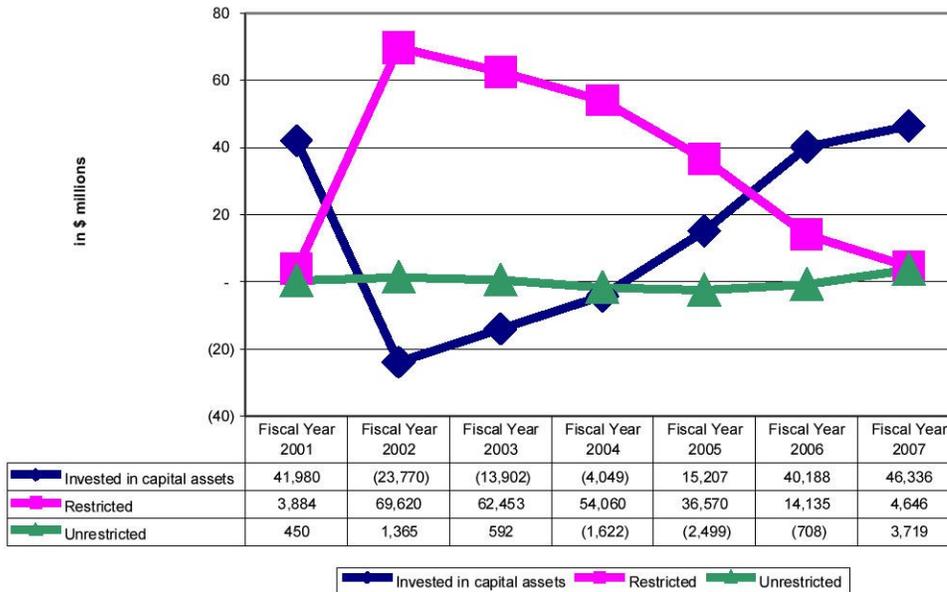
Management's Discussion and Analysis (continued)

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 \$4.1 million due primarily to the Water Fund alone increasing \$4.7 million. Unrestricted net assets at the end of the year for the Water Fund, Sewer Fund, and Stormwater Fund amounted to \$3.7 million, \$0.7 million, and \$0.2 million, respectively for a total of \$4.6 million.

The Water Fund's unrestricted net assets increased by \$4.4 million. The City's unrestricted net assets reflect all liabilities that are not related to capital assets or restricted assets. In general, *accounting statements* show a liability when it is incurred while *financing and budgeting statements* focus on when a liability is paid. The City budgets for and raises operating revenues during the year in which a liability is to be liquidated, rather than during the year in which the liability is incurred. As the below 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 and impact fee revenue decreased by \$3.2 million compared to last year. The effects of the weak outlook in the commercial property segment and high-rise condominium construction markets have started to impact these revenue sources. This resulted in the developer-required contributions and impact fees decreasing by 50 percent this year.

This in turn decreased 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

Management's Discussion and Analysis (continued)

in future fiscal years. In fiscal year 2007, \$13 million was expended from all restricted funding sources. The majority of the expenditures were for the water treatment plant.

In the Sewer Fund, net assets increased by \$0.5 million and in the Stormwater Fund, net assets increased by \$0.1 million. Intergovernmental revenues in both funds decreased as the grant related activity of the City's portion of the Highland Village Sewer and Stormwater improvement project was completed. The remaining work to be performed includes the individual residents' connection into the new system.

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

	2007				2006			
	Water Utility	Sewer Utility	Stormwater Utility	Total	Water Utility	Sewer Utility	Stormwater Utility	Total
Revenues:								
Operating Revenues	\$ 18.8	\$ 5.1	\$ 1.3	\$ 25.2	\$ 18.2	\$ 5.1	\$ 1.1	\$ 24.4
Expenses:								
Operating Expenses	14.0	3.4	0.6	18.0	14.8	3.2	0.5	18.5
Depreciation	2.5	0.6	0.1	3.2	2.5	0.6	0.1	3.2
Total Expenses	16.5	4.0	0.7	21.2	17.3	3.8	0.6	21.7
Operating Income	2.3	1.1	0.6	4.0	0.9	1.3	0.5	2.7
Non-operating revenue (expense)	(1.0)	0.3	(0.1)	(0.8)	0.3	2.2	0.8	3.3
Capital contributions	3.2	0.3	-	3.5	6.3	1.3	-	7.6
Transfers	(3.4)	(1.2)	(0.4)	(5.0)	(3.2)	(1.0)	(0.5)	(4.7)
Change in net assets	1.1	0.5	0.1	1.7	4.3	3.8	0.8	8.9
Net assets - beginning	53.6	19.5	2.6	75.7	49.3	15.7	1.8	66.8
Net assets - ending	\$ 54.7	\$ 20.0	\$ 2.7	\$ 77.4	\$ 53.6	\$ 19.5	\$ 2.6	\$ 75.7

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 72-74 of this report.

Differences between the *original budget* and the *final amended budget* amounted to \$1.4 million this year and can be briefly summarized as follows:

- New or expanded capital improvement projects, including a new pedestrian bridge over Snake Creek at Columbia Park, increased expenditures by \$1 million. This was funded from reserved, designated or undesignated (surplus) fund balance.
- Increases in required pension plan contributions totaled \$417,000 and were funded when additional unanticipated revenue including intergovernmental funding 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:

- Due to the change in the housing market, actual building permits and fees experienced a negative variance of \$1.5 million compared to the budgeted amount.
- As per City policy, use of unreserved surplus is included in the revenue budget. For statement purposes, it is shown in Other Revenue.
- Overall, departments' current expenditures were in line with budgeted expenditures.
- Unspent City Manager contingency of \$534,000 was used to assist the underfunding of building permit revenue.

Management's Discussion and Analysis (continued)

- Public services department experienced a \$637,000 positive variance compared to the projected budget due to savings in tipping fees and employee overtime expenses.
- Additionally, line of credit financing proceeds totaling \$1.4 million was not utilized.

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, 2007 amounted to \$213.3 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 10 percent.

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

	2007			2006		
	<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	\$ 5.9	\$ 10.2	\$ 4.3	\$ 5.6	\$ 9.9
Buildings and plant	11.8	65.6	77.4	13.1	64.6	77.7
Improvements other than buildings	7.2	-	7.2	6.7	-	6.7
Furniture, fixtures, machinery and equipment	7.3	2.5	9.8	6.3	2.1	8.9
Infrastructure	3.6	-	3.6	3.8	-	3.8
Construction in progress	<u>31.1</u>	<u>74.0</u>	<u>105.1</u>	<u>24.7</u>	<u>62.4</u>	<u>87.1</u>
Total capital assets	<u>\$ 65.3</u>	<u>\$ 148.0</u>	<u>\$ 213.3</u>	<u>\$ 58.9</u>	<u>\$ 135.2</u>	<u>\$ 194.1</u>

Approximately \$10.0 million in capital assets was acquired within governmental activities and includes the following items:

- Additional improvements and restorations to Hanford Boulevard, in its third phase, totaled \$4.0 million in constructions costs.
- Major renovations and improvements to the pools within the Victory Pool Complex totaled \$2.2 million in construction related costs.
- Major upgrade to the police portable radio system and the purchase of several new police vehicles totaled \$0.9 million.
- Equipment purchases of \$1.6 million included new vehicles for various departments, the upgrade of computers and laptops, the upgrade of audio visual equipment and the replacement of library books.
- Construction in progress citywide totaled \$1.3 million. This construction and improvements included street renovation and resurfacing, installation of bus shelters,

Management's Discussion and Analysis (continued)

park fencing replacements, tot-lot improvements and renovations to sanitation buildings due to hurricane damages.

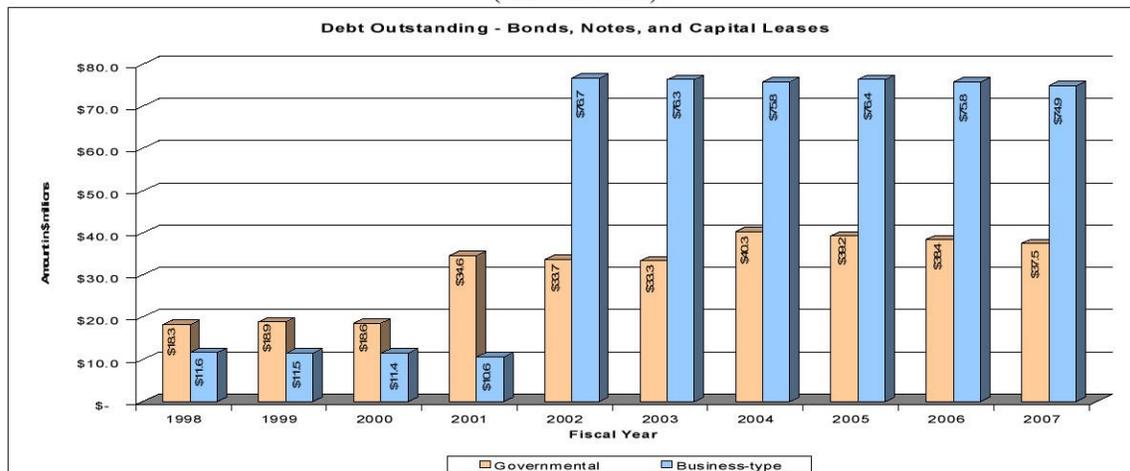
Business-type activities acquired approximately \$18.8 million in capital assets prior to depreciation. The majority of the increase in capital assets is attributed to the continued expansion of the water treatment plant project.

- The Norwood Water Treatment Plant construction increased by an additional \$13.0 million in construction related costs and is near completion. The majority of the construction is attributed to the substantial completion of the administration building and the installation of an underground water distribution system.
- Additional water plant improvement purchases totaling \$1.0 million included the purchase of several standby power generators for various new water plant and other water storage facilities.
- Equipment purchases of \$0.6 million included the purchase of a security system for the water plant, related lab equipment for the water plant, vehicles for various departments and heavy-duty service vehicles.
- Continuation of the enhancement of the rehabilitation of the sewer pump stations to include infrastructure improvements and the installation of a new pump station totaled \$2.8 million.
- Construction-in-progress totaled \$ 1.4 million for various projects, such as the Strand Canal Crossing, alleyway main improvements, water main relocations and road restorations.

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

Long-term Debt. The following chart reflects the City's outstanding bonded debt as well as notes and capital leases. As shown below, Governmental Activities debt increased in 2001 with the issuance of the voter-approved Proud Neighborhood bonds and increased again in 2004 with the issuance of the pledged Transit Surtax bonds. In 2002, the Norwood Water Treatment Plant bonds significantly increased the Business-type Activities debt.

City of North Miami Beach's Outstanding Debt
General Obligation and Revenue Bonds, Notes Payable and Capital Leases
(In \$ millions)



Management's Discussion and Analysis (continued)

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

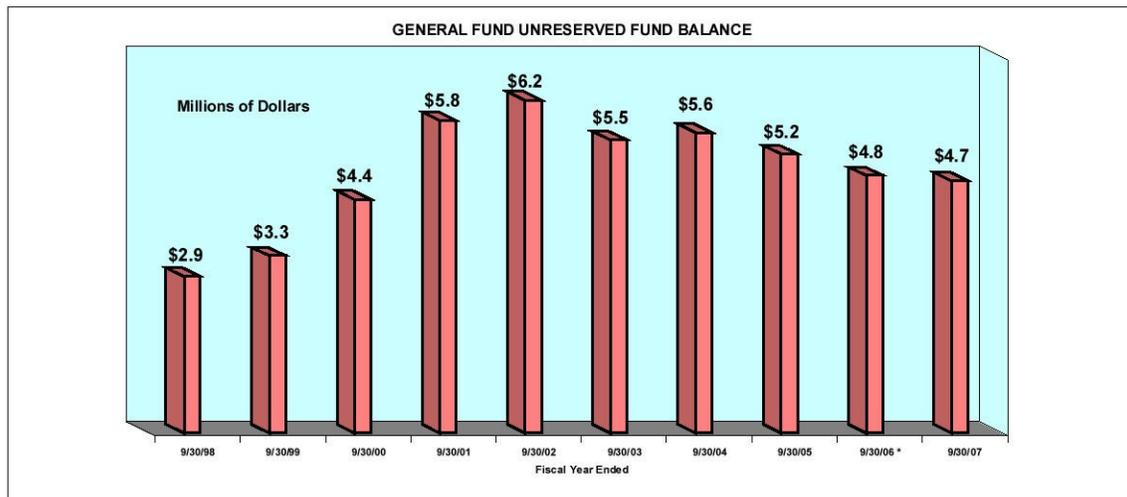
At the end of the current fiscal year, the City had total bonded debt outstanding of \$107.0 million. Of this amount, \$26.5 million in debt was approved by referendum by the City's voters. The guaranteed portion of State Revenue Sharing was pledged to secure a net outstanding balance of \$1.7 million in debt. The remainder of the City's debt (\$78.6 million) represents bonds secured solely by specified revenue sources, such as water utility revenue and transit surtaxes. Additionally, no new bond issues or refinancing occurred and normal debt service repayments resulted in an overall \$1.7 million decrease in outstanding bonded debt. Additional information on the City's long term debt can be found in Note 8 starting on page 49 of this report.

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 issues in Florida's tourism industry as a whole.

Per the U. S. Department of Labor, the unemployment rate for South Florida is currently 4.2 percent, up from 3.7 percent a year ago. This rate is the same as the state's average unemployment rate of 4.2 percent and lower than the national average rate of 4.7 percent. The 2007 Consumer Price Index for all items in the region increased 2.9 percent, higher than the national average of 2.8 percent.

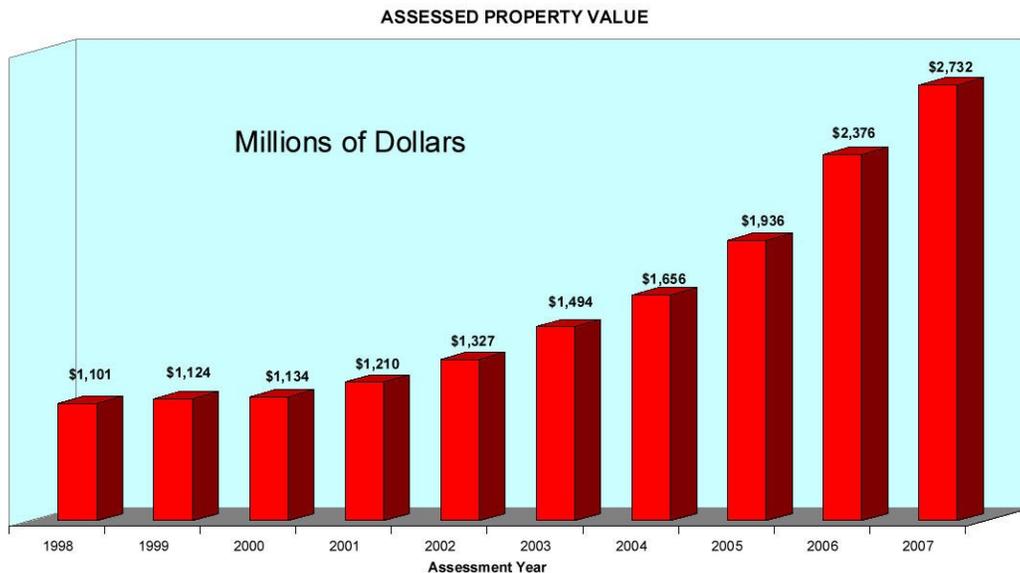
During the current fiscal year, unreserved undesignated fund balance in the General Fund decreased to \$4.7 million. This unreserved undesignated fund balance is approximately equal to 33 days of General Fund expenditures. Fiscal prudence influenced the City's decision to build up its fund balance; therefore, no unreserved fund balance was appropriated for use in the 2008 fiscal year budget. The City's unreserved fund balance is shown in the following graph.



Management's Discussion and Analysis (continued)

Each year, the City renews a short-term line of credit to be used for emergencies, such as hurricane expenses, as well as for operating expenses while awaiting receipt of property tax revenue. Of the \$4 million available in the line of credit, \$2 million from the prior note was repaid in December 2006. No additional draws were made for the remainder of fiscal year 2007.

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.



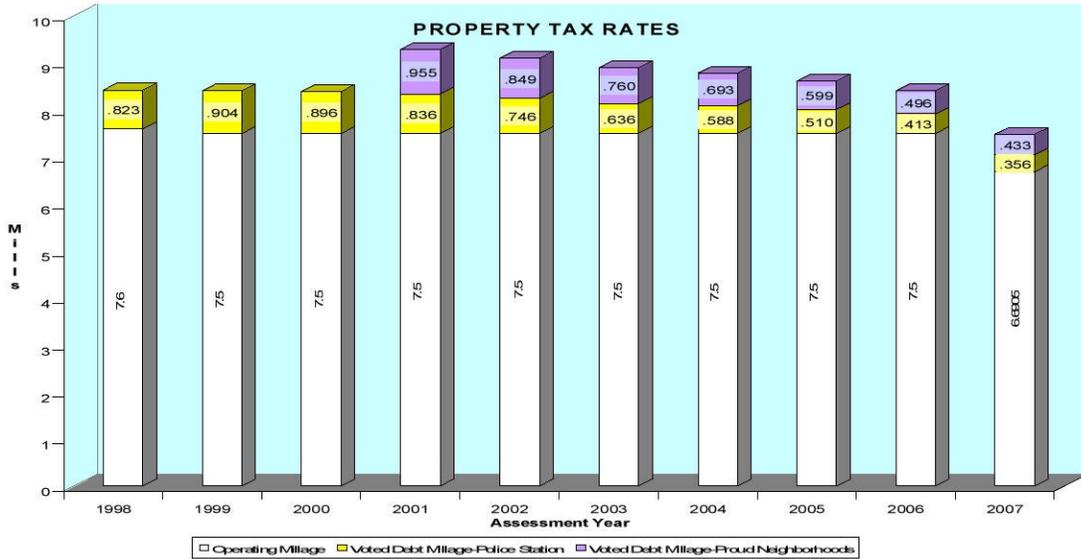
Statutory changes to the state's tax laws were passed by the Florida Legislature on June 14, 2007 and signed into law on June 21, 2007. Implementation of a key provision of the law started for budgets beginning in fiscal year 2008 and provided maximum millage rates for all local governments including counties, municipalities and special taxing districts. The maximum millage allowed is based on each government's compound annual growth in per capita property taxes levied from fiscal year 2002 to 2007. In effect, the State required all governments to decrease property taxes by rolling back the operating millage rate to fiscal year 2002 values. The City lowered its millage rate by 11% changing the rate from 7.50 to 6.6905. Additional property tax reforms will occur starting in fiscal year 2009 with the January 29, 2008 voter-approved Constitutional Amendment changes. These changes will further reduce the City's ability to increase taxes.

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 Property Tax Rates graph indicates, the City's operating millage (property tax rate) has been reduced or has remained steady over the last ten years with the exception of the 2007 when it dropped to 6.6905 mills. The new tax laws dramatically changed the 2007 millage rate. While these mandates have limited the City's available property tax revenue, the City's operational expenditures, such as salaries, health insurance, and pension contributions, continue to increase. The City negotiated a one-year

Management's Discussion and Analysis (continued)

contract with the general employee's union, which will expire on September 30, 2008. The police employee's union contract will expire on September 30, 2009.

City of North Miami Beach's Property Tax Rates – Ten Year History



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.

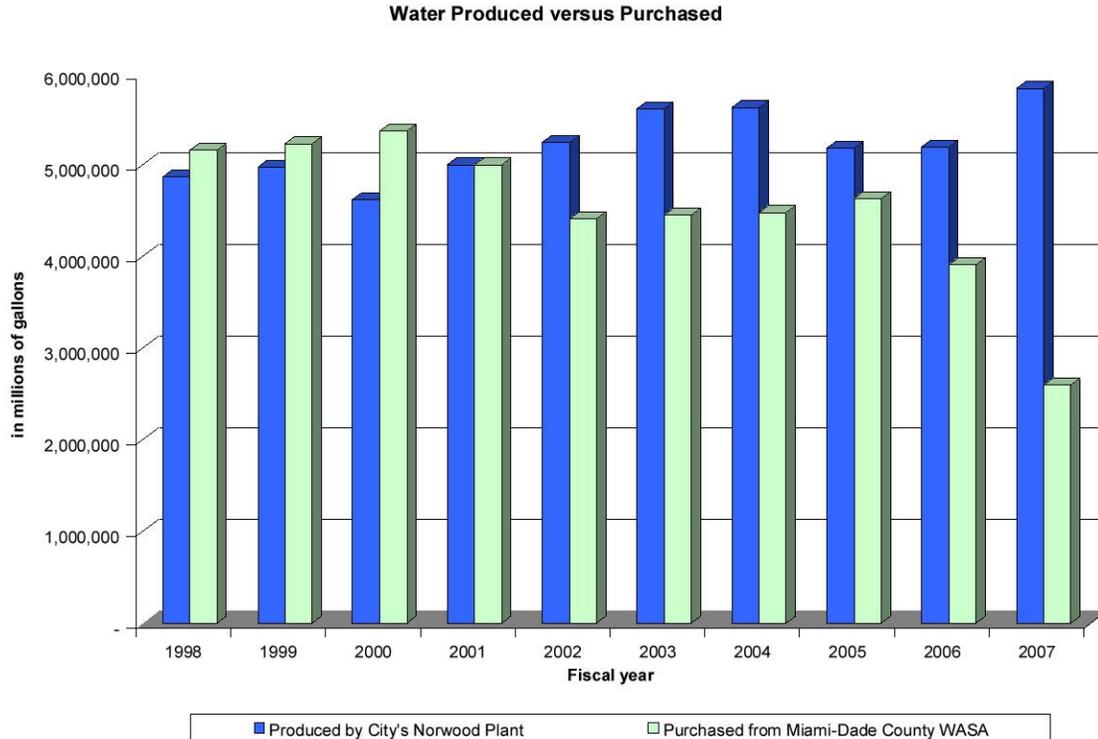
Besides property taxes, the City's other major revenue source is water utility revenue. For water and sewer rates, an automatic annual rate indexing adjustment is in effect in accordance with the Florida Public Service Commission deflator index. For the fiscal year 2007 budget, the adjustment increased 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.

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 new Norwood Water Treatment Plant production capacity will almost double, producing up to 32 million gallons per day. Because of the expansion, the City of North Miami Beach is the first water supplier in Miami-Dade County to utilize an alternative water supply and new membrane filtration technology. The project is expected to be completed in April 2008. Since September 2007, the new membrane system has been producing 6 million gallons per day of water. The City will continue to purchase water from the County on a wholesale basis to offset the difference between demand and production; however, the amount of water purchased has decreased substantially since September 2007.

Management's Discussion and Analysis (continued)

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



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

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

Moreover, the fiscal year 2008 budget process focused on revenue enhancements and expenditure containment throughout the City. The correction in the housing market is now entering its second year. During this period both commercial construction and residential construction declines were

Management's Discussion and Analysis (continued)

felt in the City's budget as building permit revenue has decreased and impact fees that affect the water and general funds have leveled off. All these factors will be considered in preparing the City's future budgets.

Requests for Information

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

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Patricia Bliss, 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, 2007

	<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	\$ 6,947,231	\$ 844,366	\$ 7,791,597
Receivables	8,148,010	6,349,906	14,497,916
Inventories	268,509	540,870	809,379
Prepaid costs	103,283	64,731	168,014
Deferred charges	-	1,346,379	1,346,379
Other assets	45,100	-	45,100
Net pension asset	1,542,488	-	1,542,488
Restricted assets:			
Pooled cash and investments	-	1,344,883	1,344,883
Escrow funds held by agent	789,829	4,793,361	5,583,190
Escrow funds held by lessor	915,778	132,029	1,047,807
Capital assets, not being depreciated	35,399,986	79,887,188	115,287,174
Capital assets, net of accumulated depreciation	<u>29,958,846</u>	<u>68,105,189</u>	<u>98,064,035</u>
Total assets	<u>84,119,060</u>	<u>163,408,902</u>	<u>247,527,962</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	2,739,085	2,925,680	5,664,765
Due to other governmental units	-	3,084,325	3,084,325
Customer deposits	-	3,724,096	3,724,096
Unearned revenue	1,180,634	-	1,180,634
Deposits held in trust	972,930	-	972,930
Noncurrent liabilities:			
Due within one year	4,097,144	1,274,900	5,372,044
Due in more than one year	<u>39,140,859</u>	<u>74,942,490</u>	<u>114,083,349</u>
Total liabilities	<u>48,130,652</u>	<u>85,951,491</u>	<u>134,082,143</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	27,797,426	67,749,988	95,547,414
Restricted for:			
Fireflow	-	379,364	379,364
Inplant	-	344,244	344,244
Capital equipment	-	132,029	132,029
Capital projects	1,098,207	4,239,515	5,337,722
Debt service	251,688	-	251,688
Law enforcement	1,903,344	-	1,903,344
Grant related	115,948	-	115,948
Unrestricted	<u>4,821,795</u>	<u>4,612,271</u>	<u>9,434,066</u>
Total net assets	<u>\$ 35,988,408</u>	<u>\$ 77,457,411</u>	<u>\$ 113,445,819</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Program Revenues			Primary Government		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business- type Activities
	Total	Total	Total	Total	Total		Total
Primary government:							
Governmental activities:							
General government	\$ 17,433,052	\$ 7,882,811	\$ 56,050	-	\$ (9,494,191)	\$ (9,494,191)	
Public safety	21,628,844	2,375,828	387,518	27,152	(18,838,346)	(18,838,346)	
Library	1,191,709	31,429	-	-	(1,160,280)	(1,160,280)	
Parks and recreation	4,805,097	523,498	9,670	-	(4,271,929)	(4,271,929)	
Public works	10,659,359	8,504,069	3,094,496	-	939,206	939,206	
Interest on long-term debt	1,970,961	-	-	-	(1,970,961)	(1,970,961)	
Total governmental activities	57,689,022	19,317,635	3,547,734	27,152	(34,796,501)	(34,796,501)	
Business-type activities:							
Water	19,924,298	18,805,140	1,281,106	3,186,465	-	3,348,413	
Sewer	3,932,839	5,068,264	219,270	360,496	-	1,715,191	
Stormwater	755,371	1,291,196	-	-	-	535,825	
Total business-type activities	24,612,508	25,164,600	1,500,376	3,546,961	-	5,599,429	
Total	\$ 82,301,530	\$ 44,482,235	\$ 5,048,110	\$ 3,574,113	(34,796,501)	(29,197,072)	
General revenues:							
Property taxes					19,154,749	-	
Utility taxes					2,336,310	-	
Franchise fees on gross receipts					1,914,203	-	
Communication service tax					2,460,466	-	
Sales taxes					2,725,111	-	
State revenue sharing and other unrestricted intergovernmental					5,373,288	-	
Unrestricted interest earnings				674,253	883,866	1,558,119	
Miscellaneous				1,282,960	326,898	1,609,858	
Transfers				5,009,409	(5,009,409)	-	
Total general revenues and transfers				40,930,749	(3,798,645)	37,132,104	
Change in net assets				6,134,248	1,800,784	7,935,032	
Net assets - beginning				29,854,160	75,656,627	105,510,787	
Net assets - ending				\$ 35,988,408	\$ 77,457,411	\$ 113,445,819	

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 3,181,725	\$ 3,765,506	\$ 6,947,231
Accounts receivables	5,044,534	3,103,476	8,148,010
Due from other funds	2,373,719	164,071	2,537,790
Advances to other funds	60,200	-	60,200
Inventories	268,509	-	268,509
Prepaid costs	70,791	32,492	103,283
Escrow funds held by agent	-	789,829	789,829
Escrow funds held by lessor	915,778	-	915,778
Other assets	45,100	-	45,100
Total assets	<u>\$ 11,960,356</u>	<u>\$ 7,855,374</u>	<u>\$ 19,815,730</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 1,579,816	\$ 478,846	\$ 2,058,662
Deposits held in trust	972,930	-	972,930
Due to other funds	-	2,537,790	2,537,790
Advances from other funds	-	60,200	60,200
Deferred revenue	855,462	325,172	1,180,634
Total liabilities	<u>3,408,208</u>	<u>3,402,008</u>	<u>6,810,216</u>
Fund balances:			
Reserved:			
Encumbrances	2,028,996	216,202	2,245,198
Grant related	-	115,948	115,948
Law enforcement	-	1,903,344	1,903,344
Inventories	268,509	-	268,509
Prepaid costs	70,791	492	71,283
Impact fees	2,768	-	2,768
Advances	60,200	-	60,200
Debt service	-	251,688	251,688
Construction	-	1,098,207	1,098,207
Unreserved reported in:			
General fund:			
Undesignated	4,673,022	-	4,673,022
Designated for liability claims	632,292	-	632,292
Designated for workers' compensation claims	708,074	-	708,074
Designated for land acquisition	107,496	-	107,496
Special revenue funds	-	867,485	867,485
Total fund balances	<u>8,552,148</u>	<u>4,453,366</u>	<u>13,005,514</u>
Total liabilities and fund balances	<u>\$ 11,960,356</u>	<u>\$ 7,855,374</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.	65,358,832
Net pension asset	1,542,488
Accrued interest on long term debt	(680,423)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(43,238,003)
Net assets of governmental activities	<u>\$ 35,988,408</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, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 17,103,879	\$ 2,050,870	\$ 19,154,749
Franchise fees	1,914,203	-	1,914,203
Utility taxes	2,336,310	-	2,336,310
Communication service tax	2,460,466	-	2,460,466
Other taxes	791,926	-	791,926
Licenses and permits	2,100,637	-	2,100,637
Intergovernmental	4,870,519	2,968,126	7,838,645
Charges for services	10,437,251	-	10,437,251
Fines and forfeitures	435,084	1,927,586	2,362,670
Grants	-	3,790,474	3,790,474
Other	4,880,631	71,646	4,952,277
Interest	295,933	378,320	674,253
Total revenues	<u>47,626,839</u>	<u>11,187,022</u>	<u>58,813,861</u>
Expenditures:			
Current:			
General government	14,405,575	1,140,531	15,546,106
Police services	19,416,495	1,624,072	21,040,567
Library	1,059,691	1,818	1,061,509
Parks and recreation	4,528,853	167,700	4,696,553
Public services	9,859,528	302,077	10,161,605
Capital outlay	3,167,043	6,833,899	10,000,942
Debt service:			
Principal	942,018	1,304,676	2,246,694
Interest and other fiscal charges	129,100	1,878,558	2,007,658
Total expenditures	<u>53,508,303</u>	<u>13,253,331</u>	<u>66,761,634</u>
Deficiency of revenues over expenditures	<u>(5,881,464)</u>	<u>(2,066,309)</u>	<u>(7,947,773)</u>
Other financing sources (uses):			
Transfers in	5,323,450	2,039,334	7,362,784
Transfers out	(977,947)	(1,375,428)	(2,353,375)
Lease proceeds	1,425,420	-	1,425,420
Total other financing sources (uses)	<u>5,770,923</u>	<u>663,906</u>	<u>6,434,829</u>
Net change in fund balances	(110,541)	(1,402,403)	(1,512,944)
Fund balances - beginning	8,662,689	5,855,769	14,518,458
Fund balances - ending	<u>\$ 8,552,148</u>	<u>\$ 4,453,366</u>	<u>\$ 13,005,514</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, 2007

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)	\$(1,512,944)
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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	\$ 10,000,942	
Depreciation expense	<u>(3,477,620)</u>	
Net adjustment		6,523,322

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>1,425,420</u>	
Principal payments:		
General obligation and capital improvement bonds	1,204,676	
Notes payable	100,000	
Master leases	<u>942,018</u>	
	<u>2,246,694</u>	
Net adjustment		821,274

Amortization of net pension asset	429,015
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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	(190,336)
Accrued interest	14,484
Estimated claims	78,000
Other items	<u>(28,567)</u>

Change in net assets of governmental activities (Page 21)	<u>\$ 6,134,248</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, 2007

Business-type Activities -
Enterprise Funds

<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	\$ 350,493	\$ 492,484	\$ 1,389	\$ 844,366
Accounts receivable, net	4,745,574	1,349,310	255,022	6,349,906
Inventories	540,870	-	-	540,870
Due from other funds	67,961	-	-	67,961
Prepaid costs	26,410	19,293	19,028	64,731
Restricted assets:				
Pooled cash and investments - fireflow	931,655	-	-	931,655
Pooled cash and investments - inplant	-	413,228	-	413,228
Escrow funds held by agent	550,776	-	-	550,776
Escrow funds held by lessor	27,055	104,731	243	132,029
Total current assets	<u>7,240,794</u>	<u>2,379,046</u>	<u>275,682</u>	<u>9,895,522</u>
Non-current assets:				
Restricted assets:				
Escrow funds held by agent	4,239,515	-	3,070	4,242,585
Deferred charges - unamortized issuance costs	1,346,379	-	-	1,346,379
Capital assets, net of accumulated depreciation	<u>123,970,693</u>	<u>19,090,546</u>	<u>4,931,138</u>	<u>147,992,377</u>
Total non-current assets	<u>129,556,587</u>	<u>19,090,546</u>	<u>4,934,208</u>	<u>153,581,341</u>
Total assets	<u>136,797,381</u>	<u>21,469,592</u>	<u>5,209,890</u>	<u>163,476,863</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

(Continued)

SEPTEMBER 30, 2007

Business-type Activities -
Enterprise Funds

	<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>	<u>Totals</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 1,518,957	\$ 199,114	\$ 7,302	\$ 1,725,373
Due to other governmental units	2,620,204	464,121	-	3,084,325
Due to other funds	-	-	67,961	67,961
Customer deposits	3,363,341	360,755	-	3,724,096
Current portion of compensated absences	200,011	36,260	763	237,034
Current portion of revenue bonds payable	509,487	-	-	509,487
Current portion of notes payable	-	-	104,000	104,000
Current portion of master lease payable	190,622	132,328	101,429	424,379
Current liabilities payable from restricted assets:				
Vouchers payable and accrued liabilities - fireflow	552,291	-	-	552,291
Vouchers payable and accrued liabilities - inplant	28,256	68,984	-	97,240
Vouchers payable and accrued liabilities - bonds	550,776	-	-	550,776
Total current liabilities	<u>9,533,945</u>	<u>1,261,562</u>	<u>281,455</u>	<u>11,076,962</u>
Non-current liabilities:				
Compensated absences	416,180	67,722	42,530	526,432
Notes payable	-	-	2,094,000	2,094,000
Master lease payable	169,712	120,904	54,744	345,360
Revenue bonds payable	71,526,992	-	-	71,526,992
Unamortized bond premium	447,880	-	-	447,880
Unamortized investment premium	1,826	-	-	1,826
Total non-current liabilities	<u>72,562,590</u>	<u>188,626</u>	<u>2,191,274</u>	<u>74,942,490</u>
Total liabilities	<u>82,096,535</u>	<u>1,450,188</u>	<u>2,472,729</u>	<u>86,019,452</u>
Net assets:				
Invested in capital assets, net of related debt	46,335,709	18,837,314	2,576,965	67,749,988
Restricted for fireflow	379,364	-	-	379,364
Restricted for inplant	-	344,244	-	344,244
Restricted for capital equipment	27,055	104,731	243	132,029
Restricted for capital improvement project	4,239,515	-	-	4,239,515
Unrestricted	3,719,203	733,115	159,953	4,612,271
Total net assets	<u>\$54,700,846</u>	<u>\$20,019,404</u>	<u>\$2,737,161</u>	<u>\$77,457,411</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, 2007

Business-type Activities - Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Operating revenues:				
Service revenues	<u>\$ 18,805,140</u>	<u>\$ 5,068,264</u>	<u>\$ 1,291,196</u>	<u>\$ 25,164,600</u>
Operating expenses:				
Operating, administrative and maintenance	14,028,833	3,327,660	523,923	17,880,416
Depreciation	<u>2,529,810</u>	<u>590,263</u>	<u>129,805</u>	<u>3,249,878</u>
Total operating expenses	<u>16,558,643</u>	<u>3,917,923</u>	<u>653,728</u>	<u>21,130,294</u>
Operating income	<u>2,246,497</u>	<u>1,150,341</u>	<u>637,468</u>	<u>4,034,306</u>
Non-operating revenue (expense):				
Intergovernmental	1,281,106	219,270	-	1,500,376
Interest income	826,709	56,524	633	883,866
Interest expense	(3,365,655)	(14,916)	(101,643)	(3,482,214)
Other income	<u>301,648</u>	<u>2,387</u>	<u>22,863</u>	<u>326,898</u>
Total non-operating revenue (expense)	<u>(956,192)</u>	<u>263,265</u>	<u>(78,147)</u>	<u>(771,074)</u>
Income before contributions and transfers	<u>1,290,305</u>	<u>1,413,606</u>	<u>559,321</u>	<u>3,263,232</u>
Capital contributions	223,842	-	-	223,842
Impact fees	2,962,623	360,496	-	3,323,119
Transfers out	<u>(3,390,563)</u>	<u>(1,221,683)</u>	<u>(397,163)</u>	<u>(5,009,409)</u>
	<u>(204,098)</u>	<u>(861,187)</u>	<u>(397,163)</u>	<u>(1,462,448)</u>
Change in net assets	1,086,207	552,419	162,158	1,800,784
Net assets, beginning	<u>53,614,639</u>	<u>19,466,985</u>	<u>2,575,003</u>	<u>75,656,627</u>
Net assets, ending	<u>\$ 54,700,846</u>	<u>\$ 20,019,404</u>	<u>\$ 2,737,161</u>	<u>\$ 77,457,411</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities - <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Cash flows from operating activities:				
Cash received from customers	\$ 19,088,440	\$ 5,056,161	\$ 1,270,841	\$ 25,415,442
Cash payments to suppliers	(13,426,313)	(3,403,820)	(773,031)	(17,603,164)
Cash payments to employees	(4,684,136)	(443,916)	(273,668)	(5,401,720)
Net cash provided by operating activities	<u>977,991</u>	<u>1,208,425</u>	<u>224,142</u>	<u>2,410,558</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	<u>(3,390,563)</u>	<u>(1,221,683)</u>	<u>(397,163)</u>	<u>(5,009,409)</u>
Cash flows from capital and related financing activities:				
Capital contributions	223,842	-	-	223,842
Impact fees	2,962,623	360,496	-	3,323,119
Intergovernmental revenue	2,466,835	910,150	474,400	3,851,385
Acquisition and construction of capital assets	(14,176,941)	(1,520,640)	(108,757)	(15,806,338)
Interest paid	(3,365,655)	(14,916)	(101,643)	(3,482,214)
Deferred charges - issuance costs	45,415	-	-	45,415
Payments on master lease payable	(196,840)	(120,497)	(98,269)	(415,606)
Payments on bonds payable	(490,324)	-	-	(490,324)
Payments on notes payable	-	-	(102,000)	(102,000)
Net cash provided by (used in) capital and related financing activities	<u>(12,531,045)</u>	<u>(385,407)</u>	<u>63,731</u>	<u>(12,852,721)</u>
Cash flows from investing activities:				
Interest income	<u>826,709</u>	<u>56,524</u>	<u>633</u>	<u>883,866</u>
Net decrease in pooled cash and investments	(14,116,908)	(342,141)	(108,657)	(14,567,706)
Pooled cash and investments, beginning	<u>20,216,402</u>	<u>1,352,584</u>	<u>113,359</u>	<u>21,682,345</u>
Pooled cash and investments, ending	<u>\$ 6,099,494</u>	<u>\$ 1,010,443</u>	<u>\$ 4,702</u>	<u>\$ 7,114,639</u>
Pooled cash and investments per statement of net assets:				
Unrestricted	\$ 350,493	\$ 492,484	\$ 1,389	\$ 844,366
Restricted	<u>5,749,001</u>	<u>517,959</u>	<u>3,313</u>	<u>6,270,273</u>
	<u>\$ 6,099,494</u>	<u>\$ 1,010,443</u>	<u>\$ 4,702</u>	<u>\$ 7,114,639</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, 2007

Business-type Activities -
Enterprise Funds

	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$2,246,497</u>	<u>\$1,150,341</u>	<u>\$ 637,468</u>	<u>\$4,034,306</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,529,810	590,263	129,805	3,249,878
Other income	301,648	2,387	22,863	326,898
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	(98,649)	(34,634)	(43,879)	(177,162)
Due from other funds	(67,961)	-	-	(67,961)
Inventories	(84,027)	-	-	(84,027)
Prepaid costs	9,332	1,399	661	11,392
Increase (decrease) in:				
Customer deposits	138,930	18,745	-	157,675
Vouchers payable and accrued liabilities	(3,991,229)	(480,967)	(13,804)	(4,486,000)
Due to other funds	-	(37,717)	(508,972)	(546,689)
Due to other governmental units	(6,360)	(1,392)	-	(7,752)
Total adjustments	<u>(1,268,506)</u>	<u>58,084</u>	<u>(413,326)</u>	<u>(1,623,748)</u>
Net cash provided by operating activities	<u>\$ 977,991</u>	<u>\$1,208,425</u>	<u>\$ 224,142</u>	<u>\$2,410,558</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 98,010</u>	<u>\$ 78,940</u>	<u>\$ -</u>	<u>\$ 176,950</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2007

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 18,803
Cash held with trustee	947	-
Investments:		
Cash management funds	2,483,402	-
Mutual funds	35,898,211	-
U.S. Government securities	15,030,896	-
Corporate bonds	3,175,986	-
Common stocks	68,904,869	-
Accrued interest and dividends	295,410	-
Other receivables	168,631	-
Total assets	125,958,352	18,803
<u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	117,338	-
Deposits held in trust	-	18,803
Total liabilities	117,338	18,803
Net assets held in trust for pension benefits	\$ 125,841,014	\$ -

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, 2007

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 2,520,626
Employer	6,608,084
State/County	<u>737,481</u>
Total contributions	<u>9,866,191</u>
Investment income:	
Net appreciation in fair value of investments	9,425,319
Interest and dividends	5,619,389
Investment expenses	<u>(232,253)</u>
Net investment income	<u>14,812,455</u>
Total additions	<u>24,678,646</u>
DEDUCTIONS	
Pension benefits	7,420,436
Refunds of contributions	182,150
Administrative expenses	<u>205,207</u>
Total deductions	<u>7,807,793</u>
Net increase	16,870,853
Net assets held in trust for pension benefits:	
Beginning	<u>108,970,161</u>
Ending	<u>\$ 125,841,014</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

<u>Contents</u>	<u>Page</u>
Note 1 Summary of Significant Accounting Policies	32-38
Note 2 Deposits and Investments	39-44
Note 3 Receivables	44-45
Note 4 Capital Assets	45-47
Note 5 Restricted Assets	47
Note 6 Interfund Receivables, Payables and Transfers	47-48
Note 7 Short-Term Debt Instruments and Liquidity	49
Note 8 Long-Term Debt	49-57
Note 9 Other Information	57-59
Note 10 Employee Retirement Systems	59-68
Note 11 Defined Contribution Plan	68
Note 12 Community Redevelopment Agency	68-69
Note 13 Subsequent Events	69-71

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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 in excess of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that 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 other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Property Taxes

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

Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The County bills and collects all property taxes for the City. Due to the immaterial amount of any additional property taxes receivable after the 60 day period, no additional accrual is made in the government-wide financial statements, or in the fund financial statements.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The Florida Legislature passed House Bill 1B on Thursday, June 14, 2007. This legislation includes substantial requirements affecting the 2007-08 millage and budget adoption process over which the Department of Revenue has given oversight responsibilities. The millage rate to finance general governmental services for the year ended September 30, 2007 was 6.6905 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 0.7889 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.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

GASB Statement No. 40 *Deposits and Investment Risks Disclosures* (GASB Statement No. 40) amends GASB No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements* and is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2007:

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or 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

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

The State Board of Administration Pool (SBA) is part of the Florida 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 Florida 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 Florida 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. In accordance with GASB Statement No. 31, the SBA has reported that the Local Government Surplus Funds Trust Fund is a "2a-7 like" pool and, therefore, these investments are valued using the pooled share price.

The Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 218.415(15), Florida Statutes, for units of local government in Florida. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The Trustees of the Trust are designated as having official custody

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

of the 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 FMIvT is a Local Governmental Investment Pool (LGIP), and therefore considered an external investment pool for GASB reporting purposes. The City's investment is the FMIvT portfolio, not the individual securities held within each portfolio.

The three Pension Trust Plans are also authorized to invest in common stocks, corporate bonds rated "A" or better by Standard & Poor's Corporation or "A" or better by Moody's bond ratings.

Deposits and Investments

Deposits and investments as of September 30, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and short-term investments	\$ 7,791,597
Restricted cash and short-term investments	1,344,883

Statement of Fiduciary Net Assets:

Cash and short-term investments	947
Investments	125,493,364
Total cash and investments	<u>\$ 134,630,791</u>

Cash on hand, deposits and investments as of September 30, 2007 consist of the following:

Governmental and Business-type Investments:

Cash on hand	\$ 15,050
Deposits with financial institutions	1,111,069
SBA	7,915,976
FMIvT	94,385

General Employees Pension Plan:

Deposits with financial institutions	208
Investments in mutual funds	55,427,066

Police Officers and Firefighters Pension Plan:

Deposits with financial institutions	739
Investments in mutual funds	41,188,829
Investments	18,206,883

Management Employees Pension Plan:

Investments in mutual funds	<u>10,670,586</u>
Total cash and investments	<u>\$ 134,630,791</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. A credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations.

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

It is the City's intention to limit its investment in these investment types to the top rating issued by NRSROs. Excess funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA does not have a rating from a NRSRO. As of September 30, 2007, the City's investment in the state investment pool is not rated by any rating agencies.

FMIvT investment guidelines state that each fund will seek to maintain a bond fund credit rating from a nationally recognized statistical rating organization of AAA. Funds having an AAA bond fund credit rating are composed of a preponderance of assets that carry the highest credit ratings from a NRSRO. Funds having an AA bond fund credit rating are composed of a large percentage of assets that carry the highest credit rating from a NRSRO. The funds may invest in corporate bonds issued by any corporation in the United States with at least an A rating and collateralized mortgage obligations having a rating of AAA. At September 30, 2007, Standard & Poor's rated the portfolio's investment, AAA 1/S1+.

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

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Governmental and Business-Type Investments:		
SBA	NR (not rated)	\$ 7,915,976
FMIvT	AAA 1/S1+	94,385
Total Governmental and Business-Type Investments		<u>\$ 8,010,361</u>
General Employees Pension Plan:		
Mutual funds	AA	\$ 55,427,066
Total General Employees Pension Plan		<u>\$ 55,427,066</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures (Continued)

Credit Risk (Continued)

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Police Officers and Firefighters Pension Plan:		
Mutual funds	AA	\$ 41,188,829
U.S. treasuries	AAA	2,904,455
U.S. agencies	AAA	8,932,565
U.S. agencies	NR (not rated)	3,193,877
Corporate bonds	AAA	1,686,896
Corporate bonds	AA+	33,478
Corporate bonds	AA	155,250
Corporate bonds	AA-	373,728
Corporate bonds	A+	278,936
Corporate bonds	A	283,598
Corporate bonds	A-	346,192
Corporate bonds	BBB+	17,908
Total Police Officers and Firefighters Pension Plan		<u>\$ 59,395,712</u>
Management Employees Pension Plan:		
FMIvT	AAA 1/S1+	\$ 10,670,586
Total Management Employees Pension Plan		<u>\$ 10,670,586</u>
Total all investments		<u>\$ 133,503,725</u>

Custodial Credit Risk

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

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

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

Concentration Credit Risk

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures (Continued)

Concentration Credit Risk (Continued)

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

All three Pension Trust Plan's investment policies have limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of any Plan's net assets at September 30, 2007.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt instruments as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a "2a-7 like" pool.

The City does not have a formal policy regarding the interest rate risk. It is the City's intention to make investments to provide sufficient liquidity to pay obligations as they become due. For City funds, SBA meets the 2a-7 pool requirements; thus, no interest rate disclosures are necessary. The City's investments and the FMIvT enhanced cash portfolio are expected to maintain a dollar weighted average maturity of 90 days or less. As of September 30, 2007, the weighted average maturity was 41 days.

The General Employees Pension 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.

As a means of limiting its exposure to interest rate risk, the Police Officers and Firefighters Pension Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities. Neither State law nor the Police Officers and Firefighters Pension Plan's investment policy limits maturity term on fixed income holdings. Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Police Officers and Firefighters Pension Plan's investments by maturity at September 30, 2007.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures (Continued)

Interest Rate Risk (Continued)

Police Officers and Firefighters Pension Plan:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 2,904,455	\$ -	\$ 1,876,776	\$ 605,763	\$ 421,916
U.S. agencies	12,126,442	115,374	4,078,795	4,853,770	3,078,503
Corporate bonds	3,175,986	109,734	1,051,264	390,888	1,624,100
	<u>\$ 18,206,883</u>	<u>\$ 225,108</u>	<u>\$ 7,006,835</u>	<u>\$ 5,850,421</u>	<u>\$ 5,124,519</u>

The General Management Employees Pension Plan's investments are all mutual funds not subject to interest rate risk; therefore, no specific interest rate risk policy exists.

Risks and Uncertainties

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

NOTE 3. RECEIVABLES

Receivables as of September 30, 2007 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	\$ 1,332,096	\$ 2,631,265	\$ 559,332	\$ 136,201	\$ -	\$ 4,658,894
Unbilled	1,181,966	1,273,334	449,261	118,681	-	3,023,242
Franchise and utility	598,842	-	-	-	-	598,842
Intergovernmental	-	835,504	219,270	140	345,107	1,400,021
Grants	-	-	-	-	2,373,126	2,373,126
Other	1,544,185	5,471	-	-	385,243	1,934,899
Property taxes	387,445	-	299,598	-	-	687,043
Gross receivables	<u>5,044,534</u>	<u>4,745,574</u>	<u>1,527,461</u>	<u>255,022</u>	<u>3,103,476</u>	<u>14,676,067</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>178,151</u>	<u>-</u>	<u>-</u>	<u>178,151</u>
Net total receivables	<u>\$ 5,044,534</u>	<u>\$ 4,745,574</u>	<u>\$ 1,349,310</u>	<u>\$ 255,022</u>	<u>\$ 3,103,476</u>	<u>\$ 14,497,916</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>\$ 1,180,634</u>
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NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,295,359	\$ -	\$ -	\$ 4,295,359
Construction in progress	24,651,681	6,568,530	(115,584)	31,104,627
Total capital assets, not being depreciated	<u>28,947,040</u>	<u>6,568,530</u>	<u>(115,584)</u>	<u>35,399,986</u>
Capital assets, being depreciated:				
Buildings	29,169,038	1,545	-	29,170,583
Improvements other than buildings	12,082,749	1,024,015	-	13,106,764
Infrastructure	5,559,430	-	-	5,559,430
Capital lease equipment	2,894,225	1,813,886	-	4,708,111
Furniture, fixtures, machinery and equipment	26,166,557	680,086	-	26,846,643
Total capital assets being depreciated	<u>75,871,999</u>	<u>3,519,532</u>	<u>-</u>	<u>79,391,531</u>
Less accumulated depreciation for:				
Buildings	(16,049,911)	(1,272,367)	-	(17,322,278)
Improvements other than buildings	(5,369,659)	(525,895)	-	(5,895,554)
Infrastructure	(1,738,656)	(206,541)	-	(1,945,197)
Capital lease equipment	(797,381)	(503,183)	-	(1,300,564)
Furniture, fixtures, machinery and equipment	(21,999,457)	(969,634)	-	(22,969,091)
Total accumulated depreciation	<u>(45,955,064)</u>	<u>(3,477,620)</u>	<u>-</u>	<u>(49,432,684)</u>
Total capital assets, being depreciated, net	<u>29,916,934</u>	<u>41,912</u>	<u>-</u>	<u>29,958,846</u>
Governmental activities capital assets, net	<u>\$ 58,863,974</u>	<u>\$ 6,610,442</u>	<u>\$ (115,584)</u>	<u>\$ 65,358,832</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 5,644,250	\$ 228,117	\$ -	\$ 5,872,367
Construction in progress	62,444,592	14,399,061	(2,828,832)	74,014,821
Total capital assets, not being depreciated	<u>68,088,842</u>	<u>14,627,178</u>	<u>(2,828,832)</u>	<u>79,887,188</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 (Continued)</u>				
Capital assets, being depreciated:				
Buildings and utility plant	106,202,081	3,551,903	-	109,753,984
Capital lease equipment	1,627,350	228,447	-	1,855,797
Machinery and equipment	<u>10,826,694</u>	<u>404,592</u>	-	<u>11,231,286</u>
Total capital assets being depreciated	<u>118,656,125</u>	<u>4,184,942</u>	-	<u>122,841,067</u>
Less accumulated depreciation for:				
Buildings and utility plant	(41,586,059)	(2,595,776)	-	(44,181,835)
Capital lease equipment	(323,235)	(275,934)	-	(599,169)
Machinery and equipment	<u>(9,576,706)</u>	<u>(378,168)</u>	-	<u>(9,954,874)</u>
Total accumulated depreciation	<u>(51,486,000)</u>	<u>(3,249,878)</u>	-	<u>(54,735,878)</u>
Total capital assets, being depreciated, net	<u>67,170,125</u>	<u>935,064</u>	-	<u>68,105,189</u>
Business-type activities capital assets, net	<u>\$ 135,258,967</u>	<u>\$ 15,562,242</u>	<u>\$ (2,828,832)</u>	<u>\$ 147,992,377</u>

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

Governmental activities:	
General government	\$2,207,235
Public safety	560,193
Library	130,200
Parks and recreation	91,694
Public works services	<u>488,298</u>
Total depreciation expense – governmental activities	<u>\$3,477,620</u>
Business-type activities:	
Water	\$2,529,810
Sewer	590,263
Stormwater	<u>129,805</u>
Total depreciation expense – business-type activities	<u>\$3,249,878</u>

Commitments

In August 2002, the City issued \$66,385,000 of Florida Municipal Loan Council, Series 2002B Bonds for the expansion and modernization of its Norwood Water Treatment Plant and Well Fields. The engineering and design phase of the project was started immediately after the bond issuance, and was completed in February 2004. Various projects were completed during the fiscal year 2007. The Norwood Water Treatment Plant Expansion Phase I is approximately 95 percent complete. The new membrane treatment system has been in limited operation since August 2007 and has been producing 6 million gallons per day of membrane treated water. The project is expected to be completed in April 2008. After the expansion, the City of North Miami Beach will be the first water supplier in Miami-Dade County to utilize an alternative water supply and membrane filtration technology, with water production capacity of

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. CAPITAL ASSETS (Continued)

Commitments (Continued)

32 million gallons per day. Approximately \$58 million has been spent to date on engineering, design and construction. Outstanding obligations at fiscal year end totaled \$4 million and there is \$4 million balance to be expended. During the current fiscal year, the City capitalized interest in the amount of \$336,000 relating to the above construction project. The inception to date of capitalized interest totals \$2,166,000. 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 \$793,000 reserved fund balance, approximately \$85,000 represents outstanding encumbrances, which leaves approximately \$708,000 to be expended.

NOTE 5. RESTRICTED ASSETS

The balances of the restricted asset accounts in the Enterprise Funds as of September 30, 2007 are as follows:

Water escrow funds held by agent	\$4,790,291
Water escrow funds held by lessor	27,055
Sewer escrow funds held by lessor	104,731
Stormwater escrow funds held by agent	3,070
Stormwater escrow funds held by lessor	243
Water fireflow	931,655
Sewer inplant	413,228
Total enterprise fund restricted assets	\$6,270,273

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2007 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	FY07 Amount	Purpose
General Fund	FEMA Disaster 1345 DR FL	\$ 24,641	Provide temporary funding
General Fund	FRDAP - Victory Pool	200,000	Provide temporary funding
General Fund	DOT Access Management Study	25,987	Provide temporary funding
General Fund	MPO Study Grants	59,489	Provide temporary funding
General Fund	Weed & Seed Program	72,403	Provide temporary funding
General Fund	GRP Grant - Strengthen Family Programs	19,608	Provide temporary funding

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

Due to/from other funds (Continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>FY07 Amount</u>	<u>Purpose</u>
General Fund	Panzou Project - Grant # 2	51,078	Provide temporary funding
General Fund	Panzou Project - Grant # 3	26,525	Provide temporary funding
General Fund	Panzou Grant - Federal	32,000	Provide temporary funding
General Fund	2000B Bonds Debt Service Fund	361,348	Provide temporary funding
General Fund	MDC Building Better Communities GOB Program	<u>1,500,640</u>	Provide temporary funding
Total General Fund		<u>2,373,719</u>	
LETF US Treasury Fund	Lets Eliminate Aggressive Driving	15,337	Provide temporary funding
LETF State Forfeiture Fund	Victims of Crime Act Grant	3,050	Provide temporary funding
LETF US Treasury Fund	Solving Cold Cases with DNA	35,982	Provide temporary funding
LETF US Treasury Fund	North Miami Beach Weed & Seed	35,794	Provide temporary funding
LETF US Treasury Fund	Great Grant	11,474	Provide temporary funding
LETF US Treasury Fund	Facility Security & Management	22,478	Provide temporary funding
LETF US Treasury Fund	Gang Grant Foot Patrol	9,538	Provide temporary funding
LETF US Treasury Fund	Gang Reduction Grant -FY2006-07	<u>30,418</u>	Provide temporary funding
Total LETF Fund		<u>164,071</u>	
Fireflow Fund	Stormwater Improvement Funds	<u>67,961</u>	Provide temporary funding
Total due to/from other funds		<u>\$2,605,751</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>\$ 60,200</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 the remaining balance will be collected in fiscal year 2008.

Interfund transfers:

	<u>Transfers In</u>			<u>Purpose</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>	
Transfers out:				
General fund	\$ -	\$ 977,947	\$ 977,947	Grant match funding
Water utility	3,390,563	-	3,390,563	Contributed and supplemental funding
Sewer utility	1,221,683	-	1,221,683	Contributed and supplemental funding
Stormwater utility	147,163	250,000	397,163	Contributed and supplemental funding
Nonmajor governmental funds	<u>564,041</u>	<u>811,387</u>	<u>1,375,428</u>	Grant match and supplemental funding
Total transfers out	<u>\$5,323,450</u>	<u>\$ 2,039,334</u>	<u>\$7,362,784</u>	

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. SHORT TERM DEBT INSTRUMENTS AND LIQUIDITY

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

A total of \$50,000 was drawn down from the tax-exempt line on the date of the closing to be used for costs of issuance while no funds have been drawn on the taxable line of credit for the CRA.

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

In fiscal year 2007, the City's first short term taxable line of credit balance of \$2 million was rolled over (repaid) on November 8, 2006 when a second line of credit was issued. The \$2 million from the second line of credit was repaid on December 18, 2006 after receipt of ad valorem taxes from the County. There is currently no balance due.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Short-term tax-exempt line				
of credit for CRA	\$ -	\$ 50,000	\$ -	\$ 50,000
Short-term taxable line				
of credit for CRA	-	-	-	-
Short-term taxable line of credit	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,000,000</u>	<u>-</u>
Total	<u>\$2,000,000</u>	<u>\$2,050,000</u>	<u>\$4,000,000</u>	<u>\$ 50,000</u>

NOTE 8. 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, 2007:

Balance, September 30, 2006	\$ 108,690,000
Bonds issued	-
Bonds retired	<u>(1,695,000)</u>
Balance, September 30, 2007	<u>\$ 106,995,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2007 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 \$135,000 to \$395,000 through October 1, 2012; interest at 4.85%.	\$ 980,000
\$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%.	675,000
\$300,000 Florida Municipal Loan Council, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$13,836 to \$15,304 through April 1, 2010; interest at 4.3% to 6.0%.	43,605
\$17,305,000 Florida Municipal Loan Council, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$245,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 5.375%.	16,205,000
\$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 \$405,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	10,250,000
\$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 \$405,000 to \$660,000 from December 1, 2004 to December 1, 2019; interest at 2% to 5.25%.	6,585,000
\$225,577 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond; secured by municipal bond insurance; due in annual installments of \$1,677 to \$25,996 from April 1, 2006 to April 1, 2020; interest at 3% to 4.125%.	<u>219,916</u>
Total capital improvement bonds	<u>34,958,521</u>

Revenue Bonds:

Water Utility System:

\$6,855,000 Florida Municipal Loan Council, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$316,164 to \$349,696 from April 1, 2004 to April 1, 2010; interest at 4.3% to 6.0%	996,395
\$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%.	66,015,000
\$5,154,423 Florida Municipal Loan Council, 2005 C Series Revenue Refunding Serial bond Secured by municipal bond insurance; due in annual installments of \$38,323 to \$594,004 from April 1, 2006 to April 1, 2020; interest at 3.0% to 4.125%	<u>5,025,084</u>
Total revenue bonds	<u>72,036,479</u>
Total bonds payable	<u>\$ 106,995,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1997 Series:			
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>\$ 980,000</u>	<u>\$ 168,781</u>	<u>\$ 1,148,781</u>
Capital Improvements Bonds:			
1998 Series:			
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>\$ 675,000</u>	<u>\$ 147,840</u>	<u>\$ 822,840</u>
Florida Municipal Loan Council (Water and Capital):			
2000 A Series:			
Capital:			
2008	\$ 13,836	\$ 2,166	\$ 16,002
2009	14,465	1,488	15,953
2010	15,304	766	16,070
Subtotal Capital	<u>\$ 43,605</u>	<u>\$ 4,420</u>	<u>\$ 48,025</u>
Water revenue:			
2008	\$ 316,164	\$ 49,504	\$ 365,668
2009	330,535	34,012	364,547
2010	349,696	17,484	367,180
Subtotal Water Revenue	<u>996,395</u>	<u>101,000</u>	<u>1,097,395</u>
Total 2000A Series	<u>\$ 1,040,000</u>	<u>\$ 105,420</u>	<u>\$ 1,145,420</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2000 B Series:			
2008	\$ 245,000	\$ 857,949	\$ 1,102,949
2009	270,000	846,036	1,116,036
2010	290,000	832,943	1,122,943
2011	315,000	818,648	1,133,648
2012	345,000	802,800	1,147,800
2013-2017	2,190,000	3,691,087	5,881,087
2018-2022	3,210,000	2,959,199	6,108,550
2023-2027	4,510,000	1,936,345	6,446,345
2028-2031	<u>4,830,000</u>	<u>539,918</u>	<u>5,369,918</u>
	<u>\$ 16,205,000</u>	<u>\$ 13,284,925</u>	<u>\$ 29,489,925</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
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	470,000	446,975	916,975
2013-2017	2,770,000	1,829,175	4,599,175
2018-2022	3,590,000	991,775	4,581,775
2023-2024	<u>1,700,000</u>	<u>128,500</u>	<u>1,828,500</u>
	<u>\$ 10,250,000</u>	<u>\$ 5,361,800</u>	<u>\$ 15,611,800</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
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	1,505,000	3,163,056	4,668,056
2013-2017	8,555,000	14,790,725	23,345,725
2018-2022	12,395,000	12,289,075	24,684,075
2023-2027	18,065,000	8,576,500	26,641,500
2028-2032	<u>23,110,000</u>	<u>3,579,750</u>	<u>26,689,750</u>
	<u>\$ 66,015,000</u>	<u>\$ 55,343,731</u>	<u>\$ 121,358,731</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2003 B Series:			
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	450,000	234,844	684,844
2013-2017	2,565,000	841,950	3,406,950
2018-2020	<u>1,885,000</u>	<u>151,856</u>	<u>2,036,856</u>
	<u>\$ 6,585,000</u>	<u>\$ 2,292,119</u>	<u>\$ 8,877,119</u>
Florida Municipal Loan Council (Water & Capital):			
2005 C Series:			
Capital:			
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	18,239	8,558	26,797
2013-2017	103,983	30,949	134,932
2018-2020	<u>74,843</u>	<u>6,169</u>	<u>81,012</u>
Subtotal Capital	<u>\$ 219,916</u>	<u>\$ 82,563</u>	<u>\$ 302,479</u>
Water Revenue:			
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	416,761	195,548	612,309
2013-2017	2,376,017	707,176	3,083,193
2018-2020	<u>1,710,157</u>	<u>140,956</u>	<u>1,851,113</u>
Subtotal Water Revenue	<u>5,025,084</u>	<u>1,886,568</u>	<u>6,911,652</u>
Total 2005C Series	<u>\$ 5,245,000</u>	<u>\$ 1,969,131</u>	<u>\$ 7,214,131</u>

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. 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 8. 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. In September of 2007, the City refinanced the balloon payment of \$1,880,000 that came due and gain 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, 2007 was 3.70593%. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 250,000	\$ 104,000	\$ 354,000
2009	-	104,000	104,000
2010	-	104,000	104,000
2011	-	214,000	214,000
2011	-	1,672,000	1,672,000
	<u>\$ 250,000</u>	<u>\$ 2,198,000</u>	<u>\$2,448,000</u>

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2007. During 2007, new lease purchases totaled \$1,602,370.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. 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	\$ 4,708,111	\$ 1,855,797	\$6,563,908
Less accumulated depreciation	<u>(1,300,565)</u>	<u>(599,169)</u>	<u>(1,899,734)</u>
	<u>\$ 3,407,546</u>	<u>\$ 1,256,628</u>	<u>\$4,664,174</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, 2007 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2008	\$ 946,191	\$ 424,379	\$1,370,570
2009	757,488	241,442	998,930
2010	458,370	80,249	538,619
2011	<u>190,836</u>	<u>23,669</u>	<u>214,505</u>
Total minimum lease payments	2,352,885	769,739	3,122,624
Less amount representing interest	<u>(137,742)</u>	<u>(32,933)</u>	<u>(170,675)</u>
Present value of net minimum lease payments	<u>\$ 2,215,143</u>	<u>\$ 736,806</u>	<u>\$2,951,949</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Due Within One Year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation and term bonds	\$36,163,197	\$ -	\$(1,204,676)	\$34,958,521	\$1,255,513
Notes payable	<u>350,000</u>	<u>-</u>	<u>(100,000)</u>	<u>250,000</u>	<u>250,000</u>
Total bonds and notes payable	36,513,197	-	(1,304,676)	35,208,521	1,505,513
Master leases	1,869,483	1,425,420	(942,018)	2,352,885	946,191
Estimated claims	2,083,000	347,000	(425,000)	2,005,000	617,000
Compensated absences	<u>3,481,261</u>	<u>3,196,802</u>	<u>(3,006,466)</u>	<u>3,671,597</u>	<u>1,028,440</u>
Governmental activities long-term liabilities	<u>\$43,946,941</u>	<u>\$4,969,222</u>	<u>\$(5,678,160)</u>	<u>\$43,238,003</u>	<u>\$4,097,144</u>
Business-type activities:					
Notes payable	\$ 2,300,000	\$1,880,000	\$(1,982,000)	\$ 2,198,000	\$ 104,000
Revenue bonds	72,526,803	-	(490,324)	72,036,479	509,487
Premium on revenue bonds	471,594	-	(23,714)	447,880	-
Investment premium	<u>6,656</u>	<u>-</u>	<u>(4,830)</u>	<u>1,826</u>	<u>-</u>
Total bonds and notes payable	75,305,053	1,880,000	(2,500,868)	74,684,185	613,487
Master leases	1,008,395	176,950	(415,606)	769,739	424,379
Compensated absences	<u>702,443</u>	<u>773,442</u>	<u>(712,419)</u>	<u>763,466</u>	<u>237,034</u>
Business-type activities long-term liabilities	<u>\$77,015,891</u>	<u>\$2,830,392</u>	<u>\$(3,628,893)</u>	<u>\$76,217,390</u>	<u>\$1,274,900</u>

NOTE 9. 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 9. 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>2007</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$2,083,000	\$2,065,000
Incurred claims (including IBNRs)	347,000	620,000
Claim payments	<u>(425,000)</u>	<u>(602,000)</u>
Unpaid claims, end of fiscal year	<u>\$2,005,000</u>	<u>\$2,083,000</u>

Based upon the City Attorney's evaluation of pending cases, the estimated liability to which the City might be exposed ranges from \$950,000 to \$1.5 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$1.4 million at September 30, 2007 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. There are 46 retirees that participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$382-\$774 per month for single coverage, \$827-\$1,522 per month for couple and \$1069-\$2,238 per month for family coverage, depending on plan selected. Ten of the 46 retirees received health insurance paid entirely by the City. Eight retirees received health insurance paid partially by the City. The City does not contribute to the remaining 28 retirees' health insurance premiums.

Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$23,000 for the fiscal year ended September 30, 2007. 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 62 retirees. The City paid the entire dental premium for 35 retirees.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. 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 10. 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, 2007, 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 10. 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, 2006.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	\$ 12,853	\$ 8,571	\$ 2,290
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	194	110	4
Current employees:			
Vested	245	54	26
Non-vested	<u>67</u>	<u>44</u>	<u>6</u>
Total	<u>506</u>	<u>208</u>	<u>36</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, deferred retirement option program (DROP) disability retirement and death benefits.

Employee Contributions

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

City Contributions

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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. 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, 2007.

General Employees Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2007

Assets:	
Cash and cash equivalents	\$ 208
Investments	55,427,066
Receivables	<u>95,719</u>
Total assets	55,522,993
Liabilities	<u>43,227</u>
Net assets held in trust for pension benefits	<u>\$55,479,766</u>

Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2007

Additions:	
Contributions	\$ 3,033,871
Investment income, net	<u>6,613,064</u>
Total additions	<u>9,646,935</u>
Deductions:	
Pension benefits	2,604,438
Refunds	182,150
Other	<u>43,851</u>
Total deductions	<u>2,830,439</u>
Change in net assets	6,816,496
Net assets, beginning	<u>48,663,270</u>
Net assets, ending	<u>\$55,479,766</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. 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 3.3% for firefighters and 3% for 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, deferred retirement option program (DROP) disability retirement and death benefits.

Employee Contributions

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

City Contributions

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

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 2007, the amounts were \$273,052 and \$464,429 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, 2007.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 10. 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, 2007**

Assets:	
Cash and cash equivalents	\$ 739
Investments	59,395,712
Receivables	368,322
Total assets	59,764,773
Liabilities	74,111
Net assets held in trust for pension benefits	\$ 59,690,662

**Statement of Changes in Fiduciary Net Assets
Year Ended September 30, 2007**

Additions:	
Contributions	\$ 5,706,839
Investment income, net	7,107,102
Total additions	12,813,941
Deductions:	
Pension benefits	4,503,688
Other	146,133
Total deductions	4,649,821
Change in net assets	8,164,120
Net assets, beginning	51,526,542
Net assets, ending	\$ 59,690,662

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 10. 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 "average final compensation", as defined by the pension plan, times years of credited service.

Other Benefits

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

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

City Contributions

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

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, 2007.

General Management Retirement System Trust Fund Statement of Fiduciary Net Assets September 30, 2007

Assets:	
Investments	<u>\$ 10,670,586</u>
Net assets held in trust for pension benefits	<u>\$ 10,670,586</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. 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, 2007

Additions:	
Contributions	\$ 1,125,481
Investment income, net	<u>1,092,289</u>
Total additions	<u>2,217,770</u>
Deductions:	
Pension benefits	312,310
Other	<u>15,223</u>
Total deductions	<u>327,533</u>
Change in net assets	1,890,237
Net assets, beginning	<u>8,780,349</u>
Net assets, ending	<u>\$ 10,670,586</u>

3. Annual Pension Cost and Net Pension Asset

General Employees

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

Annual required contribution	\$ 2,115
Interest on net pension obligation	(31)
Adjustment to annual required contribution	<u>23</u>
Annual pension cost	2,107
Contributions made	<u>2,134</u>
Increase in net pension asset	27
Net pension asset, beginning of year	<u>365</u>
Net pension asset, end of year	<u>\$ 392</u>

The annual required contribution for the current year was determined as part of the October 1, 2006 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 10. 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

Three-Year Trend Information			
<u>In Thousands</u>			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2005	\$ 1,731	101%	\$ 330
9/30/2006	1,823	102%	365
9/30/2007	2,107	101%	391

Police and Firefighters

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

Annual required contribution	\$ 3,621
Interest on net pension asset	(36)
Adjustment to annual required contribution	<u>25</u>
Annual pension cost	3,610
Contributions made	<u>3,656</u>
Increase in net pension asset	46
Net pension asset, beginning of year	<u>456</u>
Net pension asset, end of year	<u>\$ 502</u>

The annual required contribution for the current year was determined as part of the October 1, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases varies by service. Both (a) and (b) included an inflation component of 4%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.5% per year compounded. The actuarial value of assets was determined using the five year smoothed market method. The unfunded actuarial accrued liability is being amortized using the level percent of pay. The remaining amortization period range from 13 to 30 years.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firefighters (Continued)

Three-Year Trend Information			
<u>In Thousands</u>			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2005	\$ 2,679	97%	\$ 445
9/30/2006	3,305	101%	456
9/30/2007	3,610	101%	502

Management Employees

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

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

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

Annual required contribution	\$ 430
Interest on net pension asset	(29)
Adjustment to annual required contribution	<u>18</u>
Annual pension cost	419
Contributions made	<u>698</u>
Increase in net pension asset	279
Net pension asset, beginning of year	<u>369</u>
Net pension asset, end of year	<u>\$ 648</u>

The annual required contribution for the current year was determined as part of the October 1, 2006 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 10. 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.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>In Thousands</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2005	\$ 550	116%	\$ 89
9/30/2006	411	149%	292
9/30/2007	419	167%	648

NOTE 11. 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 10). As of September 30, 2007 there are three remaining employees contributing to the plan. Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employees are required to contribute 8%. Prior to January 1, 2003, the City contributed 17% and the employees contributed 7%. Employer contributions for fiscal year ended September 30, 2007 were approximately \$72,000 while the employee contributions were approximately \$34,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

NOTE 12. COMMUNITY REDEVELOPMENT AGENCY

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

The NMB CRA incurred the following expenditures during the fiscal year ended September 30, 2007:

Expenditures and transfers	<u>\$1,216,511</u>
----------------------------	--------------------

In 2007, the following projects were funded:

- Continued bi-monthly meeting of the Redevelopment Advisory Board.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 12. COMMUNITY REDEVELOPMENT AGENCY (Continued)

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

- Completed an Infrastructure Master Plan that analyzed water, sewer and drainage improvements needed to support future development.
- Funded street reconstruction and utility improvements.
- Closed on two bank credit facilities (loans) to provide financing for property acquisition and street and utility reconstruction, totaling \$8,000,000.
- Completed a hotel feasibility study for the CRA district.
- Began a retail feasibility study to determine likely retail chain candidates for location within the district.

Also in fiscal year 2007, the CRA repaid the City \$17,200 for funds advanced for the activities described below. The remaining \$60,200 will be reimbursed to the City by the end of fiscal year 2008. The City advanced the CRA \$86,000 to have the following worked performed with the understanding that the CRA will repay the City in future years as TIF revenues increase.

- 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.

NOTE 13. SUBSEQUENT EVENTS

Debt Issuance: On November 7, 2007, the City paid off and renewed the \$2.5 million 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%; 5.39% at closing) note matures in 364 days and is secured by a pledge of ad valorem revenues.

Investments: As discussed in Note 2 at September 30, 2007, the City had \$7.9 million invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 13. SUBSEQUENT EVENTS (Continued)

Currently, Pool A participants may withdraw 15% of their balance or \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of March 31, 2008, the City has \$991,557 and \$409,295 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Property Taxes: On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. The amendment will provide four components.

With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 – \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 13. SUBSEQUENT EVENTS (Continued)

Based on information received from the Miami-Dade County Property Appraiser's Office, the estimated annual loss of property tax revenues for our City from the additional homestead exemption is approximately \$1.1 million and should affect 6,600 properties. The \$25,000 exemption for tangible personal property is approximately \$152,000. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. The total estimated accumulated loss revenue for our City for all components is \$1.5 million or 8 percent.

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, 2007

	<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>
Property taxes	\$16,930,438	\$16,930,438	\$17,103,879	\$ 173,441
Franchise fees:				
Florida Power & Light	1,630,000	1,630,000	1,845,440	215,440
Towing	1,500	1,500	2,145	645
Gas and propane	66,500	66,500	59,290	(7,210)
Bus shelters	9,200	9,200	7,328	(1,872)
Total franchise fees	1,707,200	1,707,200	1,914,203	207,003
Utility taxes:				
Florida Power & Light	1,850,000	1,850,000	1,878,990	28,990
Gas, propane and oil	88,770	88,770	84,999	(3,771)
N.M.B. Water & Sewer	350,000	350,000	372,321	22,321
Total utility taxes	2,288,770	2,288,770	2,336,310	47,540
Communication service tax	2,086,452	2,086,452	2,460,466	374,014
Other taxes	306,050	672,680	791,926	119,246
Licenses and permits:				
Business tax receipts	978,600	978,600	956,304	(22,296)
Building permits and fees	2,627,810	2,627,810	1,144,333	(1,483,477)
Total licenses and permits	3,606,410	3,606,410	2,100,637	(1,505,773)
Intergovernmental:				
Sales tax	2,696,954	2,696,954	2,725,111	28,157
Shared revenues	813,985	813,985	783,092	(30,893)
Local option gas tax	841,259	841,259	840,019	(1,240)
Beverage licenses	30,000	30,000	30,566	566
Other state revenue	16,800	16,800	46,664	29,864
County revenue	60,200	77,800	157,016	79,216
Federal revenue	-	7,100	288,051	280,951
Total intergovernmental	4,459,198	4,483,898	4,870,519	386,621

(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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Charges for services:				
Sanitation fees	\$ 8,410,000	\$ 8,410,000	\$ 8,319,825	\$ (90,175)
General services	1,081,983	1,081,983	1,069,195	(12,788)
Recreation fees	498,200	498,200	523,498	25,298
County sewer	110,000	110,000	119,081	9,081
Police services	137,800	137,800	221,408	83,608
Recycling and maintenance charges	185,000	185,000	184,244	(756)
Total charges for services	10,422,983	10,422,983	10,437,251	14,268
Fines and forfeitures:				
Traffic and parking	175,000	175,000	226,834	51,834
Local ordinance violations	86,500	86,500	176,821	90,321
Library	20,000	20,000	31,429	11,429
Total fines and forfeitures	281,500	281,500	435,084	153,584
Other:				
Billing surcharge (F.S. 180.191)	4,367,000	4,367,000	4,378,104	11,104
Impact fees	220,000	220,000	3,389	(216,611)
Interest	166,480	166,480	295,933	129,453
Miscellaneous	403,800	446,427	499,138	52,711
Use of surplus	1,000,000	1,995,876	-	(1,995,876)
Total other	6,157,280	7,195,783	5,176,564	(2,019,219)
Total revenues	48,246,281	49,676,114	47,626,839	(2,049,275)
Current expenditures:				
General government:				
Administrative	1,632,350	1,885,267	1,865,993	19,274
Legislative	570,416	594,416	538,471	55,945
Executive	8,030,019	6,901,847	5,982,003	919,844
Human resources	2,823,574	3,329,148	3,086,318	242,830
Finance	3,045,941	3,070,101	2,960,403	109,698
Total general government	16,102,300	15,780,779	14,433,188	1,347,591
Police services	19,382,854	19,632,620	19,603,177	29,443
Library	1,112,188	1,101,440	1,053,038	48,402
Parks and recreation	4,908,092	4,919,757	4,537,361	382,396
Public services	10,488,516	10,518,367	9,881,391	636,976
Total current expenditures	51,993,950	51,952,963	49,508,155	2,444,808

(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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Capital outlay:				
General government:				
Administrative	\$ 1,500	\$ 7,360	\$ 7,360	\$ -
Legislative	735	735	-	735
Executive	102,900	640,192	625,918	14,274
Human resources	-	1,700	1,680	20
Finance	23,500	27,340	21,744	5,596
Total general government	128,635	677,327	656,702	20,625
Police services	888,639	769,971	749,566	20,405
Library	102,500	113,248	113,015	233
Parks and recreation	226,400	266,608	56,366	210,242
Public services	721,941	1,711,785	1,503,737	208,048
Total capital outlay	2,068,115	3,538,939	3,079,386	459,553
Debt service:				
Principal	1,020,421	1,020,421	942,018	78,403
Interest	229,282	229,282	129,100	100,182
Total debt service	1,249,703	1,249,703	1,071,118	178,585
Total expenditures	55,311,768	56,741,605	53,658,659	3,082,946
Other financing sources (uses):				
Transfers in	5,297,827	5,297,827	5,323,450	25,623
Transfers out	(1,014,084)	(1,014,084)	(977,947)	36,137
Financing proceeds	2,781,744	2,781,748	1,425,420	(1,356,328)
Total other financing sources	7,065,487	7,065,491	5,770,923	(1,294,568)
Net change in fund balance	\$ -	\$ -	\$ (260,897)	\$ 260,897

See notes to budgetary comparison schedule.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2007

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 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 \$916,630 of supplemental appropriations and \$513,207 of modifications in the general fund during the year ended September 30, 2007.
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, 2007, no expenditures exceeded appropriations and all departments were in compliance at the legal level of budgetary control.

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 74)	\$ (260,897)
Differences – budget to GAAP:	
Uses/outflows of resources:	
Encumbrances for equipment and supplies ordered but not received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP financial reporting purposes	<u>150,356</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>\$ (110,541)</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2007

RETIREMENT PLAN FOR GENERAL EMPLOYEES

<u>Fiscal Year Ended September 30,</u>	<u>In Thousands Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 652	107%
2003	1,548	98%
2004	1,695	102%
2005	1,739	100%
2006	1,830	102%
2007	2,115	102%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND OTHER CONTRIBUTING ENTITIES

SEPTEMBER 30, 2007

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Fiscal Year	In Thousands				Percentage Contributed
	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>State Contributions</u>	<u>Total Contributions</u>	
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%
2007	3,621	3,656	737	4,393	121%

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2007

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	168%
2007	430	190%

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, 2007

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)
10/1/2001	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%
10/1/2006	48,554	63,645	15,091	76.3%	12,853	117.4%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2007

RETIREMENT PLAN FOR POLICE OFFICERS AND FIREFIGHTERS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded Actuarial Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
10/1/2001	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%
10/1/2006	50,986	90,872	39,886	56.1%	8,571	465.4%

Note: Dollar amounts in thousands.

CITY OF NORTH MIAMI BEACH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2007

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%
10/1/2006	8,762	14,676	5,914	59.7%	2,290	258.3%

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, 2007
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2006)

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Pooled cash and investments	\$ 3,181,725	\$ 6,427,819
Accounts receivable	5,044,534	4,385,527
Due from other funds	2,373,719	1,635,076
Advances to other funds	60,200	77,400
Inventories	268,509	236,831
Prepaid costs	70,791	320,412
Escrow funds held by lessor	915,778	1,232,956
Other assets	45,100	35,100
Total assets	<u>\$ 11,960,356</u>	<u>\$ 14,351,121</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Vouchers payable and accrued liabilities	1,579,816	\$ 3,928,374
Deposits held in trust	972,930	886,176
Due to other funds	-	36,928
Deferred revenues	855,462	836,954
Total liabilities	<u>3,408,208</u>	<u>5,688,432</u>
Fund balances:		
Reserved:		
Encumbrances	2,028,996	2,079,431
Inventories	268,509	236,831
Prepaid costs	70,791	320,412
Impact fees	2,768	2,781
Advances	60,200	77,400
Unreserved:		
Undesignated	4,673,022	4,821,988
Designated for liability claims	632,292	353,585
Designated for workers' compensation claims	708,074	439,265
Designated for land acquisition	107,496	330,996
Total fund balances	<u>8,552,148</u>	<u>8,662,689</u>
Total liabilities and fund balances	<u>\$ 11,960,356</u>	<u>\$ 14,351,121</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, 2007

	Special Revenue										
	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeitures	State Forfeitures	U.S. Treasury	Total	
ASSETS											
Pooled cash and investments	\$ 404,864	\$ 305,961	\$ 536,458	\$ 8,169	\$ 76,796	\$ 72,496	\$ 768,531	\$ 990,572	\$ 48,330	\$ 3,212,177	
Accounts receivable:											
Intergovernmental	-	310,358	-	-	9,189	25,560	-	-	-	345,107	
Grants	681,565	-	-	-	-	-	-	-	-	681,565	
Other receivables	-	-	-	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	-	164,071	164,071	
Prepays	32,000	-	492	-	-	-	-	-	-	32,492	
Restricted pooled cash and equivalents	-	-	-	-	-	-	-	-	-	-	
Escrow funds held by agent	-	-	-	-	-	-	-	-	-	-	
Total assets	\$ 1,118,429	\$ 616,319	\$ 536,950	\$ 8,169	\$ 85,985	\$ 98,056	\$ 768,531	\$ 990,572	\$ 212,401	\$ 4,435,412	

LIABILITIES AND FUND BALANCES

Liabilities:											
Vouchers payable and accrued liabilities	\$ 7,696	\$ 6,060	\$ 179,280	\$ -	\$ 2,108	\$ 7,463	\$ 50,384	\$ 1,287	\$ 16,489	\$ 270,767	
Due to other funds	675,802	-	-	-	-	-	-	-	-	675,802	
Advances from other funds	-	-	60,200	-	-	-	-	-	-	60,200	
Deferred revenue	318,983	-	-	6,189	-	-	-	-	-	325,172	
Total liabilities	1,002,481	6,060	239,480	6,189	2,108	7,463	50,384	1,287	16,489	1,331,941	
Fund balances:											
Reserved:											
Encumbrances	-	7,900	196,684	7,792	3,520	306	-	-	-	216,202	
Grant related	115,948	-	-	-	-	-	-	-	-	115,948	
Law enforcement	-	-	-	-	-	-	718,147	989,285	195,912	1,903,344	
Prepaid costs	-	-	492	-	-	-	-	-	-	492	
Debt service	-	-	-	-	-	-	-	-	-	-	
Construction	-	-	-	-	-	-	-	-	-	-	
Unreserved, undesignated	-	602,359	100,294	(5,812)	80,357	90,287	-	-	-	867,485	
Total fund balances	115,948	610,259	297,470	1,980	83,877	90,593	718,147	989,285	195,912	3,103,471	
Total liabilities and fund balances	\$ 1,118,429	\$ 616,319	\$ 536,950	\$ 8,169	\$ 85,985	\$ 98,056	\$ 768,531	\$ 990,572	\$ 212,401	\$ 4,435,412	

CITY OF NORTH MIAMI BEACH, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2007

	Debt Service					Total	
	Series 2000B	Series 2002A	Series 1997-98	1999 Note	Series 2000A		Series 2003B
ASSETS							
Pooled cash and investments	\$ -	\$ 25,188	\$ 221,637	\$ 449	\$ -	\$ 763	\$ -
Accounts receivable:							
Intergovernmental	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-
Other receivables	364,999	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-
Restricted pooled cash and equivalents	-	-	-	-	-	-	-
Escrow funds held by agent	-	-	-	-	-	-	-
Total assets	\$ 364,999	\$ 25,188	\$ 221,637	\$ 449	\$ -	\$ 763	\$ -
							\$ 248,037

		\$	\$	\$	\$	\$	\$
LIABILITIES AND FUND BALANCES							
Liabilities:							
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	361,348	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	361,348	-	-	-	-	-	361,348
Fund balances:							
Reserved:							
Encumbrances	-	-	-	-	-	-	-
Grant related	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Prepaid costs	-	-	-	-	-	-	-
Debt service	3,651	25,188	221,637	449	-	763	-
Construction	-	-	-	-	-	-	-
Unreserved, undesignated							
Total fund balances	3,651	25,188	221,637	449	-	763	-
Total liabilities and fund balances	\$ 364,999	\$ 25,188	\$ 221,637	\$ 449	\$ -	\$ 763	\$ -
							\$ 613,036

CITY OF NORTH MIAMI BEACH, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)

SEPTEMBER 30, 2007

	Capital Projects					Total Nonmajor Governmental Funds
	Alley Restoration Program	2004 BBC Program	Proud Neighborhood	2003B Surtax	Total	
<u>ASSETS</u>						
Pooled cash and investments	\$ 305,268	\$ -	\$ -	24	\$ 305,292	\$ 3,765,506
Accounts receivable:						
Intergovernmental	-	-	-	-	-	345,107
Grants	-	1,691,561	-	-	1,691,561	2,373,126
Other receivables	-	-	-	20,244	20,244	385,243
Due from other funds	-	-	-	-	-	164,071
Prepays	-	-	-	-	-	32,492
Restricted pooled cash and investments	-	-	-	-	-	-
Escrow funds held by agent	-	-	-	789,829	789,829	789,829
Total assets	\$ 305,268	\$ 1,691,561	\$ -	\$ 810,097	\$ 2,806,926	\$ 7,855,374
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Vouchers payable and accrued liabilities	\$ -	\$ 190,921	\$ -	\$ 17,158	\$ 208,079	\$ 478,846
Due to other funds	-	1,500,640	-	-	1,500,640	2,537,790
Advances from other funds	-	-	-	-	-	60,200
Deferred revenue	-	-	-	-	-	325,172
Total liabilities	-	1,691,561	-	17,158	1,708,719	3,402,008
Fund balances:						
Reserved:						
Encumbrances	-	-	-	-	-	216,202
Grant related	-	-	-	-	-	115,948
Law enforcement	-	-	-	-	-	1,903,344
Prepaid costs	-	-	-	-	-	492
Debt service	-	-	-	-	-	251,688
Construction	305,268	-	-	792,939	1,098,207	1,098,207
Unreserved, undesignated	-	-	-	-	-	867,485
Total fund balances	305,268	-	-	792,939	1,098,207	4,453,366
Total liabilities and fund balances	\$ 305,268	\$ 1,691,561	\$ -	\$ 810,097	\$ 2,806,926	\$ 7,855,374

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Special Revenue										Total
	Grants	Transit Surtax	Community Redevelopment Agency	Handicapped Parking Fines	164th Street Guardhouse	35th Avenue Guardhouse	Federal Forfeiture	State Forfeiture	U.S. Treasury		
Revenues:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,366,735	574,977	7,446	110,100	266,816	-	-	-	-	2,326,074
Grants	1,535,997	-	-	-	-	-	-	-	-	-	1,535,997
Fines and forfeitures	-	-	-	-	-	-	935,318	904,252	88,016	-	1,927,586
Other	1,014	31,511	-	-	-	274	21,252	1,126	16,469	-	71,646
Interest	17,379	9,375	37,245	398	4,154	3,010	23,655	28,573	8,851	-	132,640
Total revenues	1,554,390	1,407,621	612,222	7,844	114,254	270,100	980,225	933,951	113,336	-	5,993,943
Expenditures:											
Current:											
General government	564,285	53,325	514,405	7,446	-	-	-	-	-	-	1,139,461
Police services	534,084	-	-	-	101,812	257,497	453,186	68,994	208,499	-	1,624,072
Library	1,818	-	-	-	-	-	-	-	-	-	1,818
Parks	-	167,700	-	-	-	-	-	-	-	-	167,700
Public services	62	-	86,824	-	-	-	-	-	-	-	86,886
Capital outlay	456,976	321,253	461,359	-	56,722	-	10,198	-	11,066	-	1,317,574
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	23,493	-	-	-	-	-	-	-	23,493
Total expenditures	1,557,225	542,278	1,086,081	7,446	158,534	257,497	463,384	68,994	219,565	-	4,361,004
Excess (deficiency) of revenues over expenditures	(2,835)	865,343	(473,859)	398	(44,280)	12,603	516,841	864,957	(106,229)	-	1,632,939
Other financing sources (uses):											
Transfers in	63,853	50,000	768,752	-	-	-	-	-	-	-	882,605
Transfers out	-	(833,561)	(129,150)	-	(5,000)	(5,000)	(49,783)	-	-	-	(1,022,494)
Total other financing sources (uses)	63,853	(783,561)	639,602	-	(5,000)	(5,000)	(49,783)	-	-	-	(139,889)
Net changes in fund balances	61,018	81,782	165,743	398	(49,280)	7,603	467,058	864,957	(106,229)	-	1,493,050
Fund balances, beginning	54,930	528,477	131,727	1,582	133,157	82,990	251,089	124,328	302,141	-	1,610,421
Fund balances, ending	\$ 115,948	\$ 610,259	\$ 297,470	\$ 1,980	\$ 83,877	\$ 90,593	\$ 718,147	\$ 989,285	\$ 195,912	\$ 3,103,471	\$ 3,103,471

(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, 2007

	Series 2000B	Series 2002A	Series 1997-98	Debt Service 1999 Note	Series 2000A	Series 2003B	Series 2005C	Total
Revenues:								
Property taxes	\$1,118,720	\$932,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,050,870
Intergovernmental	-	-	642,052	-	-	-	-	642,052
Grants	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Interest	1,122	12,276	9,936	-	1,163	555	961	26,013
Total revenues	1,119,842	944,426	651,988	-	1,163	555	961	2,718,935
Expenditures:								
Current:								
General government	38	504	528	-	-	-	-	1,070
Police services	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-
Public services	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	225,000	395,000	175,000	100,000	13,208	395,000	1,468	1,304,676
Interest and fiscal charges	898,126	541,679	86,028	20,457	2,597	296,603	9,575	1,855,065
Total expenditures	1,123,164	937,183	261,556	120,457	15,805	691,603	11,043	3,160,811
Excess (deficiency) of revenues over expenditures	(3,322)	7,243	390,432	(120,457)	(14,642)	(691,048)	(10,082)	(441,876)
Other financing sources (uses):								
Transfers in	-	-	-	120,402	14,642	691,603	10,082	836,729
Transfers out	-	-	(351,795)	-	-	-	-	(351,795)
Total other financing sources (uses)	-	-	(351,795)	120,402	14,642	691,603	10,082	484,934
Net changes in fund balances	(3,322)	7,243	38,637	(55)	-	555	-	43,058
Fund balances, beginning	6,973	17,945	183,000	504	-	208	-	208,630
Fund balances, ending	\$ 3,651	\$ 25,188	\$ 221,637	\$ 449	\$ -	\$ 763	\$ -	\$ 251,688

(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, 2007

	Capital Projects				Total
	Alley Restoration Program	2004 BBC Program	Proud Neighborhood	2003B Surtax	
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,050,870
Intergovernmental	-	-	-	-	2,968,126
Grants	-	2,254,477	-	-	3,790,474
Fines and forfeitures	-	-	-	-	1,927,586
Other	-	-	-	-	71,646
Interest	4,862	-	49,998	164,807	378,320
Total revenues	4,862	2,254,477	49,998	164,807	11,187,022
Expenditures:					
Current:					
General government	-	-	-	-	1,140,531
Police services	-	-	-	-	1,624,072
Library	-	-	-	-	1,818
Parks	-	-	-	-	167,700
Public services	379	127,506	1,598	85,708	302,077
Capital outlay	27,760	2,126,971	86,105	3,275,489	6,833,899
Debt service:					
Principal	-	-	-	-	1,304,676
Interest and fiscal charges	-	-	-	-	1,878,558
Total expenditures	28,139	2,254,477	87,703	3,361,197	13,253,331
Excess (deficiency) of revenues over expenditures	(23,277)	-	(37,705)	(3,196,390)	(2,066,309)
Other financing sources (uses):					
Transfers in	320,000	-	-	-	2,039,334
Transfers out	-	-	-	(1,139)	(1,375,428)
Total other financing sources (uses)	320,000	-	-	(1,139)	663,906
Net changes in fund balances	296,723	-	(37,705)	(3,197,529)	(1,402,403)
Fund balances, beginning	8,545	-	37,705	3,990,468	5,855,769
Fund balances, ending	\$ 305,268	\$ -	\$ -	\$ 792,939	\$ 4,453,366

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL TRANSIT SURTAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<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>	
Revenues:				
Intergovernmental	\$ 1,357,492	\$ 1,357,492	\$ 1,366,735	\$ 9,243
Other	-	-	31,511	31,511
Interest	1,200	1,200	9,375	8,175
Total revenues	1,358,692	1,358,692	1,407,621	48,929
Expenditures:				
Current:				
General government	71,603	71,603	52,122	19,481
Parks	212,549	212,549	167,471	45,078
Capital outlay	289,852	289,852	289,852	-
Total expenditures	574,004	574,004	509,445	64,559
Excess of revenues over expenditures	784,688	784,688	898,175	113,487
Other financing sources (uses):				
Transfers in	50,000	50,000	50,000	-
Transfers out	(834,688)	(834,688)	(833,561)	1,127
Total other financing sources (uses)	(784,688)	(784,688)	(783,561)	1,127
Net changes in fund balances	-	-	114,614	114,614
Fund balances, beginning	-	-	528,477	528,477
Fund balances, ending	\$ -	\$ -	\$ 643,091	\$ 643,091

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL COMMUNITY REDEVELOPMENT AGENCY

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ 574,977	\$ 574,977	\$ 574,977	\$ -
Interest	-	-	37,245	37,245
Total revenues	574,977	574,977	612,222	37,245
Expenditures:				
Current:				
General government	8,658,595	592,234	583,024	9,210
Public services	110,000	89,825	85,474	4,351
Capital outlay	50,000	8,503,607	931,348	7,572,259
Debt service:				
Interest and finance charges	438,409	24,198	23,493	705
Total expenditures	9,257,004	9,209,864	1,623,339	7,586,525
Excess (deficiency) of revenues over expenditures	(8,682,027)	(8,634,887)	(1,011,116)	7,623,771
Other financing sources (uses):				
Transfers in	768,751	770,036	768,751	1,285
Transfers out	(86,724)	(135,149)	(129,149)	(6,000)
Proceeds from credit facilities	8,000,000	8,000,000	-	8,000,000
Total other financing sources (uses)	8,682,027	8,634,887	639,602	7,995,285
Net changes in fund balances	-	-	(371,514)	(371,514)
Fund balances, beginning	-	-	131,727	131,727
Fund balances, ending	\$ -	\$ -	\$ (239,787)	\$ (239,787)

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUNDS - SERIES 2000B

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Property taxes	\$ 1,118,720	\$ 1,118,720	\$ 1,118,720	\$ -
Other	-	4,425	-	(4,425)
Interest	400	400	1,122	722
Total revenues	1,119,120	1,123,545	1,119,842	(3,703)
Expenditures:				
Current:				
General government	400	400	38	362
Debt service:				
Principal	225,000	225,000	225,000	-
Interest and finance charges	893,720	898,145	898,126	19
Total expenditures	1,119,120	1,123,545	1,123,164	381
Excess (deficiency) of revenues over expenditures	-	-	(3,322)	(3,322)
Net changes in fund balances	-	-	(3,322)	(3,322)
Fund balances, beginning	-	-	6,973	6,973
Fund balances, ending	\$ -	\$ -	\$ 3,651	\$ 3,651

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUNDS - SERIES 2002A

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
Revenues:				
Property taxes	\$ 932,150	\$ 932,150	\$ 932,150	\$ -
Other	6,000	6,000	-	(6,000)
Interest	600	600	12,276	11,676
Total revenues	938,750	938,750	944,426	5,676
Expenditures:				
Current:				
General government	600	600	504	96
Debt service:				
Principal	395,000	395,000	395,000	-
Interest and finance charges	543,150	543,150	541,679	1,471
Total expenditures	938,750	938,750	937,183	1,567
Excess (deficiency) of revenues over expenditures	-	-	7,243	7,243
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	-	7,243	7,243
Fund balances, beginning	-	-	17,945	17,945
Fund balances, ending	\$ -	\$ -	\$ 25,188	\$ 25,188

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUNDS - SERIES 1997-98

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ 642,052	\$ 642,052	\$ 642,052	\$ -
Interest	1,700	1,700	9,936	8,236
Total revenues	643,752	643,752	651,988	8,236
Expenditures:				
Current:				
General government	700	700	528	172
Debt service:				
Principal	236,000	236,000	175,000	61,000
Interest and finance charges	86,100	86,100	86,028	72
Total expenditures	322,800	322,800	261,556	61,244
Excess of revenues over expenditures	320,952	320,952	390,432	69,480
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(320,952)	(320,952)	(351,795)	(30,843)
Total other financing sources (uses)	(320,952)	(320,952)	(351,795)	(30,843)
Net changes in fund balances	-	-	38,637	38,637
Fund balances, beginning	-	-	183,000	183,000
Fund balances, ending	\$ -	\$ -	\$ 221,637	\$ 221,637

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SERIES 1999 NOTE
FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Expenditures:				
Debt service:				
Principal	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest and finance charges	29,400	29,400	20,457	8,943
Total expenditures	129,400	129,400	120,457	8,943
 Excess (deficiency) of revenues over expenditures	 (129,400)	 (129,400)	 (120,457)	 8,943
 Other financing sources (uses):				
Transfers in	129,400	129,400	120,402	(8,998)
Transfers out	-	-	-	-
Total other financing sources (uses)	129,400	129,400	120,402	(8,998)
 Net changes in fund balances	-	-	(55)	(55)
Fund balances, beginning	-	-	504	504
Fund balances, ending	\$ -	\$ -	\$ 449	\$ 449

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUNDS - SERIES 2000A

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 1,163	\$ 1,163
Total revenues	-	-	1,163	1,163
Expenditures:				
Debt service:				
Principal	13,208	13,208	13,208	-
Interest and finance charges	2,610	2,610	2,597	13
Total expenditures	15,818	15,818	15,805	13
Excess (deficiency) of revenues over expenditures	(15,818)	(15,818)	(14,642)	1,176
Other financing sources (uses):				
Transfers in	15,818	15,818	14,642	1,176
Transfers out	-	-	-	-
Total other financing sources (uses)	15,818	15,818	14,642	1,176
Net changes in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUNDS - SERIES 2003B

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 555	\$ 555
Total revenues	-	-	555	555
Expenditures:				
Debt service:				
Principal	395,000	395,000	395,000	-
Interest and finance charges	297,730	297,730	296,603	1,127
Total expenditures	692,730	692,730	691,603	1,127
Excess (deficiency) of revenues over expenditures	(692,730)	(692,730)	(691,048)	1,682
Other financing sources (uses):				
Transfers in	692,730	692,730	691,603	1,127
Transfers out	-	-	-	-
Total other financing sources (uses)	692,730	692,730	691,603	1,127
Net changes in fund balances	-	-	555	555
Fund balances, beginning	-	-	208	208
Fund balances, ending	\$ -	\$ -	\$ 763	\$ 763

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUNDS - SERIES 2005C

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 961	\$ 961
Total revenues	-	-	961	961
Expenditures:				
Debt service:				
Principal	1,468	1,468	1,468	-
Interest and finance charges	9,577	9,577	9,575	2
Total expenditures	11,045	11,045	11,043	2
Excess (deficiency) of revenues over expenditures	(11,045)	(11,045)	(10,082)	963
Other financing sources (uses):				
Transfers in	11,045	11,045	10,082	(963)
Transfers out	-	-	-	-
Total other financing sources (uses)	11,045	11,045	10,082	(963)
Net changes in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ALLEY RESTORATION PROGRAM

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget - Positive (Negative)</u>
Revenues:				
Interest	\$ -	\$ -	\$ 4,862	\$ 4,862
Total revenues	-	-	4,862	4,862
Expenditures:				
Current:				
Public services	-	380	379	1
Capital outlay	320,000	319,620	317,760	1,860
Total expenditures	320,000	320,000	318,139	1,861
Excess (deficiency) of revenues over expenditures	(320,000)	(320,000)	(313,277)	6,723
Other financing sources (uses):				
Transfers in	320,000	320,000	320,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	320,000	320,000	320,000	-
Net changes in fund balances	-	-	6,723	6,723
Fund balances, beginning	-	-	8,545	8,545
Fund balances, ending	\$ -	\$ -	\$ 15,268	\$ 15,268



FIDUCIARY FUNDS

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2007

<u>ASSETS</u>	Pension Trust Funds			<u>Totals</u>
	General	Police	General	
	<u>Employees</u>	<u>Officers and Firefighters</u>	<u>Management Employees</u>	
Cash held with trustee	\$ 208	\$ 739	\$ -	\$ 947
Investments:				
Cash management funds	1,241,499	1,241,903	-	2,483,402
Mutual funds	10,346,645	14,880,980	10,670,586	35,898,211
U.S. Government securities	-	15,030,896	-	15,030,896
Corporate bonds	-	3,175,986	-	3,175,986
Common stocks	43,838,922	25,065,947	-	68,904,869
Accrued interest and dividends	95,719	199,691	-	295,410
Other receivables	-	168,631	-	168,631
Total assets	<u>55,522,993</u>	<u>59,764,773</u>	<u>10,670,586</u>	<u>125,958,352</u>
<u>LIABILITIES AND NET ASSETS</u>				
Vouchers payable and accrued liabilities	43,227	74,111	-	117,338
Total liabilities	<u>43,227</u>	<u>74,111</u>	<u>-</u>	<u>117,338</u>
Net assets held in trust for pension benefits	<u>\$55,479,766</u>	<u>\$59,690,662</u>	<u>\$10,670,586</u>	<u>\$125,841,014</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

FIDUCIARY FUNDS COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Pension Trust Funds			<u>Totals</u>
	General	Police	General	
	<u>Employees</u>	<u>Officers and Firefighters</u>	<u>Management Employees</u>	
ADDITIONS				
Contributions:				
Employees	\$ 900,620	\$ 1,313,333	\$ 306,673	\$ 2,520,626
Employer	2,133,251	3,656,025	818,808	6,608,084
State/County	-	737,481	-	737,481
Total contributions	<u>3,033,871</u>	<u>5,706,839</u>	<u>1,125,481</u>	<u>9,866,191</u>
Investment income:				
Net appreciation in fair value of investments	4,503,028	4,922,291	-	9,425,319
Interest and dividends	2,217,792	2,309,308	1,092,289	5,619,389
Investment expenses	(107,756)	(124,497)	-	(232,253)
Net investment income	<u>6,613,064</u>	<u>7,107,102</u>	<u>1,092,289</u>	<u>14,812,455</u>
Total additions	<u>9,646,935</u>	<u>12,813,941</u>	<u>2,217,770</u>	<u>24,678,646</u>
DEDUCTIONS				
Pension benefits	2,604,438	4,503,688	312,310	7,420,436
Refunds of contributions	182,150	-	-	182,150
Administrative expenses	43,851	146,133	15,223	205,207
Total deductions	<u>2,830,439</u>	<u>4,649,821</u>	<u>327,533</u>	<u>7,807,793</u>
Net increase	6,816,496	8,164,120	1,890,237	16,870,853
Net assets held in trust for pension benefits:				
Beginning	<u>48,663,270</u>	<u>51,526,542</u>	<u>8,780,349</u>	<u>108,970,161</u>
Ending	<u>\$55,479,766</u>	<u>\$59,690,662</u>	<u>\$10,670,586</u>	<u>\$125,841,014</u>

CITY OF NORTH MIAMI BEACH, FLORIDA
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2007</u>
<u>ASSETS</u>				
Cash	\$ <u>302,661</u>	\$ <u>143,698</u>	\$ <u>427,556</u>	\$ <u>18,803</u>
 <u>LIABILITIES</u>				
Deposits held in trust	\$ <u>302,661</u>	\$ <u>143,698</u>	\$ <u>427,556</u>	\$ <u>18,803</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>	103-106
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	107-113
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>	114-117
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>	118-119
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>	120-122

Sources: Unless otherwise 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 SEVEN 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>	<u>2007</u>
Governmental activities:							
Invested in capital assets, net of related debt	\$ 7,703	\$ 10,870	\$ 14,888	\$ 12,088	\$ 15,239	\$ 20,831	\$ 27,797
Restricted	17,878	14,418	9,908	11,775	8,662	4,978	3,369
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>	<u>4,822</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>	<u>35,988</u>
Business-type activities:							
Invested in capital assets, net of related debt	52,082	53,019	55,829	57,376	61,584	60,373	67,750
Restricted	4,528	4,417	3,932	4,988	6,371	14,794	5,095
Unrestricted	<u>872</u>	<u>1,131</u>	<u>1,275</u>	<u>(326)</u>	<u>(1,164)</u>	<u>490</u>	<u>4,612</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>	<u>77,457</u>
Total government:							
Invested in capital assets, net of related debt	59,785	63,889	70,717	69,464	76,823	81,204	95,547
Restricted	22,406	18,835	13,840	16,763	15,033	19,772	8,464
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>	<u>9,434</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>	<u>\$ 113,445</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 SEVEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Expenses:							
Governmental activities:							
General government	\$ 12,626	\$ 10,823	\$ 13,682	\$ 13,966	\$ 15,063	\$ 15,258	\$ 17,433
Public safety	14,639	15,784	15,932	17,655	18,678	20,340	21,629
Library	968	998	1,040	1,089	1,037	1,070	1,192
Parks and recreation	3,648	3,993	4,278	4,456	4,676	4,827	4,805
Public works	7,487	8,933	9,571	10,174	11,147	13,977	10,659
Interest on long-term debt	2,023	1,758	1,717	1,980	1,998	2,672	1,971
Total governmental activities	41,391	42,289	46,220	49,320	52,599	58,144	57,689
Business-type activities:							
Water	16,820	15,005	18,466	18,471	19,381	20,124	19,624
Sewer	5,371	4,326	3,746	3,423	3,642	3,801	4,233
Stormwater	690	795	750	690	663	738	755
Total business-type activities	22,881	20,126	22,962	22,584	23,686	24,663	24,612
Total government expenses	\$ 64,272	\$ 62,415	\$ 69,182	\$ 71,904	\$ 76,285	\$ 82,807	\$ 82,301
Program revenues:							
Governmental activities:							
Charges for services:							
General government	\$ 6,660	\$ 3,903	\$ 4,494	\$ 6,542	\$ 7,338	\$ 8,561	\$ 7,883
Public safety	345	2,398	1,769	1,239	1,164	1,092	2,376
Public works	7,060	7,585	7,507	7,684	7,998	8,212	8,504
Other governmental activities	553	651	651	588	568	559	555
Operating grants and contributions	4,084	396	2,086	1,135	1,470	2,196	3,548
Capital grants and contributions	1,417	1,249	389	163	168	16	27
Total governmental activities program revenues	20,119	16,182	16,896	17,351	18,706	20,636	22,893
Business-type activities:							
Charges for services:							
Water	14,250	15,509	16,215	17,375	17,251	18,154	18,805
Sewer	4,398	4,669	4,707	4,919	4,854	5,128	5,068
Stormwater	1,015	1,016	1,019	1,024	1,037	1,140	1,291
Operating grants and contributions	-	-	1,544	1,332	3,809	4,414	1,281
Capital grants and contributions	2,079	2,471	5,781	1,954	4,345	7,648	3,547
Total business-type activities program revenues	21,742	23,665	29,266	26,604	31,296	36,484	29,992
Total program revenues	\$ 41,861	\$ 39,847	\$ 46,162	\$ 43,955	\$ 50,002	\$ 57,120	\$ 52,885
Net (expense) revenue:							
Governmental activities	\$ (21,272)	\$ (26,107)	\$ (29,324)	\$ (31,969)	\$ (33,893)	\$ (37,508)	\$ (34,796)
Business-type activities	(1,139)	3,539	6,304	4,020	7,610	11,821	5,380
Total net expense	\$ (22,411)	\$ (22,568)	\$ (23,020)	\$ (27,949)	\$ (26,283)	\$ (25,687)	\$ (29,416)
General revenues:							
Governmental activities:							
Taxes:							
Property taxes	\$ 8,033	\$ 10,832	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155
Sales and other taxes	5,283	5,638	8,023	8,490	8,193	9,170	9,436
State and local shared revenue (1)	4,890	3,823	2,837	3,566	4,164	8,501	5,373
Unrestricted interest earnings	1,472	1,075	78	535	542	637	674
Miscellaneous	1,505	990	743	973	1,040	1,367	1,283
Transfers	634	3,738	4,143	4,339	4,453	4,771	5,009
Total governmental activities	21,817	26,096	27,682	30,543	32,161	40,256	40,930
Business-type activities:							
Unrestricted interest earnings	376	434	42	965	1,297	1,445	884
Miscellaneous	325	850	265	355	300	369	546
Transfers	(634)	(3,738)	(4,143)	(4,339)	(4,453)	(4,771)	(5,009)
Total business-type activities	67	(2,454)	(3,836)	(3,019)	(2,856)	(2,957)	(3,579)
Total general revenues	\$ 21,884	\$ 23,642	\$ 23,846	\$ 27,524	\$ 29,305	\$ 37,299	\$ 37,351
Change in net assets:							
Governmental activities	\$ 545	\$ (11)	\$ (1,642)	\$ (1,426)	\$ (1,732)	\$ 2,748	\$ 6,134
Business-type activities	(1,072)	1,085	2,468	1,001	4,754	8,864	1,801
Total change in net assets	\$ (527)	\$ 1,074	\$ 826	\$ (425)	\$ 3,022	\$ 11,612	\$ 7,935

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST SEVEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
General fund:							
Reserved	\$ 2,815	\$ 2,998	\$ 3,169	\$ 3,017	\$ 2,338	\$ 2,717	\$ 2,431
Unreserved:							
Designated	-	-	-	-	-	1,124	1,448
Undesignated	<u>5,828</u>	<u>6,204</u>	<u>5,462</u>	<u>5,555</u>	<u>5,217</u>	<u>4,822</u>	<u>4,673</u>
Total general fund	<u>8,643</u>	<u>9,202</u>	<u>8,631</u>	<u>8,572</u>	<u>7,555</u>	<u>8,663</u>	<u>8,552</u>
All other governmental funds:							
Reserved:	17,863	14,421	9,910	11,777	8,663	5,161	3,586
Unreserved, reported in:							
Special revenue funds	650	712	881	858	678	694	867
Capital projects funds	<u>15</u>	<u>(7)</u>	<u>-</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>	<u>4,453</u>
Total governmental funds	<u>\$ 27,171</u>	<u>\$ 24,328</u>	<u>\$ 19,422</u>	<u>\$ 21,207</u>	<u>\$ 16,896</u>	<u>\$ 14,518</u>	<u>\$ 13,005</u>

Note: Data not available prior to fiscal year 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 SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
Revenues:							
Ad valorem taxes	\$ 8,033	\$ 10,832	\$ 11,858	\$ 12,640	\$ 13,769	\$ 15,810	\$ 19,155
Franchise fees	1,772	1,418	1,443	1,591	1,454	1,809	1,914
Utility taxes	3,511	2,297	2,377	2,349	2,243	2,377	2,336
Communication service tax	-	1,901	1,785	1,990	1,863	2,168	2,460
Other taxes	32	22	19	18	21	38	792
Licenses and permits	1,429	1,458	1,485	1,795	2,201	3,103	2,101
Intergovernmental	7,381	5,412	6,885	7,391	7,306	10,755	7,839
Charges for services	8,102	8,556	8,970	9,046	9,771	10,039	10,437
Fines and forfeitures	3,128	2,396	1,763	1,298	1,207	1,075	2,363
Other	3,491	3,174	3,076	4,902	6,037	8,310	8,743
Interest	1,472	1,075	774	535	542	637	674
Total revenues	<u>38,351</u>	<u>38,541</u>	<u>40,435</u>	<u>43,555</u>	<u>46,414</u>	<u>56,121</u>	<u>58,814</u>
Expenditures:							
Current:							
General Government	10,545	9,779	11,866	11,831	12,814	13,230	15,546
Police	13,706	14,380	14,926	16,852	17,878	19,805	21,041
Library	788	823	867	904	881	926	1,062
Parks and recreation	3,573	3,709	4,035	4,307	4,453	4,720	4,696
Public services	7,401	7,719	8,168	9,547	10,315	13,487	10,162
Capital Outlay	4,740	6,020	7,448	8,033	5,738	8,336	10,000
Debt Service:							
Principal	1,773	1,733	1,654	1,509	1,970	2,105	2,247
Interest and other fiscal charges	2,023	1,758	1,717	1,980	1,998	1,977	2,008
Total expenditures	<u>44,549</u>	<u>45,921</u>	<u>50,681</u>	<u>54,963</u>	<u>56,047</u>	<u>64,586</u>	<u>66,762</u>
Deficiency of revenues over expenditures	<u>(6,198)</u>	<u>(7,380)</u>	<u>(10,246)</u>	<u>(11,408)</u>	<u>(9,633)</u>	<u>(8,465)</u>	<u>(7,948)</u>
Other financing sources (uses):							
Transfers in	5,928	5,208	5,976	6,044	6,686	6,742	7,363
Transfers out	(2,343)	(1,470)	(1,833)	(1,705)	(2,233)	(1,972)	(2,353)
Lease proceeds	-	942	547	719	864	1,317	1,425
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>	<u>6,435</u>
Net change in fund balances	15,370	(2,843)	(5,556)	1,785	(4,311)	(2,378)	(1,513)
Fund balances - beginning	11,801	27,171	-	19,422	21,207	16,896	14,518
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>	<u>\$ 13,005</u>
Debt service as a percentage of non-capital expenditures	9.54%	8.75%	7.80%	7.43%	7.89%	7.26%	7.50%

Note: Data not available prior to fiscal year 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 <u>September 30,</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed</u>	<u>Total Gross Assessed Value</u>	<u>Real Estate Exempt Properties</u>	<u>Total Net Assessed Value</u>	<u>Total Direct Tax Rate</u>
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
2007	2,600,993	130,023	1,214	2,732,230	33,706	2,698,524	7.479

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

Fiscal Year	Overlapping Rates (1)											Total Direct and Overlapping Rates									
	City of North Miami Beach				Miami-Dade County				Miami-Dade County School Board				Everglades C.P.	Fire Debt	Children's Trust	Special District	Fire and Rescue	Water Management District			
	Operating Millage	Service Millage	Debt Total	Total County Millage	Operating Millage	Service Millage	Debt Total	Total School Millage	Operating Millage	Service Millage	Debt Total										
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	0.1560	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0690	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0690	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0690	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0790	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0790	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0690	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0520	0.1000	0.1000	0.1000	0.1000	0.1000	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	0.0420	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	26.3492
2007	6.6905	0.7889	7.4794	4.5796	0.2850	4.8646	7.5700	0.3780	7.9480	0.5346	0.0345	0.4223	2.2067	0.0420	0.0894	0.0894	0.0894	0.0894	0.0894	0.0894	23.6215

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	2007			1998		
		Taxable Assessed	Percent of Total City		Taxable Assessed	Percent of Total City	
		Value	Value	Rank	Value	Value	Rank
Florida Power & Light Co.	Utility	\$ 41,759	1.53%	1	\$ 21,325	3	1.90%
MSW Intracoastal Mall, LLC	Shopping Mall	28,904	1.06%	2	-	-	0.00%
Biscayne Commons	Office Building	19,908	0.73%	3	-	-	0.00%
Klein Motors	Retail	16,555	0.61%	4	-	-	0.00%
NMB Commerce Building	Office Building	16,547	0.61%	5	-	-	0.00%
Costco Wholesaler	Retail	14,022	0.51%	6	-	-	0.00%
Inland Towers Condo, LLC	Condo	13,700	0.50%	7	-	-	0.00%
Dayton Hudson Corp (Target)	Retail	13,294	0.49%	8	9,891	8	0.90%
Bell South Telephone	Utility	9,711	0.36%	9	26,920	2	2.40%
A. Surney, Inc.	Office Building	8,239	0.30%	10	-	-	0.00%
RHC Parkway	Hospital	-	0.00%	-	55,836	1	5.10%
Intracoastal Pacific, Ltd.	Office Building	-	0.00%	-	14,649	4	1.30%
Peoples Gas System, Inc.	Utility	-	0.00%	-	13,118	5	1.20%
Nova Southeastern University	Education	-	0.00%	-	11,500	6	1.00%
Sonic Ward, Inc. (K-Mart)	Retail	-	0.00%	-	10,965	7	1.00%
Friendly Ford, Inc.	Retail	-	0.00%	-	8,070	9	0.70%
1551 NE 167th Street, Inc.	Office Building	-	0.00%	-	6,180	10	0.58%
Total		<u>182,639</u>	<u>6.68%</u>		<u>\$ 178,454</u>		<u>16.08%</u>
Total assessed value			<u>\$ 2,732,231</u>				<u>\$ 1,100,916</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 Operating Purposes for Fiscal Year	Levied Taxes Collected within the Fiscal Year		Delinquent Tax Collections	Total Tax Collections	
		Amount	Percent of Levy		Amount	Percent of Levy
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%
2007	18,280	16,877	92%	227	17,104	94%

Source: City of North Miami Beach

CITY OF NORTH MIAMI BEACH, FLORIDA

WATER PRODUCED AND CONSUMED

LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

Fiscal Year Ended <u>September 30,</u>	Gallons of Water Produced by City's Norwood Treatment <u>Plant (1)</u>	Gallons of Water Purchased from Miami-Dade County <u>WASA (1)</u>	Gallons of Water <u>Consumed (2)</u>	Water Operating Service Revenue <u>Collected</u>	<u>Direct Rate (3)</u>
1998	4,869,310	5,158,473	7,162,150	\$ 20,166	\$ 12.70
1999	4,975,850	5,231,523	7,230,892	20,121	12.49
2000	4,620,845	5,367,869	7,138,469	15,203	12.49
2001	5,000,000 (5)	5,000,000 (5)	6,727,793	14,250	12.49
2002	5,246,138	4,411,391	7,119,759	15,509	12.77
2003	5,613,394	4,449,940	7,243,090	16,215	12.98
2004	5,627,611	4,477,992	7,274,623	17,375	13.75
2005	5,181,070	4,632,693	7,140,902	17,251	13.96
2006	5,197,500	3,909,050	7,319,322	18,154	14.99
2007 (4)	5,833,530	2,596,557	7,016,467	18,805	15.41

Notes:

- (1) & (2) Gallons are presented in thousands.
- (3) Direct rate used represents a typical single-family residential customer consuming 7,000 gallons per month.
- (4) Norwood Water Treatment Plant Expansion project was substantially complete in 2007.
- (5) Estimated amount

Sources:

- (1) City of North Miami Beach Water Department
- (2) City of North Miami Beach Finance Department
- (3) City of North Miami Beach Finance Department.

CITY OF NORTH MIAMI BEACH, FLORIDA

WATER RATE HISTORY

LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)

	<u>1998(1)</u>	<u>1999(1)</u>	<u>2000(1)</u>	<u>2001(1)</u>	<u>2002(1)</u>	<u>2003(1)</u>	<u>2004(1)</u>	<u>2005(1)</u>	<u>2006</u>	<u>2007</u>
Minimum Chg:										
5/8"	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.97	7.16
3/4"	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.82	6.97	7.16
1"	17.05	17.05	17.05	17.05	17.05	17.05	17.05	17.05	17.43	17.90
1 1/2"	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.10	34.85	35.80
2"	54.56	54.56	54.56	54.56	54.56	54.56	54.56	54.56	55.76	57.28
3"	109.12	109.12	109.12	109.12	109.12	109.12	109.12	109.12	111.52	114.56
4"	170.50	170.50	170.50	170.50	170.50	170.50	170.50	170.50	174.25	179.00
6"	341.00	341.00	341.00	341.00	341.00	341.00	341.00	341.00	348.50	358.00
8"	545.60	545.60	545.60	545.60	545.60	545.60	545.60	545.60	557.60	572.80
10"	784.30	784.30	784.30	784.30	784.30	784.30	784.30	784.30	801.55	823.40

Consumption Charge

Conservation Increments (Blocks):

Single Fam/Non-Resi

0 - 10 mgs 1.49 (2) 1.46 (2) 1.46 1.46 1.50 1.53 1.64 1.67 1.81 -
 11 - 20 mgs 1.64 1.61 1.61 1.61 1.70 1.74 1.84 1.87 2.02 -
 over 20 mgs 1.79 1.75 1.75 1.75 2.10 2.15 2.28 2.32 2.51 -

Multi-family

0 - 9 mgs/unit 1.34 1.31 1.31 1.31 1.35 1.38 1.48 1.50 1.62 -
 10 - 18 mgs/unit 1.48 1.45 1.45 1.45 1.53 1.57 1.66 1.69 1.83 -
 over 18 mgs/unit 1.61 1.58 1.58 1.58 1.89 1.93 2.05 2.08 2.25 -

Single Fam/Non-Resi

0 - 7 mgs - - - - - - - - - 1.86
 8 - 12 mgs - - - - - - - - - 2.08
 over 12 mgs - - - - - - - - - 2.58

Multi-family

0 - 5 mgs/unit - - - - - - - - - 1.86
 6 - 9 mgs/unit - - - - - - - - - 2.08
 over 9 mgs/unit - - - - - - - - - 2.58

(1) Single family customers are charged minimum charge for 5/8" meter regardless of meter size.
 (2) Non-Residential customers are charged for all consumption at the first incremental rate.

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL WATER CUSTOMERS

FISCAL YEAR 2007

<u>Customer</u>	<u>Type of Business</u>	<u>Water Units Sold (MG)</u>	<u>Rank</u>	<u>% of Water Consumption</u>
Winston Towers	Condominium	207,070	1	3.0%
Pro Player Stadium	Stadium	94,290	2	1.4%
Arlen House	Condominium	82,750	3	1.2%
Oceania - Towers I, II, III	Condominium	67,500	4	1.0%
Ocean View Condo. Assoc.	Condominium	59,210	5	0.9%
Plaza of the Americas Club	Shopping Mall	58,260	6	0.8%
Intracoastal Yacht Club	Condominium	56,000	7	0.8%
Admirals Port	Condominium	52,810	8	0.8%
Commodore Plaza Condo Assoc.	Condominium	44,600	9	0.6%
BHI Summer Winds LLC.	Condominium	<u>43,150</u>	10	<u>0.6%</u>
Total customers		<u>765,640</u>		<u>11.10%</u>

Source: City of North Miami Beach Finance Department.

Note: Information is not available for fiscal year 1998 comparison.

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			
1998	\$ 16,170	\$ 733	\$ 1,193	\$ 7,550	\$ 3,000	\$ 1,040	\$ 29,686	6.24%	\$ 845
1999	15,695	1,307	1,652	6,750	2,900	1,845	30,149	6.30%	853
2000	15,495	1,307	1,617	6,855	2,800	1,774	29,848	1.99%	844
2001	32,280	880	1,469	6,855	2,700	985	45,169	3.01%	1,277
2002	31,580	749	1,529	73,240	2,650	776	110,524	7.37%	3,126
2003	31,330	647	1,305	73,240	2,600	498	109,620	7.30%	3,100
2004	38,413	550	1,294	72,977	2,500	328	116,062	7.73%	3,282
2005	37,320	450	1,339	73,125	2,400	868	115,502	7.70%	3,267
2006	36,163	350	1,869	72,527	2,300	1,008	114,217	7.61%	3,230
2007	34,959	250	2,215	72,036	2,198	737	112,395	7.49%	3,179

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 118 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	<u>General Bonded Debt Outstanding</u>			Percentage of Net Assessed Property Value (1)	Per Capita (2)
	General Obligation Bonds	Less Amount in Debt Service	Net Amount		
1998	\$ 16,170	\$ 393	\$ 15,777	1.46%	\$ 446
1999	15,695	394	15,301	1.38%	433
2000	15,495	326	15,169	1.35%	429
2001	32,280	307	31,973	2.69%	904
2002	31,418	155	31,263	2.40%	884
2003	31,330	293	31,037	2.11%	878
2004	38,413	237	38,176	2.33%	1,080
2005	37,320	210	37,110	1.96%	1,050
2006	36,163	209	35,954	1.54%	1,017
2007	34,959	252	34,707	1.29%	982

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 107 for net assessed property value data.

(2) See the Schedule of Demographic and Economic Statistics on Page 118 for population data.

CITY OF NORTH MIAMI BEACH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2007

(AMOUNTS EXPRESSED IN THOUSANDS)

<u>Government Unit</u>	2007		
	Net Debt Outstanding	Percentage Applicable to the City of North Miami Beach (1)	Amount Applicable to the City of North Miami Beach
Debt repaid with property taxes:			
Miami Dade County	\$ 446,736	1.10%	\$ 4,914
Miami Dade County School Board	388,675	1.10%	4,275
Other debt:			
Miami Dade County	1,667,665	1.10%	18,344
Miami Dade County School Board	97,205	1.10%	<u>1,069</u>
Subtotal, Overlapping Debt			28,603
City of North Miami Beach Direct Debt			<u>37,562</u>
Total Direct and Overlapping Debt			<u>\$ 66,165</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

PLEDGED 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 Operating Expenses	Net Available Revenue	Debt Service		County		Debt Service		Municipal		Debt Service		Coverage			
	Charges and Other	Charges and Other			Principal	Interest	Transit Surtax	Principal	Interest	Principal	Interest	Revenue Sharing	Principal	Interest	Principal	Interest	Coverage	Coverage
1998	\$ 15,452	\$ 13,335	\$ 2,117	\$ 7,550	\$ 509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 999	\$ 3,755	\$ 1,468	0.19	0.19			
1999	15,058	13,376	1,682	6,750	155	-	-	-	-	-	924	3,495	1,287	0.19	0.19			
2000	15,810	13,864	1,946	6,855	4,964	-	-	-	-	-	945	3,220	1,118	0.22	0.22			
2001	14,837	11,798	3,039	6,855	4,655	-	-	-	-	-	944	2,935	972	0.24	0.24			
2002	16,245	11,979	4,266	73,240	75,877	-	-	-	-	-	960	2,455	825	0.29	0.29			
2003	18,041	12,336	5,705	73,240	72,250	799	-	-	-	-	1,055	2,325	708	0.35	0.35			
2004	19,038	12,446	6,592	72,977	68,622	1,225	7,765	3,186	0.11	0.11	1,157	2,165	437	0.44	0.44			
2005	19,139	13,979	5,160	73,125	64,336	1,254	7,370	2,880	0.12	0.12	1,428	2,000	497	0.57	0.57			
2006	21,352	14,782	6,570	72,527	60,863	1,416	6,980	2,880	0.14	0.14	1,466	1,830	402	0.66	0.66			
2007	19,933	14,029	5,904	72,036	57,331	1,367	6,585	2,292	0.15	0.15	1,425	1,655	317	0.72	0.72			

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) (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age (2)</u>	<u>Unemployment Rate (3)</u>
1998	35,359	\$ 478,443	\$ 13,531	34.5	6.1%
1999	35,359	478,443	13,531	34.5	5.5%
2000	40,786	1,731,039	42,442	34.5	4.6%
2001	40,786	1,731,039	42,442	34.5	6.1%
2002	40,786	1,731,039	42,442	34.5	6.0%
2003	42,000	1,782,564	42,442	34.5	5.8%
2004	42,000	1,782,564	42,442	34.5	5.1%
2005	42,000	1,782,564	42,442	34.5	4.1%
2006	42,000	1,782,564	42,442	34.5	3.7%
2007	42,000	1,782,564	42,442	34.5	4.2%

Sources:

(1) United States Census Bureau (for years 1998 through 2002). Estimated by City of North Miami Beach Economic Development (for years 2003 to 2007).

(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.

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL EMPLOYERS AND INDUSTRIES

FISCAL YEAR 2007

<u>Employer</u>	<u>Type of Business</u>	<u>2007</u>	
		<u>Employees</u>	<u>Rank</u>
Publix Super Markets	Warehouse/Distribution	2,100	1
Jackson North 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	600	6
Southern Wine & Spirits	Beverage Distribution	600	6
Nabi	Laboratory Apparatus	500	8
Turnberry Associates	Developers/Property Mgmt	470	9
Perko	Marine Hardware	450	10
Total		<u>8,890</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 1998 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>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>	<u>2007</u>
Number of employees:										
Attorney's office	6	5	5	5	5	5	5	5	5	5
Clerk's office	6	6	7	7	7	7	7	7	7	7
Mayor and council's office	9	9	9	9	9	9	9	9	10	10
Executive	34	37	40	38	45	45	46	50	49	56
Human resources	6	6	7	7	7	8	8	7	7	7
Finance	34	36	37	35	36	36	37	37	37	39
Police:										
Police officers	99	102	104	105	109	107	105	108	110	119
Civilians	69	80	81	81	72	53	58	38	45	47
Library	15	14	14	14	13	13	13	12	12	13
Parks and recreation	29	49	48	50	47	50	50	51	52	51
Public services	91	99	97	94	92	90	90	91	91	95
Water	90	99	111	117	110	109	112	113	112	106
Sewer	14	15	14	22	15	22	19	21	25	17
Stormwater	12	7	8	6	6	7	7	7	8	7
Total number of employees	<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>	<u>579</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	<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>	<u>2007</u>
Public safety:										
Police:										
Police calls for service	n/a	n/a	n/a	n/a	n/a	85,611	80,486	81,137	86,685	85,283
Parking citations	n/a	n/a	n/a	n/a	n/a	2,250	3,030	2,532	2,011	1,959
Traffic citations	n/a	n/a	n/a	n/a	n/a	10,360	11,855	12,192	12,043	12,791
Arrests	n/a	n/a	n/a	n/a	n/a	2,185	2,124	2,099	2,266	2,429
SRT call outs	n/a	n/a	45	21	15	17	10	27	26	46
Community development:										
Building permits issued	2,603	2,283	2,450	2,212	2,181	2,204	2,376	3,199	3,684	2,552
Library:										
Number of registered borrowers	11,388	14,306	16,243	18,226	20,413	13,170	18,233	22,677	27,096	20,641
Total annual circulation	134,334	143,927	139,084	127,471	135,912	154,987	176,341	159,353	141,858	148,496
Total reference transactions	51,125	46,795	79,936	41,828	111,857	135,836	125,021	137,249	137,683	154,081
Annual number of users of public internet computers	n/a	n/a	n/a	n/a	n/a	n/a	61,531	75,448	73,171	75,088
Parks and recreation:										
After school program enrollment	n/a	215	254	318	312	283	328	303	312	314
Summer camp program enrollment	n/a	n/a	381	374	362	383	406	416	413	431
Camp No-Mi-Be enrollment (1)	n/a	n/a	447	454	439	422	370	234	463	160
Theater camp enrollment	n/a	n/a	n/a	n/a	n/a	n/a	46	37	26	39
Playschool enrollment	n/a	42	44	38	42	44	35	26	-	-
Sanitation:										
Refuse collected (tons / year)	n/a	n/a	n/a	n/a	n/a	40,445	41,612	42,504	53,701	45,210
Water:										
Number of customers	31,041	31,324	31,543	31,730	31,906	32,065	32,164	34,412	32,355	32,587
Average daily water consumption (millions of gallons)	24.9	24.9	25.6	24.5	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	5,498	5,500	5,289	4,982	5,391	5,834
Sewer:										
Number of customers	6,552	6,698	6,752	6,877	6,923	6,980	7,010	7,065	7,047	7,260

Sources: Various city departments

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

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

CITY OF NORTH MIAMI BEACH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</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>	<u>2007</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	51,872	53,663	55,433	56,168	53,631	50,724	53,212	51,651	58,523	60,736
Number of licensed databases	n/a	n/a	n/a	n/a	n/a	20	15	15	37	61
Audio materials volumes	1,754	1,861	2,063	2,018	2,420	2,502	2,972	3,618	3,727	4,362
Video materials volumes	1,965	2,587	2,828	3,230	3,538	3,444	4,106	4,005	4,298	4,715
Parks and recreation:										
Parks	9	9	9	9	9	9	9	9	10	10
Senior centers	1	1	1	1	1	1	1	1	1	1
Municipal swim centers	3	3	3	3	3	3	3	3	3	3
Tennis centers	1	1	1	1	1	1	1	1	1	1
Recreational centers	4	4	4	5	5	5	5	5	5	5
Performing arts centers	1	1	1	1	1	1	1	1	1	1
Amphitheaters	1	1	1	1	1	1	1	1	1	1
Parks acreage	n/a	n/a	n/a	n/a	n/a	49.0	49.0	49.0	49.0	49.0
Streets:										
Miles of streets and alleys	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0	130.1
Water:										
Water mains (miles)	515	515	515	515	515	515	515	515	515	515
Fire hydrants	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Valves	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160
Sewer:										
Lift stations	29	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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 23, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

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*.

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.

Rachlin LLP

Miami, Florida
April 23, 2008

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 City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2007, and have issued our report thereon dated April 23, 2008.

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 April 23, 2008, 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, unless otherwise required to be reported in the report on compliance and internal controls this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.



Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of North Miami Beach was incorporated pursuant to Chapter 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.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition 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.

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

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

Rachlin LLP

Miami, Florida
April 23, 2008

**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, 2007. 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, 2007.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs



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

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 and or state financial assistance projects programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented and detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Rachlin LLP

Miami, Florida
April 23, 2008

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant or Identifying Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Miami-Dade County:			
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2004	\$ 126,167
City of NMB Highland Village Wastewater Improvements	14.218	CDBG FY2005	93,103
Total U.S. Department of Housing and Urban Development			<u>219,270</u>
U.S. DEPARTMENT OF JUSTICE			
Forfeiture Fund - Federal Equitable Sharing (non-treasury)	N/A	N/A	513,168
Forfeiture Fund - U.S. Treasury Equitable Sharing	N/A	N/A	219,565
Solving Cold Cases with DNA	16.743	2005-DN-BX-K023	86,719
Domestic Violence Grant	16.579	2007-JAGC-DADE-27-P3-165	3,100
FY 2004 Weed & Seed Program	16.595	2005-WS-Q5-0042	12,262
FY 2005 Weed & Seed Program	16.595	2005-WS-Q5-0225	36,041
FY 2006 Weed & Seed Program	16.595	2006-WS-Q5-0149	185,369
C.O.P.S In School Award	16.710	FL01310-2004SHWX0157	62,437
Facility Security and Management (FSM) Project	16.738	2006-DJ-BX-0639	6,000
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	2005-DJ-BX-0935	9,060
Gang Resistance & Training Grant (GREAT Grant)	16.737	2006-JV-FX-0043- Supplemental Award	11,481
Bulletproof Vest	16.607	N/A	7,608
Subtotal - direct awards			<u>1,152,810</u>
Passed through the Office of the Attorney General - State of Florida:			
2006-2007 Victims of Crime Act Agreement	16.575	V6255	51,769
Passed through the State of Florida Department of Juvenile Justice:			
PanZOu Project - Grant #2	16.540	N/A	82,172
PanZOu Project - Grant #3	16.540	N/A	26,523
Gang Reduction Grant - FY 2006-07	16.540	D0292834/D0292837	171,090
Passed through the Miami Coalition for a Safe and Drug Free Community			
FY2004 Project Safe Neighborhoods	16.609	2004-GP-CX-0593	20,272
Subtotal passed through awards			<u>351,826</u>
Total U.S. Department of Justice			<u>1,504,636</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation:			
North Miami Beach I-95 Project Continuation (LEAD Grant)	20.600	SC-07-13-02	118,701
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Florida Department of Community Affairs:			
FEMA-1345-DR-FL (Disaster Relief - South Florida Floods of 2000)	83.544	#OI-RM-L5-11-23-02-064	110,223
Hurricane Wilma Repair Project	97.036	FEMA 1609 DR FL	97,655
Total Federal Emergency Management Agency			<u>207,878</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Florida Department of Agriculture and Consumer Services:			
N.E. 19th Avenue Medium Canopy Restoration	10.664	FDACS Contract No. 011968	23,000
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Florida Department of Community Affairs:			
City of North Miami Beach UASI 2005 Grant	97.607	06DS-4H-11-23-02-342	226,306
Total of Expenditures of Federal Awards			<u>\$ 2,299,791</u>

N/A - Not available.

(Continued)

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2007

<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			
NMB Norwood Water Treatment Plant Stormwater Retention Ponds & Abandonment of Existing Exfiltration Systems	37.039	LP6764	\$ 304,800
Victory Pool FRDAP Project No. F07204	37.017	F7204	<u>200,000</u>
Total Florida Department of Environmental Protection			<u>504,800</u>
FLORIDA DEPARTMENT OF STATE - DIVISION OF LIBRARY AND INFORMATION			
State Aid to Libraries Grant Program	45.030	05-ST-36	27,688
Gates Public Access Computing Hardware Upgrade	N/A	Project #06 Gates 32	<u>10,500</u>
Total Florida Department of State			<u>38,188</u>
FLORIDA INLAND NAVIGATION DISTRICT			
Debris and Derelict Vessel Removal from Maule Lake	N/A	DA-NMB-06-99	<u>40,000</u>
FLORIDA DEPARTMENT OF TRANSPORTATION			
DOT Access Management Study	55.023	252120-1-14-06	<u>25,987</u>
Total Expenditures of State Financial Assistance Projects			<u>\$ 608,975</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, 2007

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, 2007

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, 2006 schedule of findings and questioned costs:

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

- Disaster Recovery Plan (see item 06-01)

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, 2006 schedule of findings and questioned costs.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2007

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Unqualified Opinion

Type of auditor’s report issued:

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards Programs and State Financial Assistance Projects

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

Material weakness(es) identified? _____ Yes X No

Significant Deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

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

Unqualified Opinion

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

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

<u>Federal Awards Programs</u>	<u>Federal CFDA No.</u>
Forfeiture Funds – Equitable Sharing	N/A

<u>State Assistance Projects</u>	<u>State CSFA No.</u>
Norwood SW Retention Ponds Project	37.039
Victory Pool Project	37.017

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

Federal \$300,000
State \$182,693

Auditee qualified as low-risk auditee?

X Yes _____ no

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.